

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 15, 2022

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P "___"
See “Bond Ratings” herein

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, under existing law, interest on the Bonds is exempt from income taxation by the State of Kansas. Interest on the Bonds is included in gross income for federal income tax purposes. See “TAX MATTERS” herein.

\$4,470,000*
CITY OF ARKANSAS CITY, KANSAS
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2022

DATED: As of the Delivery Date shown below

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

The Taxable General Obligation Bonds, Series 2022 (the “Bonds”) will be issued by the City of Arkansas City, 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 the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the Bond owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (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 a registered owner of \$500,000 or more in aggregate principal amount of Bonds, 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 on the Bonds will be payable annually on September 1 in each year, beginning September 1, 2023, and semi-annual interest will be payable on March 1 and September 1, beginning March 1, 2023 (the “Interest Payment Dates”).

MATURITY SCHEDULE*
(See inside cover page)

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable 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 payment of the principal of, redemption premium, if any, and interest on the Bonds is subject to certain risk factors and investment considerations as described under the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

The Bonds maturing on September 1, 2030, and thereafter will be subject to redemption prior to maturity, at the option of the Issuer, on September 1, 2029 or thereafter as described herein. [The Term Bonds are also subject to mandatory redemption as described herein.] See “THE BONDS - Redemption Provisions” herein.

The Bonds are offered when, as, and if, issued and delivered by the City to the Underwriter, subject to the receipt of the approving legal opinion of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Larry Schwartz, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 3, 2022.

BIDS WILL BE ACCEPTED ON BEHALF OF:
THE CITY OF ARKANSAS CITY, KANSAS
ON APRIL 19, 2022 UNTIL 11:00 A.M. CT
BY RANSON FINANCIAL GROUP, LLC
200 W. DOUGLAS, SUITE 600
WICHITA, KANSAS 67202
PHONE: (316) 264-3400 FAX: (316) 265-5403

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 C - SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS PRELIMINARY OFFICIAL STATEMENT.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$4,470,000*
CITY OF ARKANSAS CITY, KANSAS
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2022

MATURITY SCHEDULE*

SERIAL BONDS

<u>Stated</u> <u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP (1)</u> <u>Base: 040807</u>
2023	\$180,000	_____ %	_____ %	
2024	240,000	_____ %	_____ %	
2025	250,000	_____ %	_____ %	
2026	255,000	_____ %	_____ %	
2027	265,000	_____ %	_____ %	
2028	275,000	_____ %	_____ %	
2029	285,000	_____ %	_____ %	
2030	295,000	_____ %	_____ %	
2031	305,000	_____ %	_____ %	
2032	320,000	_____ %	_____ %	
2033	330,000	_____ %	_____ %	
2034	345,000	_____ %	_____ %	
2035	360,000	_____ %	_____ %	
2036	375,000	_____ %	_____ %	
2037	390,000	_____ %	_____ %	

[TERM BONDS

<u>Stated</u> <u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP (1)</u> <u>Base: 040807</u>
2037	\$	_____ %	_____ %	

(all plus accrued interest, if any)

⁽¹⁾ 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

* Subject to change.

REGARDING THIS PRELIMINARY OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect 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 any of the foregoing. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information 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. The Underwriter has reviewed the information in this Preliminary Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. 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 ARKANSAS CITY, KANSAS

Governing Body

Kanyon Gingher, Mayor & Commission Member
Charles Jennings, Commission Member
Scott Rogers, Commission Member
Diana Spielman, Commission Member
Jay Warren, Commission Member

City Staff

Randy Frazer, City Manager
Lesley Shook, City Clerk
Jennifer C. Waggoner, Finance Director/Treasurer

City Attorney

Larry Schwartz, Esq.
Arkansas City, Kansas

Bond Counsel

Gilmore & Bell, P.C.
Wichita, Kansas

Paying Agent/Bond Registrar

Office of State Treasurer
Topeka, Kansas

Financial Advisor

Ranson Financial Group, LLC
Wichita, Kansas

Underwriter

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 COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. 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 PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS PRELIMINARY 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.

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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OFFICIAL STATEMENT

\$4,470,000*
CITY OF ARKANSAS CITY, KANSAS
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2022

INTRODUCTION

General Matters

This Preliminary Official Statement including the cover page and appendices hereto (the “Preliminary Official Statement”) is provided to furnish information with respect to the City of Arkansas City, Kansas (the “City” or “Issuer”) and the issuance and delivery of its Taxable General Obligation Bonds, Series 2022 (the “Bonds”) in the aggregate principal amount of \$4,470,000*, dated May 3, 2022 (the “Dated Date”).

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Issuer is a municipal corporation duly organized and existing under the laws of the State of Kansas (the “State”). Additional information regarding the Issuer is contained in *APPENDIX A* to this Official Statement.

The Bonds will be issued in denominations of \$5,000 or multiples thereof (the “Authorized Denomination”) with the Office of State Treasurer, Topeka, Kansas serving as Registrar and Paying Agent for the Bonds. See “THE BONDS - Registration and Transfer” herein for additional detail.

The Bonds are subject to optional redemption and payment prior to maturity. See “THE BONDS - Redemption Provisions” herein for additional detail.

Except for the information expressly attributed to other sources, all information has been provided by the City. The presentation of information herein, including all tables, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Ranson Financial Group, Wichita, Kansas, the 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 a detailed 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 nor reviewed this Preliminary Official Statement, except to the extent described under the section captioned “LEGAL MATTERS,” and accordingly Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

Definitions

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “APPENDIX C - SUMMARY OF FINANCING DOCUMENTS”

Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In connection with the issuance of the Bonds, the City will enter into a continuing disclosure undertaking (the “Disclosure Undertaking”) wherein the City covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Disclosure Undertaking, the City has agreed to file its Annual Report with the national repository (“EMMA”) not later than September 1 immediately following the end of the City’s Fiscal Year, commencing with the year ending December 31, 2021. In the Bond Resolution, hereinafter defined, the City covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds.

* Subject to change.

The City has previously entered into disclosure undertakings pursuant to the Rule (the “Prior Undertakings”). In certain prior years, the City has failed to file its Annual Report within the time period prescribed by the Prior Undertakings, and did not timely file notices on EMMA that the Annual Report was missing or late. Specifically, the City notes the following instances of non-compliance with the Prior Undertakings:

The City did not timely file its audited financial statements for its fiscal year ending in 2016; additionally, the City’s audited financial statements for fiscal years ending in 2016 through 2017 were filed on EMMA but were not associated with all obligations subject to the Prior Undertakings until March 25, 2019.

For the fiscal years ending in 2016 - 2017, the City did not timely file all the information described as operating data in the Prior Undertakings and did not associate such operating data filings, when made, with all obligations subject to the Prior Undertakings. The City made a supplemental operating data filing on March 22, 2019.

On June 7, 2019, the City filed a notice that certain sales tax revenues had been pledged toward the repayment of outstanding bonds of the Arkansas City, Kansas Public Building Commission, and any bonds issued to refund such bonds. As set forth in the notice, such pledge was effective 60 days following the second publication of the ordinance pledging such sales tax revenues, which second publication occurred February 28, 2019.

In 2017 the City hired a third-party firm to assist the City in meeting its continuing disclosure obligations.

During the past five years, the City has made filings of event notices on EMMA with respect to bond calls and defeasances, however, during said time period, the City may not have made timely filings of event notices on EMMA relating to all bond calls, defeasances or ratings changes. The City believes this information was disseminated or available through other publicly available sources.

For more information regarding the Disclosure Undertaking, see “APPENDIX D — FORM OF DISCLOSURE UNDERTAKING.”

Additional Information

All of the summaries of statutes, opinions, financial and statistical data, and other related reports and documents described in this Preliminary Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the City Hall, 118 W. Central Ave., Arkansas City, Kansas 67005. Additional information regarding the City or the Bonds may be obtained from the Financial Advisor, Ranson Financial Group, LLC, (316) 264-3400.

THE BONDS

Authority and Purpose for the Bonds

The Bonds are being issued pursuant to, and in full compliance with, the Constitution and statutes of the State including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, and K.S.A. 12-1736 *et seq.*, all as amended and supplemented from time to time (collectively, the “Act”), and an ordinance and a resolution passed by the governing body of the Issuer on April 19, 2022 (collectively, the “Bond Resolution”) for the purpose of paying the costs associated with the construction of a new public building to serve as a warehouse facility at Strother Field Airport/Industrial Park (the “Project”), and to provide for the payment of the costs associated with the issuance of the Bonds. Additional information regarding the Project can be found in the section entitled “THE PROJECT” herein.

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 and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes and/or assessments 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 and/or assessments 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, shall 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 Preliminary Official Statement. The Bonds shall bear interest (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. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, 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, 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 maturing September 1 in the year 2030, and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2029, and thereafter, as a whole or in part (selection of the amount of Bonds 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.

[Mandatory Redemption. [(a) [] Term Bonds.]The [] Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on September 1 in each year, the following principal amounts of such [] Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$	*

*Final Maturity]

[(b) [] Term Bonds. The [] Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on September 1 in each year, the following principal amounts of such [] Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$	*

*Final Maturity]

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 a minimum Authorized Denomination of face value represented by any Bond is selected for redemption, then upon notice of intention to redeem a 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 a minimum Authorized Denomination of face 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 a minimum Authorized Denomination of face 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 Underwriter. 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 Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. 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 Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, 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 maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the

Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 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.

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. 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.

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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or 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, Agent, or 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 Issuer or 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.

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.

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

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, Security certificates will be printed and delivered to DTC.

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 Issuer takes no responsibility for the accuracy thereof.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS 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 City or the taxing authority of the City.

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 City 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 of Kansas 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 and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Debt Service Source

The Bonds are general obligations of the Issuer payable as to both principal and interest, if necessary, 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 Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the Issuer's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the Issuer's financial situation. See "APPENDIX A – FINANCIAL INFORMATION – Property Valuations and Property Tax Levies and Collections."

The City anticipates that the revenues derived from the operation of Strother Field (defined herein) will be used to pay the debt service on the Bonds. However, the revenues of Strother Field are not pledged to the repayment of the Bonds and the City is obligated to levy unlimited ad valorem taxes to provide for debt service payments on the Bonds to the extent that such other revenues are insufficient. For additional information regarding Strother Field, see "THE PROJECT" herein.

Premium on Bonds

[The initial offering price 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."

Kansas Public Employees Retirement System

As described in “*APPENDIX A – FINANCIAL INFORMATION – Pension and Employee Retirement Plans*,” 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. The Issuer participates in the Public Employees Retirement System – Local Group (the “Plan”). 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, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS’ Valuation Report, the Local Group had an UAAL of approximately \$1.501 billion in calendar year 2018.

Suitability of Investment

Each prospective investor should carefully examine this Preliminary 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 have been assigned the financial rating set forth in the section hereof entitled “BOND RATING.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. 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 to suspend indefinitely secondary market trading in the Bonds as a result of financial condition or market position of broker-dealers, 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 may give rise to uncertainty concerning prudent secondary market practices.

Cybersecurity Risks

Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If a security breach occurs, the Issuer may incur significant costs to remediate possible injury to the affected persons, and the Issuer may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the Issuer’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

Natural Disasters or Terrorist Attacks

The occurrence of a terrorist attack in the Issuer, or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the Issuer and its systems and infrastructure, and interrupt services or otherwise impair operations of the Issuer.

Global Health Emergency

On March 11, 2020, the World Health Organization proclaimed the Coronavirus and the disease caused by it (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state and local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The Governor of the State has issued various Executive Orders in response to the COVID-19 pandemic, including Executive Orders temporarily

preventing foreclosures and evictions, deferring certain tax deadlines and payments, instituting a temporary State-wide stay-at-home (expired as of May 2020), and instituting a mask mandate which granted each county the right to opt out of such order. Under recently enacted legislation, the State’s Legislative Coordinating Council may override certain of the State executive orders related to the COVID-19 pandemic, and parties aggrieved by any county executive orders are given enhanced rights to challenge such orders.

As of the date hereof, the Issuer has not experienced material adverse changes relative to its adopted budget with regard to expenditures or receipt of revenues. The Issuer has received approximately \$90,036.68 of funds through the Coronavirus Aid, Relief, and Economic Security Act, and has been allocated approximately \$1,780,796 of funds through the American Rescue Plan Act of 2021, of which 50% has been received and the balance is expected to be received in 2022.

State and local governmental authorities continue efforts to contain and limit the spread of COVID-19. Future revenue collections, including property tax collections that are essential to repayment of the Bonds, may deviate from historical or anticipated levels.

The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. The Issuer is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the Issuer.

THE PROJECT

The City and the City of Winfield, Kansas (“Winfield”) have created and jointly own the Strother Field Aiport/Industrial Park (“Strother Field”), located approximately five miles north of the City. Strother Field consists of more than 1,600 acres and is home to over 30 business; it is managed and operated by the Strother Field Commission, a separate legal entity and body politic. Pursuant to an interlocal agreement between the City, Winfield, and the Strother Field Commission, the City will issue the Bonds to finance the construction of a new public building to serve as a warehouse facility at Strother Field. The revenues derived from the operation of Strother Field are not pledged to the repayment of the Bonds. The Bonds are a general obligation of City as set forth in the section herein entitled “Security for the Bonds.”

APPLICATION OF BOND PROCEEDS

The following table itemizes the sources and uses of funds associated with the issuance of the Bonds:

Sources of Funds:

Principal Amount of the Bonds*	\$4,470,000.00
[Reoffering Premium]
Total	\$

Uses of Funds:

Deposit to Improvement Fund	\$
Costs of Issuance	
Underwriters Discount	
Total	\$

* Subject to change.

BOND RATINGS

An application has been made to S&P Global Ratings, a division of S&P Global Inc. for a rating on the Bonds. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

LEGAL MATTERS

Approval of the 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 to the City (“Bond Counsel”). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer 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 C – SUMMARY OF FINANCING DOCUMENTS.*” Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain other legal matters will be passed upon by Larry Schwartz, Esq., counsel for the Issuer.

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. 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:

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

Other Tax Consequences

Interest Taxable The interest on the Bonds is included in gross income for federal income tax purposes.

[Original Issue Discount. For Federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The stated redemption price at maturity of a Bond is the sum of all payments on the Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. If the original issue discount on a Bond is more than a *de minimis* amount (generally $\frac{1}{4}$ of 1% of the stated redemption price at maturity of the Bond multiplied by either (a) the number of complete years to the maturity date of the Bond, or (b) the weighted average maturity of the Bond, in the case of a Bond providing for the mandatory, or in certain cases optional, payment prior to its maturity date), then that Bond will be treated as issued with original issue discount. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be included in 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 original issue discount.]

[Original Issue Premium. If a Bond is purchased at a price that exceeds the stated redemption price of the Bond at maturity, the excess of the purchase price over the stated redemption price at maturity constitutes premium on the Bond, and that Bond is referred to in this discussion as a “Taxable Premium Bond.” Under Code § 171, the purchaser of a Taxable Premium Bond may elect to amortize the premium over the term of the Taxable Premium Bond using constant yield principles, based on the purchaser’s yield to maturity. An owner of a Taxable Premium Bond amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to that accrual period. This offset occurs when

the owner takes the qualified stated interest into income under the owner's regular method of accounting. If the premium allocable to an accrual period exceeds the qualified stated interest for that period, the excess is treated by the owner as a deduction under Code § 171(a)(1). As premium is amortized, the owner's basis in the Taxable Premium Bond will be reduced by the amount of amortizable premium properly allocable to the owner. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

Sale, Exchange, Legal Defeasance or Retirement of Bonds. Upon the sale, exchange, legal defeasance 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 actually or constructively received on the sale, exchange, legal defeasance or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

ABSENCE OF LITIGATION

The Issuer, in the ordinary course of business, is a party to various legal proceedings. In the opinion of management of the Issuer, any judgment rendered against the Issuer in such proceedings would not materially adversely affect the financial position of the Issuer.

The Issuer certifies that there is no controversy, suit or other proceedings of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the issuing municipality 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 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 in relation to the issuance or sale thereof, or the levy and collection of a tax.

FINANCIAL ADVISOR

Ranson Financial Group LLC, Wichita, Kansas (the "Financial Advisor") has acted as financial advisor to the Issuer in connection with the sale of the Bonds. The Financial Advisor has assisted the Issuer in the preparation of this Preliminary Official Statement and in other matters relating to the issuance of the Bonds. Ranson Financial Group LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The fees of the Financial Advisor are contingent upon the issuance of the Bonds.

INITIAL PURCHASE

The Bonds have been sold at public sale by the Issuer to [_____] (the "Underwriter") on the basis of lowest net interest cost. [] bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a price equal to the principal amount of the Bonds, plus accrued interest from the Dated Date to the Issue Date[, plus a premium of \$ _____][, less an underwriting discount of \$ _____].

The Bonds will be offered to the public initially at the prices determined to produce the yield set forth on the inside cover page of this 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 Underwriter 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.

ADDITIONAL INFORMATION

Any statements in this Preliminary Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Preliminary Official Statement is not to be construed as a contract or agreement between the City and the Bondowners.

This Preliminary Official Statement is submitted only in connection with the sale and delivery of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

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 ARKANSAS CITY, KANSAS

By _____
Kanyon Gingher, Mayor

ATTEST:

Lesley Shook, City Clerk

APPENDIX A

INFORMATION CONCERNING THE ISSUER

GENERAL

Size and Location

Arkansas City, Kansas (the "Issuer" or the "City") is located approximately 58 miles southeast of Wichita, Kansas and is the second largest city in Cowley County. The City encompasses approximately 9.3 square miles and has a current estimated population of 11,974 persons.

Government and Organization of the City

The City was incorporated in 1884 and is a city of the second class. The City operates under a Commission-Manager form of government. There are five members of the City Commission. Three of the City's commissioners are elected on the first Tuesday in November of every odd-numbered year. Each election, the two candidates receiving the highest number of votes receive four-year terms and the candidate with the third-highest number of votes receives a two-year term. Current practice is that the highest vote-getter becomes the new Mayor in the second year of his or her term, while the second-highest vote-getter becomes Vice Mayor that year and the new Mayor the subsequent year. The City Manager is appointed by the Commission and is charged with the efficient and effective administration of the City.

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Kanyon Gingher	01/2023
Commission Members:	Charles Jennings	01/2023
	Scott Rogers	01/2023
	Diana Spielman	01/2025
	Jay Warren	01/2025
City Manager	Randy Frazer	N/A
City Clerk	Lesley Shook	N/A
Finance Director/Treasurer	Jennifer C. Waggoner	N/A
City Attorney	Larry Schwartz, Esq.	N/A

Management Personnel

The City Manager is appointed by the Commission and is charged with the efficient and effective administration of the City.

Public Safety

The City provides full-time law enforcement protection consisting of 26 full-time police officers. The City provides full-time fire and emergency medical protection with a Fire/EMS department consisting of 23 firefighter/paramedic/EMT's.

Municipal Services and Other Utilities

The City owns and operates its own water, sewer, and stormwater utility systems and provides other municipal services such as sanitation pickup, street maintenance, and animal control. Westar Energy supplies electricity and Kansas Gas and Electric Company supplies natural gas to the area. Telephone service is provided by AT&T and cable is provided by Cox Communications. Various service providers offer other telephone, internet, and cable television services.

Transportation Facilities

The City is served by the BNSF Railway, and a municipal airport with a 5,500 ft. concrete lighted runway. Two highly traveled federal highways intersect at the City: U.S. Highways 77 and 166. Over 475,000 trucks with origination at or destination to the City utilize these two highways annually. Also, the City has direct access to Interstate 35. The City's communication system is served by a newspaper, two radio stations, cable television, and postal service.

Educational Institutions and Facilities

Unified School District No. 470 (Arkansas City) operates six elementary schools, one middle school serving grades 6, 7 and 8, and one senior high school. The district had a total enrollment of approximately 2,747 students for the 2020/2021 academic year. In addition, there are two private schools and one Catholic elementary school located in the City. The rapidly expanding Cowley College is located in the City and provides a two-year curriculum and vocational and technical courses of study.

The following universities or colleges offering bachelor's or advanced degrees are also located in the region:

<u>Name</u>	<u>Location</u>	<u>Estimated Distance from City (in Miles)</u>	<u>Estimated Enrollment (FTE)</u>
Southwestern College	Winfield, OK	16	1,306
Northern Oklahoma College	Tonkawa, OK	49	3,414
Butler Community College	El Dorado, KS	55	6,676
Wichita Technical Institute	Wichita, KS	60	2,015
Wichita Area Technical College	Wichita, KS	61	2,220
Newman University	Wichita, KS	64	2,066
Friends University	Wichita, KS	64	2,024
Wichita State University	Wichita, KS	65	11,743

Medical and Health Facilities

The South-Central Kansas Regional Medical Center, located 5 miles north of the City, with 38 beds and approximately 215 personnel, is located within the City. There are 5 assisted living homes located within the County.

Recreational, Cultural and Religious Facilities

A wide variety of cultural and entertainment options are available to residents at the Cherokee Strip Land Rush Museum, Etzanoa Conservancy, Cowley College Renn Memorial Library, and Arkansas City Public Library. The City is the annual host of the Arkalalah Festival and is in its 87th year. There are 23 historical sites registered with the Kansas Historical Society located within the County, of which four are located within the City. Arkansas City High School (Old), Arkansas City Country Club Site, Pilgrim Congregational Church aka Church of the Nazarene, and the Arkansas City Commercial Center Historic District are all registered historical sites that can be located within the City.

A broad range of recreational programs are available within the City including, but not limited to, sporting events, movie theatres, a family center, country club, a 9-hole public golf course, fitness center, public parks that feature playground equipment, picnic facilities, including shelter houses, summer recreational programs, and many different clubs and other organizations. Hiking, bird watching, and various other recreational activities are available at the Chaplin Nature Center, which is approximately five miles west of the City. Fishing, swimming, camping, and various other recreational activities are also available at Cowley State Fishing Lake.

The City has 41 churches that serve the community.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City follows a statutory basis of accounting which is designed to show compliance with cash basis and budget laws of Kansas. The City has received a GAAP Waiver from the State of Kansas. More complete information regarding the City's accounting is contained in the Notes to the Financial Statements attached hereto as **APPENDIX B**.

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 a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of the City prior to August 25 of each year (or September 20 if the City must conduct a public hearing to levy taxes in excess of its revenue neutral rate described below). 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 is adopted.

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. In 2021, the Kansas Legislature passed legislation (the "Revenue Neutral Tax Act") that repeals the "tax lid" (formerly K.S.A. 79 2925c) and provides that, beginning January 1, 2021, a taxing subdivision (which includes any political subdivision of the State that levies an ad valorem property tax, including the City) is not authorized to levy a property tax rate in excess of its revenue neutral rate without first providing notice, holding a public hearing, and authorizing such property tax rate by majority vote of its governing body. The revenue neutral rate means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation.

The Revenue Neutral Tax Act provides that by June 15 of every year, each county clerk shall calculate the revenue neutral rate for each taxing subdivision in their respective county. If a taxing subdivision desires to levy a tax rate in excess of its revenue neutral rate, it must first publish notice of a public hearing and notify the county clerk of the taxing subdivision's intent to exceed the revenue neutral rate. The county clerk is required to provide notice of the public hearing to each taxpayer with property in the taxing subdivision, along with following information concerning the taxing subdivision: (1) the revenue neutral rate, (2) the proposed property tax revenue needed to fund the proposed budget, (3) the proposed tax rate based on the proposed budget, (4) the tax rate and property tax of each taxing subdivision on the taxpayer's property from the previous year's tax statement, (5) the appraised value and assessed value of the taxpayer's property, (6) estimates of the tax for the current tax year on the taxpayer's property based on the revenue neutral rate of each taxing subdivision and any proposed tax rates that exceed the revenue neutral rates, (7) the difference between the estimates of tax based on the proposed tax rate and the revenue neutral rate. The public hearing regarding exceeding the revenue neutral rate is to be held between August 10 and September 10, and can be held in conjunction with the taxing subdivision's budget hearing. If multiple taxing subdivisions within the county are required to hold a public hearing, the notices to the taxpayer can be combined into a single notice. After the public hearing, the taxing subdivision can approve exceeding the revenue neutral rate by a majority vote of its governing body, and the amount of tax to be levied must be certified to the county clerk by September 20. The taxing subdivision's adopted budget shall not result in a tax rate in excess of its proposed rate stated in the notice provided to the taxpayers. If a taxing subdivision fails to comply with the requirements of the Revenue Neutral Tax Act, it shall refund to the taxpayers any property taxes over collected based on the amount of the levy that was in excess of the revenue neutral rate.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such 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.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Gordon CPA, LLC, Lawrence, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended December 31, 2020 is attached hereto as **APPENDIX B**.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

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 Cowley County Appraiser's office determines the fair market value of all taxable property within Cowley 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 Section 501 of the Internal Revenue Code, 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 20%, (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 (the "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 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 Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the City's property tax collections. If a taxpayer valuation challenge is successful, the liability of the City to refund property taxes previously paid under protest may have a material impact on the City's financial situation.

Assessed Valuation

The following table shows the assessed valuation of the taxable tangible property within the City for the following years:

<u>Levy Year</u>	<u>Budget Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
2021	2022	\$53,927,623 ⁽¹⁾	\$1,120,748 ⁽¹⁾	\$5,973,969 ⁽¹⁾	\$10,088,581	\$71,110,921
2021	2022	53,921,098 ⁽²⁾	1,107,541 ⁽²⁾	5,808,913 ⁽²⁾	10,088,581	70,926,133
2020	2021	50,653,535	1,158,500	6,294,170	9,495,238	67,601,443
2019	2020	49,160,823	1,214,247	6,102,097	9,389,125	65,866,292
2018	2019	48,262,492	1,309,038	5,543,356	9,037,604	64,152,490
2017	2018	47,811,492	1,426,425	5,543,356	9,010,316	63,791,589

⁽¹⁾ Finalized valuation figures as of November 1, 2021..

⁽²⁾ Preliminary figures as of July 1, 2021 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 August 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.

The following table shows the City's mill levies by fund (per \$1000 of assessed valuation) for each of the years indicated and the current year:

<u>Levy Year</u>	<u>Budget Year</u>	<u>General</u>	<u>Bond & Interest</u>	<u>Library</u>	<u>Total Levy</u>
2021	2022	55.093	8.989	5.983	70.065
2020	2021	58.524	5.482	5.999	70.005
2019	2020	52.836	10.912	5.979	69.727
2018	2019	53.204	10.766	6.000	69.970
2017	2018	48.924	15.001	5.994	69.919

Source: County Clerk

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:

<u>Tax Year</u>	<u>Budget Year</u>	<u>City</u>	<u>Cowley County</u>	<u>USD No. 470⁽¹⁾</u>	<u>State</u>	<u>Community College</u>	<u>Total</u>
2021	2022	70.065	48.626	61.296	1.500	20.399	201.886
2020	2021	70.005	47.084	62.929	1.500	21.072	202.590
2019	2020	69.727	46.985	62.749	1.500	20.281	201.242
2018	2019	69.970	45.058	63.105	1.500	20.313	199.946
2017	2018	69.919	45.063	63.578	1.500	20.302	200.362

⁽¹⁾Includes the levy for the recreation commission.

Source: County Clerk

Tax Collection Record. The following table sets forth tax collection information (not including special assessments) for the City for the years indicated:

<u>Levy Year</u>	<u>Budget Year</u>	<u>Total Levy</u>	<u>Total Taxes Levied (\$)</u>	<u>Current Taxes Collected (\$)</u>	<u>Current Taxes Collected (%)</u>
2021	2022	70.065	\$4,279,347	N/A	N/A
2020	2021	70.005	4,070,895	\$3,896,450	95.71%
2019	2020	69.727	3,942,576	3,715,550	94.24%
2018	2019	69.970	3,762,478	3,743,284	99.49%
2017	2018	69.919	3,629,287	3,485,070	96.03%

Source: County Clerk & Treasurer

Major Taxpayers. The following table sets forth the ten largest taxpayers in the City based on total assessed valuation and total taxes levied in the most recent tax collection period (2021/22):

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxpayer</u>	<u>Taxes Levied</u>
1. Creekstone Farms	\$6,522,627	1. Creekstone Farms	\$1,316,827
2. Evergy Energy	2,789,959	2. Evergy Energy	563,253
3. Walmart	1,727,016	3. Kansas Gas Service	282,524
4. Kansas Gas Service	1,399,427	4. Walmart	248,660
5. ADM Milling	917,173	5. ADM Milling	183,164
6. ILS 4 LLC	900,000	6. ILS 4 LLC	181,697
7. BNSF	897,504	7. BNSF	181,193
8. RCB Bank	792,699	8. RCB Bank	159,988
9. Union Pacific Railroad	573,857	9. Union Pacific Railroad	115,853
10. Kan-Pak LLC	533,807	10. Kan- Pak LLC	107,768

Source: County Clerk

Pension and 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, 2020, KPERS serves approximately 326,000 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 approximately 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 2021, the Legislature authorized the issuance of revenue bonds to provide net proceeds of up to \$500 million (the “Revenue Bonds”) the proceeds of which must be applied to the unfunded actuarial pension liability as directed by KPERS. The Revenue Bonds in the principal amount of \$504,535,000 were issued August 26, 2021. The repayment of the Revenue Bonds shall be subject to legislative annual appropriation, shall not be an obligation of the KPERS system, and the full faith and credit or taxing power of the State shall not be pledged to the repayment of the Revenue Bonds. Due to the authorization of the Revenue Bonds, the Legislature changed the State/School employer contribution rate from 14.09% to 13.33% for fiscal year 2022 and from 13.86% to 13.11% for fiscal year 2023.

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 8.90% of gross compensation for calendar year 2022. In addition, the Issuer contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees; provided that starting July 1, 2021, there will be a moratorium on the Death and Disability Insurance rate, and the Issuer will contribute 0% of the employee’s gross salary for Death and Disability Insurance for covered employees after such date.

According to the Valuation Report as of December 31, 2020 (the “2020 Valuation Report”) the KPERS Local Group, of which the City is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$1.419 billion at the end of 2020. The amount of the UAAL in 2020 changed from the previous year’s amount due to the factors discussed in the 2020 Valuation Report; such report also 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. A copy of the 2020 Valuation Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the 2020 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 2020 Valuation Report sets the employer contribution rate for the period beginning January 1, 2023, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 8.43% 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 2020 Valuation Report. The statutory contribution rate of employers currently equals the 2020 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.

History of Employment

The following table indicates the history of the City's employment for the years indicated.

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2021	124	8	132
2020	122	9	131
2019	122	9	131
2018	121	8	129
2017	130	3	133

Source: City Treasurer

Risk Management

The City is insured against the risks arising from EMC Insurance Company and Blue Cross Blue Shield of Kansas. The City self finances the risks generated by Delta Dental. The fund classification used to account for the City's risk management activity is the General Fund.

ISSUER'S AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations ⁽¹⁾	\$70,926,133
Legal limitation of Bonded Debt ⁽²⁾	\$21,277,839
Outstanding general obligation debt anticipated as of May 3, 2022 ⁽³⁾	\$23,880,000
Exempt Debt.....	\$18,121,069
Net Debt against Statutory Debt limit capacity	\$5,758,931
Additional debt capacity	\$15,518,908
Direct debt per capita.....	\$1,994
Overlapping Indebtedness	\$15,802,194
Direct and overlapping debt.....	\$39,682,194
Direct and overlapping debt per capita	\$3,314
Direct debt as a percentage of Assessed Valuation.....	33.67%
Direct and overlapping debt as a percentage of Assessed Valuation.....	55.95%
Statutory direct debt as a percentage of Equalized Assessed Valuation.....	8.12%

⁽¹⁾ The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. See K.S.A. 10-301 *et seq.*

⁽²⁾ See K.S.A. 10-301 *et seq.*

⁽³⁾ Includes this issue and subject to change.

DEBT STRUCTURE OF THE ISSUER

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of May 3, 2022, and the percent attributable (on the basis of assessed valuation not including motor vehicle valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>2021 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to The City</u>	<u>Amount Applicable to The City</u>
Cowley County	\$306,424,260	\$ 9,670,000	19.91%	\$ 1,925,715
U.S.D. No. 470	114,138,085	25,955,000	53.46%	<u>13,876,479</u>
TOTAL				\$15,802,194

Source: County Clerk

Current Indebtedness of the City

The following tables set forth as of the issue date of the Bonds all of the outstanding obligations of the City:

GENERAL OBLIGATION BONDS (As of May 3, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Amount Included in Debt Limitation</u>
General Obligation Refunding and Improvement Bonds	2020	08/01/2036	\$21,840,000	\$19,410,000	\$1,288,931
Taxable General Obligation Bonds ⁽¹⁾	2022	09/01/2037	4,470,000	<u>4,470,000</u>	<u>4,470,000</u>
TOTAL				\$24,675,000	\$5,758,931

⁽¹⁾ This issue and subject to change.

TEMPORARY NOTES

As of May 3, 2022, the City had no temporary notes outstanding.

CERTIFICATES OF PARTICIPATION

As of May 3, 2022, the City had no certificates of participation outstanding.

REVENUE BONDS OUTSTANDING

As of May 3, 2022, the City had no revenue bonds outstanding.

CAPITAL LEASE OBLIGATIONS (As of May 3, 2022)

<u>Description</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Pumper Fire Truck	2013	02/01/2023	\$587,667	\$ 65,520
Fire Truck	2019	08/01/2028	620,500	<u>420,677</u>
TOTAL				\$486,197

LOAN OBLIGATIONS (As of May 3, 2022)

As of May 3, 2022, the City had no loans outstanding.

PUBLIC BUILDING COMMISSION REVENUE BONDS OUTSTANDING (As of May 3, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Public Building Commission Refunding Revenue Bonds	2019	09/01/2044	\$17,630,000	\$16,855,000

Debt Payment Record

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

Future Indebtedness

In 2021, the City applied for a revolving loan through the State's Water Pollution Control Loan Fund. The amount applied for was \$10,500,000, but the City may qualify for up to \$1,000,000 in principal forgiveness. As of the Dated Date of the Bonds a final loan agreement had not been approved by the City and the final loan amount is subject to change.

Periodically, the City will complete issues to: 1) finance public infrastructure needs with ongoing temporary note financing and eventually bonded indebtedness; 2) lease small equipment and such leases may or may not have a purchase option in accordance with the terms of said lease; and 3) refinance or refund outstanding debt as needed when sufficient savings can be achieved. Other than the potential projects listed above, the City does not have any plans to issue additional debt at this time.

ECONOMIC INFORMATION CONCERNING THE CITY

Population Trends

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

<u>Year</u>	<u>County Population</u>	<u>City Population</u>
2020	34,549	11,974
2019	34,908	11,669
2018	35,218	11,793
2017	35,361	11,866
2016	35,753	12,063
2010	36,311	12,415

Source: State of Kansas – Division of Budget (2016-2019); U.S. Census Bureau (2010, 2020)

Labor Force

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

COWLEY COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2020	16,807	15,709	1,098	6.5%
2019	16,298	15,749	549	3.4%
2018	16,735	16,161	574	3.4%
2017	16,961	16,316	645	3.8%
2016	17,024	16,244	780	4.6%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2020	1,497,013	1,409,003	88,010	5.9%
2019	1,491,808	1,445,043	46,922	3.1%
2018	1,482,228	1,432,393	49,835	3.4%
2017	1,478,783	1,425,216	53,567	3.6%
2016	1,484,001	1,422,122	61,879	4.2%

Currently, the Kansas Department of Labor estimates an unemployment rate of 2.4% for the County and 2.2% for the State of Kansas for the month of December 2021.

Source: Kansas Statistical Abstract (2016 – 2020 data); Kansas Department of Labor (December 2021 estimate)

Retail Sales and Use Tax Collections

The following table lists the State of Kansas sales and use tax collections (excluding local sales tax) for the years indicated for Cowley County:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2020	\$29,573,953	\$821.24
2019	27,795,177	761.13
2018	26,053,000	652.47 ⁽¹⁾
2017	22,970,395 ⁽¹⁾	643.55 ⁽¹⁾
2016	22,934,999 ⁽¹⁾	650.75 ⁽¹⁾

⁽¹⁾ Use tax collections not included.

Source: Kansas Statistical Abstract

Effective July 1, 2015, the statewide sales and use tax was increased from 6.15% to 6.50%.

Oil Production

The oil production (in number of barrels) for Cowley County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2021 ⁽¹⁾	486,279
2020	502,245
2019	562,840
2018	527,343
2017	540,035

⁽¹⁾ Data as of 11/2021

Source: Kansas Geological Survey

Financial Institutions

There are currently seven banks, with 20 different branch locations, located in Cowley 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)
2021	\$806,909
2020	725,948
2019	669,000
2018	637,000
2017	630,000

Source: Kansas Statistical Abstract (2017 - 2019 data); FDIC (2020 - 2021 data)

Personal Income Trends

The following table lists Cowley County personal and per capita income and State of Kansas per capita income for the years indicated:

<u>Year</u>	<u>Cowley County Personal Income (\$000)</u>	<u>Cowley County Per Capita Income</u>	<u>State Per Capita Income</u>
2020	\$1,465,955	\$42,334	\$56,099
2019	1,397,793	40,042	53,426
2018	1,326,746	35,067	51,139
2017	1,282,527	36,321	49,033
2016	1,280,191	35,898	47,557

Source: U.S. Bureau of Economic Analysis

APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF ARKANSAS CITY, KANSAS

Financial Statements

For the Year Ended December 31, 2020

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CITY OF ARKANSAS CITY, KANSAS
 Financial Statements
 For the Year Ended December 31, 2020
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Arkansas City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Arkansas City, Kansas, (the City), as of and for the year ended December 31, 2020 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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 to meet the financial reporting requirements of the State of Kansas; 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.

Auditor's 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 entity'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 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 as of December 31, 2020, 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 as of December 31, 2020, 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

Supplementary 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, and the summary of 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.

Other Matter

The 2019 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) for the year ended December 31, 2019, is presented for purposes of additional analysis and is not a required part of the basic financial statement.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Arkansas City, Kansas as of and for the year ended December 13, 2019 (not presented herein) and have issued our report thereon dated March 30, 2020 which contained an unmodified opinion on the basic financial statement. The 2019 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 <https://admin.ks.gov/offices/oar/municipalservices>. The 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2019 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 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 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 2019 basic financial statement or to the 2019 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 2019 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2019, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 8, 2021

CITY OF ARKANSAS CITY, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2020

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Period Adjustment</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:							
General Fund	\$ 1,126,588	\$ -	\$ 10,484,759	\$ 9,574,686	\$ 2,036,661	\$ 394,340	\$ 2,431,001
Special Purpose Funds:							
Special Recreation and Parks Fund	25,610	-	10,092	88	35,614	-	35,614
Special Street and Highway Fund	684,792	-	363,066	262,376	785,482	4,388	789,870
Tourism Fund	28,107	-	127,670	127,497	28,280	-	28,280
Special Alcohol Fund	84,816	-	11,542	2,876	93,482	-	93,482
Library Fund	-	-	372,485	372,485	-	-	-
Land Bank Fund	-	-	1,000	14	986	-	986
Hospital Improvements Fund	-	-	-	-	-	-	-
Healthcare Sales Tax Fund	-	-	1,777,503	1,777,503	-	-	-
Unpledged Healthcare Sales Tax Fund	79,091	-	339,850	229,415	189,526	-	189,526
Special Law Enforcement Trust Fund	15,733	-	16,464	21,053	11,144	473	11,617
CID Sales Tax Fund	979	-	51,940	52,919	-	-	-
Equipment Reserve Fund	200,946	-	-	-	200,946	-	200,946
Public Building Commission Fund	-	-	-	-	-	-	-
Capital Improvements Reserve Fund	1,605,297	-	483,410	618,384	1,470,323	287,992	1,758,315
Bond and Interest Funds:							
Bond and Interest Fund	129,681	-	23,781,576	23,657,235	254,022	49,500	303,522
Business Funds:							
Water Utility Fund	4,256,957	-	4,550,847	4,730,510	4,077,294	401,948	4,479,242
Sewer Utility Fund	4,006,160	-	2,015,073	2,101,025	3,920,208	387,180	4,307,388
Sanitation Utility Fund	1,130,301	-	1,531,590	1,575,855	1,086,036	56,048	1,142,084
Stormwater Utility Fund	146,077	-	304,813	159,239	291,651	5,445	297,096
Total reporting entity [excluding agency funds]	<u>\$ 13,521,135</u>	<u>\$ -</u>	<u>\$ 46,223,680</u>	<u>\$ 45,263,160</u>	<u>\$ 14,481,655</u>	<u>\$ 1,587,314</u>	<u>\$ 16,068,969</u>

Composition of Cash:

RCB Bank	
Checking	\$ 15,025,144
Union State Bank	
Checking	58,123
The Stock Exchange Bank	
CD	1,000,000
Petty Cash	<u>1,625</u>
Total Cash	16,084,892
Less: Agency Funds per Schedule 3	<u>[15,923]</u>
Total Reporting Entity [Excluding Agency Funds]	<u>\$ 16,068,969</u>

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies

The City of Arkansas City, Kansas, (the City) is incorporated as a City of the second class, under the provisions of K.S.A. 13-101 et seq. The City operates under a Commission-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statement and schedules of the City of Arkansas City, 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 generally accepted accounting principles.

Financial Reporting Entity

The City of Arkansas City, Kansas (the City) is a municipal corporation governed by an elected five-member commission. This financial statement presents the City of Arkansas City, Kansas.

Related Municipal Entity. 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)*. Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Arkansas City Public Library - The City of Arkansas City Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate audited financial statements are available at the Library.

South Central Kansas Regional Medical Center - The Medical Center Board of Trustees operates the City's hospital. The hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Separate audited financial statements are available at the Medical Center.

Arkansas City Public Building Commission - The City of Arkansas City Public Building Commission was created to oversee the construction of the Regional Medical Center project. Acquisition or disposition of real property or bond issuances must be approved by the City. The City is acting as the fiduciary agent for the Commission. Separate financial statements are not prepared by the Commission.

Strother Field Airport and Industrial Park - The City has adopted Ordinance No. 98-11-3793 providing for an interlocal cooperation agreement between the City of Arkansas City, the City of Winfield and Strother Field to provide financing of water systems improvements at Strother Field. The agreement provides for \$500,000 in G.O. bonds to be issued by the City of Winfield to finance the improvements. If Strother Field defaults on the bond issue, the cities of Arkansas City and Winfield would each be responsible for 50% of the remaining liability. The agreement acknowledges that the obligations of Arkansas City are subject to K.S.A. 10-1101 et seq., and as such, Arkansas City is obligated only to the extent that it has funds actually on hand in its treasury at the time for such purpose. The Strother Field Airport and Industrial Park joint venture have had an audit of their financial statements completed separately.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

Arkansas City/Winfield Recycling Center - The cities of Arkansas City and Winfield, Kansas entered into an interlocal agreement to jointly purchase and operate a recycling center. Records are maintained by the City of Winfield; both cities share equally in the costs and recycling revenues. Separate financial information can be obtained from the Center.

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 Arkansas City, Kansas, for the year of 2020:

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

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

Business Fund - 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.).

Basis of Presentation - Regulatory 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 City 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 City to use the regulatory basis of accounting.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Reimbursed Expense

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as cash 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.

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 1st 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 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 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 of each year, such taxes become a lien on the property.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as cash receipts in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as cash receipts in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

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, and business funds. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue 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. During the year ended December 31, 2020, the City amended the budget for the Water, Sanitation, Library, Debt Service, Healthcare Sales Tax and CID Sales Tax funds.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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, revenues 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, permanent funds, and the following special purpose funds:

- Special Law Enforcement Trust Fund
- Public Building Commission Fund
- Equipment Reserve Fund
- Capital Improvements Reserve Fund

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

NOTE 2 - 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 bank provides 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 Government 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, 2020.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - Deposits and Investments (Continued)

At December 31, 2020, the City's carrying amount of deposits was \$16,068,670 and the bank balance was \$16,264,822. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$558,123 was covered by federal depository insurance, \$750,000 was covered by letters of credit and the balance of \$14,956,699 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

NOTE 3 - Long-Term Debt

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
General Obligation Bonds	\$ 2,765,000	\$ 21,840,000	\$ 2,765,000	\$ 21,840,000	\$ 56,010
Revenue Bonds	17,630,000	-	350,000	17,280,000	717,962
KDHE Loans	21,267,469	-	21,267,469	-	685,925
Capital Leases	779,598	-	114,704	664,894	25,313
Total	<u>\$ 42,442,067</u>	<u>\$ 21,840,000</u>	<u>\$ 24,497,173</u>	<u>\$ 39,784,894</u>	<u>\$ 1,485,210</u>

General Obligation Bonds. General obligation bonds currently outstanding are as follows:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes and utility revenues Series 2020	1.50% - 3.00%	<u>\$ 21,840,000</u>	<u>\$ 21,840,000</u>	10/13/20	08/01/36

On October 13, 2020, the City issued General Obligation Refunding and Improvement Bonds, Series 2020, in the amount of \$21,840,000. The bonds carry an interest rate ranging from 1.50% to 3.00%, with a final maturity of August 1, 2036. Interest on the Series 2020 Bonds is due semi-annually on February 1 and August 1. The net proceeds of the Series 2020 bonds were used to pay in full the remaining outstanding principal for the General Obligation Bonds, Series 2013, and Kansas Department of Health and Environment Revolving Loans.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,635,000	\$ 416,745	\$ 2,051,745
2022	1,595,000	470,925	2,065,925
2023	1,650,000	422,625	2,072,625
2024	1,695,000	372,825	2,067,825
2025	1,170,000	325,800	1,495,800
2026 - 2030	6,320,000	1,127,288	7,447,288
2031-2035	6,980,000	468,800	7,448,800
2036	795,000	8,600	803,600
Total	<u>\$ 21,840,000</u>	<u>\$ 3,613,608</u>	<u>\$ 25,453,608</u>

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 3 - Long-Term Debt (Continued)

Revenue Bonds. Revenue bonds currently outstanding are as follows:

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes					
Public Building Commission	3.00% - 5.00%	<u>\$ 17,280,000</u>	<u>\$ 17,630,000</u>	07/23/19	09/01/44

On July 23, 2019, the Arkansas City Public Building Commission issued Refunding Revenue Bonds, Series 2019, in the amount of \$17,630,000. The bonds were issued to refund the Commission's outstanding Series 2009 Revenue Bonds. The refunded bonds were originally issued to finance the costs to construct, furnish and equip an acute care hospital known as the South Central Kansas Regional Medical Center. The Public Building Commission will continue to lease the land and the medical center constructed thereon to the City and the City will continue to sublease the project to the Board of Trustees of the Medical Center.

As part of the 2019 revenue bond issue, the City approved a 1% sales tax. The City has pledged to appropriate 95% of the revenues derived from the sales tax to the Bond's Trustee for debt service payments. The City has accounted for these transactions in the Healthcare Sales Tax and Unpledged Healthcare Sales Tax funds. Any amount appropriated to the Trustee in excess of the scheduled debt service is held by the Trustee in an escrow account invested in U.S. Government Securities and reserved for future debt service payments. The City does not have control over this escrow account, and therefore, the City's financial statements do not include the escrow balance. As of December 31, 2020, the balance of this escrow account was \$2,846,098.

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 425,000	\$ 638,913	\$ 1,063,913
2022	440,000	626,163	1,066,163
2023	460,000	608,563	1,068,563
2024	480,000	585,563	1,065,563
2025	505,000	561,563	1,066,563
2026 - 2030	2,935,000	2,402,313	5,337,313
2031 - 2035	3,675,000	1,698,063	5,373,063
2036 - 2040	4,355,000	1,031,313	5,386,313
2041 - 2044	4,005,000	317,813	4,322,813
Total	<u>\$ 17,280,000</u>	<u>\$ 8,470,263</u>	<u>\$ 25,750,263</u>

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 3 - Long-Term Debt (Continued)

Capital Leases. On August 1, 2013, the City entered into a capital lease agreement in order to finance the purchase of a 2013 pumper fire truck. Payments are made semi-annually including interest at 2.82%. Final maturity of the lease is February 1, 2023.

On January 28, 2019, the City entered into a capital lease agreement in order to finance the purchase of a 2019 pumper fire truck. Payments are made semi-annually including interest at 3.55%. Final maturity of the lease is August 1, 2028.

Future minimum lease payments for the capital leases are as follows:

Year ending December 31,	Principal	Interest	Total
2021	118,373	21,643	\$ 140,017
2022	122,162	17,855	140,017
2023	92,619	13,943	106,562
2024	61,781	11,327	73,108
2025	64,010	9,097	73,108
2026 - 2028	205,949	13,098	219,047
Total	<u>\$ 664,894</u>	<u>\$ 86,963</u>	<u>\$ 751,857</u>

NOTE 4 - Economic Development Bonds

The City has entered into various agreements to induce businesses to locate or expand operations in Arkansas City, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2020, there were three industrial revenue bond issues with principal balances due totaling \$16,334,039.

NOTE 5 - Defined Benefit 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 publicly 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 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 5 - Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F 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 for the Death and Disability Program) and the statutory contribution rate was 8.61% for KPERS and 21.93% for KP&F for the fiscal year ended December 31, 2020. Contributions to the pension plan from the City were \$284,838 for KPERS and \$578,800 for KP&F for the year ended December 31, 2020.

Net Pension Liability. At December 31, 2020, the City's proportionate share of the collective net pension liability reported by KPERS was \$2,631,357 and \$5,779,935 for KP&F. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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 non-employer 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 or can be obtained as described above.

NOTE 6 - Capital Projects

The following is a summary of capital project authorizations and expenditures to date:

Project Name	Project Authorization	Expenditures Through December 31, 2020	Estimated Completion
2019 Summit St Mill & Overlay CCLIP	\$ 66,841	\$ 62,146	2020
Offset Well #5 (Well #15)	609,274	605,252	2020
Waterline Relocate for Westar Easement	650,000	88,190	2020
Wilson Park Planning - Phase 1 Upgrades	68,500	65,932	2020
Wilson Park Site Improvements	68,651	9,600	2020
Westar Hike/Bike Trail	1,275,745	271,138	2021
2020 Brad Meek/Hillside Waterline Replacement	181,027	100,081	2021
WWTP Upgrades	483,157	239,089	2023

NOTE 7 - Other Long-Term Obligations from Operations

Compensated Absences. It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Vacation Leave. All employees shall accrue vacation leave each pay period according to their position and years of service with the City:

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 7 - Other Long-Term Obligations from Operations (Continued)

Full time employees, except fire/EMS personnel:

Months of Continuous Full-time <u>Employment</u>	Vacation Hours Accrued <u>Per year</u>	Maximum Accrual <u>Hours</u>
0-59	80	160
60-119	120	240
120-179	160	320
180+	200	400

Fire/EMS personnel working on a work period:

Months of Continuous Full-time <u>Employment</u>	Vacation Hours Accrued <u>Per year</u>	Maximum Accrual <u>Hours</u>
0-59	112	224
60-119	168	336
120-179	224	448
180+	280	560

Sick Leave. All full-time employees, except fire/EMS personnel, shall accrue paid sick leave at a rate of four hours per pay period. Fire/EMS employees working on a work period shall accrue 5.25 hours per pay period.

Employees hired prior to April 1, 2020, may accumulate sick leave to a maximum of 960 hours. Employees hired on or after April 1, 2020, may accumulate sick leave to a maximum of 720 hours.

Accumulated Leave Payout. All regular full-time employees separating from City employment that have given and satisfactorily completed an appropriate 14-day notice period will receive payment for all accumulated accrued and unused vacation, and depending upon the employee's length of service with the City, a percentage of their accrued unused sick leave as follows:

Months of Continuous <u>Employment</u>	Sick Leave <u>Payout %</u>
0-47	-
48-95	25%
96-143	50%
144-191	75%
192+	100%

For employees hired prior to April 1, 2020, the maximum sick leave hours any employee can be paid out is 480 hours. For employees hired on or after April 1, 2020, the maximum sick leave hours any employee can be paid out is 360 hours.

Compensatory Time. All employees who are eligible, except firefighters, can elect to receive compensatory time off at a rate of not less than one and one-half hours for each overtime hour worked in lieu of cash overtime compensation. All eligible City employees, except police, may accrue up to twenty-four hours of compensatory time. Police personnel may accumulate up to sixty hours of compensatory time.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 7 - Other Long-Term Obligations from Operations (Continued)

Banked Holiday Time. All non-exempt police, wastewater treatment plant, water treatment facility, and fire/emergency medical services personnel may accumulate one hour for every hour worked on an official City holiday, up to eight hours (12 hours for fire/EMS). Police, wastewater treatment plant and water treatment facility personnel shall not accumulate in excess of 24 hours. Fire/EMS personnel shall not accumulate in excess of 48 hours.

Personal Business Day Leave. All full-time employees after two months of continuous employment will accrue 8 hours of personal business day leave, then each January 1st thereafter shall be awarded an additional 8 hours of personal business day leave. Personal business day leave must be used within the calendar year and may not be accumulated.

The City determines a liability for compensated absences when the following conditions are met:

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.

In accordance with the above criteria, the City has accrued a liability for annual leave, sick time, compensatory time, and banked holiday time, which has been earned, but not taken, by City employees. The estimated liability at December 31, 2020, was \$370,716 for annual leave, \$436,000 for sick leave, \$5,089 for compensatory time, and \$13,253 for banked holiday time.

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the City 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 of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018.

NOTE 8 - 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.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 8 - Risk Management (Continued)

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The City pays annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

NOTE 9 - Contingencies

The City is a party to various claims, none of which is expected to have material financial impact on the City.

NOTE 10 - Interfund Transfers

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Water	General	\$ 400,000	K.S.A. 12-825d
Sewer	General	550,000	K.S.A. 12-825d
Sanitation	General	200,000	K.S.A. 12-825d
Sewer	Stormwater	<u>50,000</u>	K.S.A. 12-825d
		<u>\$ 1,200,000</u>	

SCHEDULE 1

CITY OF ARKANSAS CITY, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over [Under]</u>
General Funds:					
General Fund	\$ 10,421,915	\$ -	\$ 10,421,915	\$ 9,574,686	\$ [847,229]
Special Purpose Funds:					
Special Recreation and Parks Fund	27,632	-	27,632	88	[27,544]
Special Street and Highway Fund	738,900	-	738,900	262,376	[476,524]
Tourism Fund	158,729	-	158,729	127,497	[31,232]
Special Alcohol Fund	70,000	-	70,000	2,876	[67,124]
Library Fund	423,900	-	423,900	372,485	[51,415]
Land Bank Fund	3,500	-	3,500	14	[3,486]
Healthcare Sales Tax Fund	1,949,600	-	1,949,600	1,777,503	[172,097]
Unpledged Healthcare Sales Tax Fund	327,400	-	327,400	229,415	[97,985]
CID Sales Tax Fund	65,000	-	65,000	52,919	[12,081]
Bond and Interest Funds:					
Bond and Interest Fund	1,321,110	23,094,936	24,416,046	23,657,235	[758,811]
Business Funds:					
Water Utility Fund	5,815,918	-	5,815,918	4,730,510	[1,085,408]
Sewer Utility Fund	14,216,503	-	14,216,503	2,101,025	[12,115,478]
Sanitation Utility Fund	1,799,696	-	1,799,696	1,575,855	[223,841]
Stormwater Utility Fund	272,721	-	272,721	159,239	[113,482]

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 2,769,038	\$ 2,814,332	\$ 2,984,018	\$ [169,686]
Delinquent tax	129,243	132,773	75,000	57,773
Motor vehicle tax	364,221	408,290	420,978	[12,688]
Recreational vehicle tax	3,159	3,396	4,105	[709]
16/20M truck tax	6,500	6,986	10,405	[3,419]
Neighborhood revitalization	[84,524]	[81,221]	[150,000]	68,779
Compensating use tax	592,403	311,666	303,000	8,666
Sales tax	1,711,887	1,805,442	1,580,000	225,442
Franchise tax	1,152,922	1,154,854	1,184,000	[29,146]
Special assessments	31,522	26,727	30,000	[3,273]
Intergovernmental				
Local alcoholic liquor tax	12,867	10,092	11,998	[1,906]
Federal grant	9,515	14,423	13,600	823
State grant	24,290	22,686	-	22,686
Licenses and permits				
Licenses, permits and fees	223,391	248,152	95,400	152,752
Charges and services				
Cemetery permits/deeds	25,815	28,885	-	28,885
Rural fire contracts	366,360	379,160	350,000	29,160
County ambulance fees	176,497	191,100	176,500	14,600
Other ambulance fees	595,759	560,638	625,000	[64,362]
Fines, forfeitures and penalties				
Fines	423,844	372,131	445,500	[73,369]
Use of money and property				
Interest	46,888	13,080	85,200	[72,120]
Sale of assets	13,819	17,177	-	17,177
Rental income	50,675	28,864	-	28,864
Other receipts				
Donations	10,982	6,951	-	6,951
Reimbursed expense	223,848	397,552	-	397,552
Miscellaneous	681,418	460,623	143,500	317,123
Operating transfers from				
Water Utility Fund	400,000	400,000	400,000	-
Sewer Utility Fund	550,000	550,000	550,000	-
Sanitation Utility Fund	200,000	200,000	200,000	-
Total Receipts	<u>10,712,339</u>	<u>10,484,759</u>	<u>\$ 9,557,704</u>	<u>\$ 927,055</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 1 (Continued)

CITY OF ARKANSAS CITY, KANSAS

General Fund - Continued
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Expenditures				
General administrative services				
Personal services	\$ 1,129,559	\$ 931,934	\$ 911,110	\$ 20,824
Contractual services	327,836	358,627	332,840	25,787
Commodities	37,470	45,676	30,500	15,176
Capital outlay	17,646	42,076	30,450	11,626
Total general administrative services	<u>1,512,511</u>	<u>1,378,313</u>	<u>1,304,900</u>	<u>73,413</u>
Municipal court/legal				
Personal services	131,343	47,583	143,161	[95,578]
Contractual services	100,778	131,252	52,330	78,922
Commodities	2,293	1,400	1,250	150
Capital outlay	2,955	2,958	3,500	[542]
Total municipal court/legal	<u>237,369</u>	<u>183,193</u>	<u>200,241</u>	<u>[17,048]</u>
Neighborhood services				
Personal services	203,209	202,218	210,685	[8,467]
Contractual services	51,386	45,087	26,400	18,687
Commodities	14,070	15,062	73,050	[57,988]
Capital outlay	29,565	1,812	4,000	[2,188]
Total neighborhood services	<u>298,230</u>	<u>264,179</u>	<u>314,135</u>	<u>[49,956]</u>
Fire/EMT services				
Personal services	1,928,831	2,035,662	2,168,015	[132,353]
Contractual services	93,516	90,341	102,750	[12,409]
Commodities	152,501	219,260	199,550	19,710
Capital outlay	887,216	332,396	301,800	30,596
Debt service	140,292	140,017	140,000	17
Total fire/EMT services	<u>3,202,356</u>	<u>2,817,676</u>	<u>2,912,115</u>	<u>[94,439]</u>
Law enforcement				
Personal services	2,481,991	2,458,488	2,584,215	[125,727]
Contractual services	123,900	117,805	122,200	[4,395]
Commodities	120,742	90,301	133,500	[43,199]
Capital outlay	176,648	206,270	217,900	[11,630]
Debt service	2,189	-	-	-
Total law enforcement	<u>2,905,470</u>	<u>2,872,864</u>	<u>3,057,815</u>	<u>[184,951]</u>
Parks and facilities				
Personal services	496,883	518,908	543,259	[24,351]
Contractual services	180,460	141,939	170,050	[28,111]
Commodities	185,709	163,141	257,450	[94,309]
Capital outlay	41,916	43,730	118,000	[74,270]
Total parks and facilities	<u>904,968</u>	<u>867,718</u>	<u>1,088,759</u>	<u>[221,041]</u>

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

General Fund - Continued
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Public works/streets				
Personal services	\$ 384,695	\$ 414,560	\$ 435,236	\$ [20,676]
Contractual services	722,912	428,119	316,200	111,919
Commodities	78,974	58,727	82,100	[23,373]
Capital outlay	1,322	635	2,000	[1,365]
Total public works/streets	<u>1,187,903</u>	<u>902,041</u>	<u>835,536</u>	<u>66,505</u>
Northwest Community Center				
Personal services	46,307	45,248	46,474	[1,226]
Contractual services	8,074	6,430	10,000	[3,570]
Commodities	2,424	2,751	6,250	[3,499]
Capital outlay	349	144	1,050	[906]
Total Northwest Community Center	<u>57,154</u>	<u>54,573</u>	<u>63,774</u>	<u>[9,201]</u>
Senior center				
Personal services	182,988	191,427	200,390	[8,963]
Contractual services	28,104	28,229	33,700	[5,471]
Commodities	13,243	14,473	30,350	[15,877]
Capital outlay	389	-	1,200	[1,200]
Total senior center	<u>224,724</u>	<u>234,129</u>	<u>265,640</u>	<u>[31,511]</u>
Emergency reserve	-	-	300,000	[300,000]
Appropriation to PBC debt	-	-	79,000	[79,000]
Total Expenditures	<u>10,530,685</u>	<u>9,574,686</u>	<u>\$ 10,421,915</u>	<u>\$ [847,229]</u>
Receipts Over [Under] Expenditures	181,654	910,073		
Unencumbered Cash, Beginning	<u>944,934</u>	<u>1,126,588</u>		
Unencumbered Cash, Ending	<u>\$ 1,126,588</u>	<u>\$ 2,036,661</u>		

See independent auditor's report on the financial statements.

SCHEDULE 2 - 2

CITY OF ARKANSAS CITY, KANSAS

Special Recreation and Parks Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 12,867	\$ 10,092	\$ 11,998	\$ [1,906]
Total Receipts	<u>12,867</u>	<u>10,092</u>	<u>\$ 11,998</u>	<u>\$ [1,906]</u>
Expenditures				
Culture and recreation				
Contractual services	5,248	-	\$ 22,632	\$ [22,632]
Commodities	<u>8,988</u>	<u>88</u>	<u>5,000</u>	<u>[4,912]</u>
Total Expenditures	<u>14,236</u>	<u>88</u>	<u>\$ 27,632</u>	<u>\$ [27,544]</u>
Receipts Over [Under] Expenditures	[1,369]	10,004		
Unencumbered Cash, Beginning	<u>26,979</u>	<u>25,610</u>		
Unencumbered Cash, Ending	<u>\$ 25,610</u>	<u>\$ 35,614</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Street and Highway Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Highway gas tax	\$ 323,989	\$ 305,269	\$ 323,620	\$ [18,351]
County gas tax	53,393	51,371	49,210	2,161
Intergovernmental				
KDOT federal exchange funds	127,191	282	145,000	[144,718]
Other receipts				
Reimbursed expense	111	6,144	-	6,144
Total Receipts	<u>504,684</u>	<u>363,066</u>	<u>\$ 517,830</u>	<u>\$ [154,764]</u>
Expenditures				
General government				
Contractual services	26,937	49,530	\$ 152,400	\$ [102,870]
Commodities	195,887	157,022	151,500	5,522
Capital outlay	83,082	55,824	150,000	[94,176]
Operating transfers to				
Capital Improvements Reserve Fund	-	-	285,000	[285,000]
Total Expenditures	<u>305,906</u>	<u>262,376</u>	<u>\$ 738,900</u>	<u>\$ [476,524]</u>
Receipts Over [Under] Expenditures	198,778	100,690		
Unencumbered Cash, Beginning	<u>486,014</u>	<u>684,792</u>		
Unencumbered Cash, Ending	<u>\$ 684,792</u>	<u>\$ 785,482</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Tourism Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
State guest tax	\$ 142,909	\$ 127,670	\$ 130,000	\$ [2,330]
Total Receipts	<u>142,909</u>	<u>127,670</u>	<u>\$ 130,000</u>	<u>\$ [2,330]</u>
Expenditures				
Culture and recreation				
Contractual services	134,493	127,497	\$ 158,729	\$ [31,232]
Total Expenditures	<u>134,493</u>	<u>127,497</u>	<u>\$ 158,729</u>	<u>\$ [31,232]</u>
Receipts Over [Under] Expenditures	8,416	173		
Unencumbered Cash, Beginning	<u>19,691</u>	<u>28,107</u>		
Unencumbered Cash, Ending	<u>\$ 28,107</u>	<u>\$ 28,280</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Alcohol Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 12,867	\$ 10,092	\$ 11,998	\$ [1,906]
Other receipts				
Donations	<u>4,600</u>	<u>1,450</u>	<u>-</u>	<u>1,450</u>
Total Receipts	<u>17,467</u>	<u>11,542</u>	<u>\$ 11,998</u>	<u>\$ [456]</u>
Expenditures				
Culture and recreation				
Contractual services	1,000	1,000	\$ 1,000	\$ -
Commodities	<u>14,107</u>	<u>1,876</u>	<u>69,000</u>	<u>[67,124]</u>
Total Expenditures	<u>15,107</u>	<u>2,876</u>	<u>\$ 70,000</u>	<u>\$ [67,124]</u>
Receipts Over [Under] Expenditures	2,360	8,666		
Unencumbered Cash, Beginning	<u>82,456</u>	<u>84,816</u>		
Unencumbered Cash, Ending	<u>\$ 84,816</u>	<u>\$ 93,482</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Library Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 312,265	\$ 318,480	\$ 326,249	\$ [7,769]
Delinquent tax	16,138	15,811	10,500	5,311
Motor vehicle tax	44,704	46,200	97,513	[51,313]
Recreational vehicle tax	387	384	463	[79]
Commercial vehicle tax	-	-	802	[802]
16/20M truck tax	822	801	373	428
Neighborhood revitalization	<u>[9,532]</u>	<u>[9,191]</u>	<u>[12,000]</u>	<u>2,809</u>
Total Receipts	<u>364,784</u>	<u>372,485</u>	<u>\$ 423,900</u>	<u>\$ [51,415]</u>
Expenditures				
Culture and recreation				
Appropriation to library board	<u>364,784</u>	<u>372,485</u>	<u>\$ 423,900</u>	<u>\$ [51,415]</u>
Total Expenditures	<u>364,784</u>	<u>372,485</u>	<u>\$ 423,900</u>	<u>\$ [51,415]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF ARKANSAS CITY, KANSAS

Land Bank Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Use of money and property				
Rental income	\$ -	\$ -	\$ 1,000	\$ [1,000]
Sale of assets	-	1,000	2,500	[1,500]
Total Receipts	-	1,000	\$ 3,500	\$ [2,500]
Expenditures				
General government				
Contractual	-	14	\$ 3,500	\$ 3,486
Total Expenditures	-	14	\$ 3,500	\$ 3,486
Receipts Over [Under] Expenditures	-	986		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ 986		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Hospital Improvements Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ 145,506	\$ -	\$ -	\$ -
Debt service sales tax	291,012	-	-	-
Use of money and property				
Interest	<u>11,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receipts	<u>447,665</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Appropriations to hospital board	684,523	-	\$ -	\$ -
Operating transfers to				
Healthcare Sales Tax Fund	<u>1,226,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,911,465</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	[1,463,800]	-		
Unencumbered Cash, Beginning	<u>1,463,800</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF ARKANSAS CITY, KANSAS

Healthcare Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ 1,349,831	\$ 1,777,503	\$ 1,800,000	\$ [22,497]
Operating transfers from				
Public Building Commission Fund	1,962,753	-	79,000	[79,000]
Hospital Improvements Fund	<u>1,226,942</u>	<u>-</u>	<u>70,600</u>	<u>[70,600]</u>
Total Receipts	<u>4,539,526</u>	<u>1,777,503</u>	<u>\$ 1,949,600</u>	<u>\$ [172,097]</u>
Expenditures				
Debt Service				
Principal	-	350,000	\$ -	\$ 350,000
Interest	-	717,962	-	717,962
Appropriations to trustee	<u>4,539,526</u>	<u>709,541</u>	<u>1,949,600</u>	<u>[1,240,059]</u>
Total Expenditures	<u>4,539,526</u>	<u>1,777,503</u>	<u>\$ 1,949,600</u>	<u>\$ [172,097]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Unpledged Healthcare Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ 71,044	\$ 339,605	\$ 85,000	\$ 254,605
Use of money and property				
Interest	<u>8,047</u>	<u>245</u>	<u>242,400</u>	<u>[242,155]</u>
Total Receipts	<u>79,091</u>	<u>339,850</u>	<u>\$ 327,400</u>	<u>\$ 12,450</u>
Expenditures				
Appropriations to hospital	-	136,143	\$ 327,400	\$ [191,257]
Appropriations to trustee	-	90,272	-	90,272
Miscellaneous	-	<u>3,000</u>	-	<u>3,000</u>
Total Expenditures	-	<u>229,415</u>	<u>\$ 327,400</u>	<u>\$ [97,985]</u>
Receipts Over [Under] Expenditures	79,091	110,435		
Unencumbered Cash, Beginning	<u>-</u>	<u>79,091</u>		
Unencumbered Cash, Ending	<u>\$ 79,091</u>	<u>\$ 189,526</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Law Enforcement Trust Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2020 and 2019

	<u>2019</u>	<u>2020</u>
Receipts		
Other receipts		
Donations	\$ 18,321	\$ 16,464
Total Receipts	<u>18,321</u>	<u>16,464</u>
Expenditures		
Capital improvements		
Contractual services	3,351	705
Capital outlay	<u>15,172</u>	<u>20,348</u>
Total Expenditures	<u>18,523</u>	<u>21,053</u>
Receipts Over [Under] Expenditures	[202]	[4,589]
Unencumbered Cash, Beginning	<u>15,935</u>	<u>15,733</u>
Unencumbered Cash, Ending	<u>\$ 15,733</u>	<u>\$ 11,144</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

CID Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Sales tax	\$ 50,979	\$ 51,940	\$ 65,000	\$ [13,060]
Total Receipts	<u>50,979</u>	<u>51,940</u>	<u>\$ 65,000</u>	<u>\$ [13,060]</u>
Expenditures				
Capital improvements				
Contractual services	<u>50,000</u>	<u>52,919</u>	<u>\$ 65,000</u>	<u>\$ [12,081]</u>
Total Expenditures	<u>50,000</u>	<u>52,919</u>	<u>\$ 65,000</u>	<u>\$ [12,081]</u>
Receipts Over [Under] Expenditures	979	[979]		
Unencumbered Cash, Beginning	<u>-</u>	<u>979</u>		
Unencumbered Cash, Ending	<u>\$ 979</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2020 and 2019

	<u>2019</u>	<u>2020</u>
Receipts		
Operating transfers from		
General Fund	\$ -	\$ -
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital improvements		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>200,946</u>	<u>200,946</u>
Unencumbered Cash, Ending	<u>\$ 200,946</u>	<u>\$ 200,946</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Public Building Commission Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2020 and 2019

	<u>2019</u>	<u>2020</u>
Receipts		
Use of money and property		
Interest	\$ 16,560	\$ -
Other receipts		
Bond proceeds	18,653,484	-
Reimbursed expense	<u>684,523</u>	<u>-</u>
Total Receipts	<u>19,354,567</u>	<u>-</u>
Expenditures		
Debt service		
Principal	18,336,559	-
Interest	684,523	-
Bond issuance costs	316,925	-
Operating transfers to		
Healthcare Sales Tax Fund	<u>1,962,753</u>	<u>-</u>
Total Expenditures	<u>21,300,760</u>	<u>-</u>
Receipts Over [Under] Expenditures	[1,946,193]	-
Unencumbered Cash, Beginning	<u>1,946,193</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Capital Improvements Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2020 and 2019

	<u>2019</u>	<u>2020</u>
Receipts		
Use of money and property		
Interest	\$ 24,258	\$ 5,378
Other receipts		
Donations	68,651	271,558
Reimbursed expense	622,697	206,474
Operating transfers from		
General Fund	[2,594,391]	-
Special Street and Highway Fund	192,312	-
Water Utility Fund	2,394,516	-
Sanitation Utility Fund	7,564	-
Total Receipts	<u>715,607</u>	<u>483,410</u>
Expenditures		
General government		
Commodities	-	19,910
Contractual services	13,176	-
Capital outlay	288,217	598,474
Total Expenditures	<u>301,393</u>	<u>618,384</u>
Receipts Over [Under] Expenditures	414,214	[134,974]
Unencumbered Cash, Beginning	<u>1,191,083</u>	<u>1,605,297</u>
Unencumbered Cash, Ending	<u>\$ 1,605,297</u>	<u>\$ 1,470,323</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 560,349	\$ 581,310	\$ 616,237	\$ [34,927]
Delinquent tax	42,141	35,572	28,000	7,572
Motor vehicle tax	112,464	84,286	85,185	[899]
Recreational vehicle tax	972	693	831	[138]
Commercial vehicle tax	-	-	1,437	[1,437]
16/20M truck tax	2,135	1,553	668	885
Neighborhood revitalization	[17,104]	[16,774]	[22,000]	5,226
Operating transfers from				
Water Utility Fund	75,000	-	-	-
Sewer Utility Fund	75,000	-	-	-
Debt proceeds				
Sale of bonds	-	21,840,000	-	21,840,000
Bond premium	-	1,254,936	-	1,254,936
Total Receipts	<u>850,957</u>	<u>23,781,576</u>	<u>\$ 710,358</u>	<u>\$ 23,071,218</u>
Expenditures				
Debt service				
Principal	730,000	23,114,128	\$ 915,000	\$ 22,199,128
Interest	72,130	169,746	56,010	113,736
Cost of issuance	-	373,361	100,000	273,361
Miscellaneous	-	-	100	[100]
Cash basis reserve	-	-	250,000	[250,000]
Adjustment for Qualifying Budget Credits	-	-	23,094,936	[23,094,936]
Total Expenditures	<u>802,130</u>	<u>23,657,235</u>	<u>\$ 24,416,046</u>	<u>\$ [758,811]</u>
Receipts Over [Under] Expenditures	48,827	124,341		
Unencumbered Cash, Beginning	<u>80,854</u>	<u>129,681</u>		
Unencumbered Cash, Ending	<u>\$ 129,681</u>	<u>\$ 254,022</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Water Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Water receipts	\$ 4,038,692	\$ 4,264,988	\$ 4,542,000	\$ [277,012]
Connection fees	85,184	67,563	80,000	[12,437]
Use of money and property				
Interest	61,117	12,348	13,500	[1,152]
Sale of assets	9,192	-	6,000	[6,000]
Other receipts				
Bad debt collection	273	178	-	178
Penalties	28,354	24,752	-	24,752
Reimbursed expense	3,486	137,651	-	137,651
Miscellaneous	43,674	43,367	20,000	23,367
Total Receipts	<u>4,269,972</u>	<u>4,550,847</u>	<u>\$ 4,661,500</u>	<u>\$ [110,653]</u>
Expenditures				
Treatment				
Personal services	179,200	195,602	\$ 174,601	\$ 21,001
Contractual services	706,343	1,185,193	1,274,700	[89,507]
Commodities	414,761	543,444	498,000	45,444
Capital outlay	108	1,177	-	1,177
Total treatment	<u>1,300,412</u>	<u>1,925,416</u>	<u>1,947,301</u>	<u>[21,885]</u>
Distribution				
Personal services	298,056	509,746	594,086	[84,340]
Contractual services	208,571	44,928	106,600	[61,672]
Commodities	141,740	129,139	159,200	[30,061]
Capital outlay	14,228	104,261	1,010,000	[905,739]
Total distribution	<u>662,595</u>	<u>788,074</u>	<u>1,869,886</u>	<u>[1,081,812]</u>
Environmental				
Personal services	204,824	-	-	-
Contractual services	19,094	-	-	-
Commodities	3,891	-	-	-
Capital outlay	3,368	-	-	-
Total environmental	<u>231,177</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 17 (Continued)

CITY OF ARKANSAS CITY, KANSAS

Water Utility Fund - Continued
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Administration				
Personal services	\$ 11,565	\$ 13,337	\$ 8,500	\$ 4,837
Contractual services	50,442	69,311	53,200	16,111
Commodities	15,380	17,985	15,000	2,985
Capital outlay	<u>30,213</u>	<u>25,857</u>	<u>31,500</u>	<u>[5,643]</u>
Total administration	<u>107,600</u>	<u>126,490</u>	<u>108,200</u>	<u>18,290</u>
Debt service				
Revolving loans				
Principal	893,734	918,341	918,341	-
Interest	520,009	498,551	498,551	-
Agency fees	76,788	73,638	73,639	[1]
Operating transfers to				
General Fund	400,000	400,000	400,000	-
Bond and Interest Fund	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,267,315</u>	<u>4,730,510</u>	<u>\$ 5,815,918</u>	<u>\$ [1,085,408]</u>
Receipts Over [Under] Expenditures	2,657	[179,663]		
Unencumbered Cash, Beginning	<u>4,254,300</u>	<u>4,256,957</u>		
Unencumbered Cash, Ending	<u>\$ 4,256,957</u>	<u>\$ 4,077,294</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Sewer Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Wastewater receipts	\$ 1,948,769	\$ 1,958,039	\$ 2,100,000	\$ [141,961]
Use of money and property				
Interest	62,637	12,202	60,000	[47,798]
Sale of assets	92	-	-	-
Other receipts				
Penalties	19,633	13,020	20,000	[6,980]
Reimbursed expense	-	1,177	-	1,177
Miscellaneous	21,933	30,635	5,000	25,635
Loan proceeds	-	-	12,000,000	[12,000,000]
Total Receipts	<u>2,053,064</u>	<u>2,015,073</u>	<u>\$ 14,185,000</u>	<u>\$ [12,169,927]</u>
Expenditures				
Treatment				
Personal services	204,629	294,314	\$ 440,847	\$ [146,533]
Contractual services	178,790	148,552	256,800	[108,248]
Commodities	69,548	354,733	101,900	252,833
Capital outlay	29,861	357,693	12,002,000	[11,644,307]
Total treatment	<u>482,828</u>	<u>1,155,292</u>	<u>12,801,547</u>	<u>[11,646,255]</u>
Collections				
Personal services	126,454	160,013	152,806	7,207
Contractual services	319,457	80,632	23,600	57,032
Commodities	44,956	53,774	43,050	10,724
Capital outlay	146,839	-	550,000	[550,000]
Total collections	<u>637,706</u>	<u>294,419</u>	<u>769,456</u>	<u>[475,037]</u>
Environmental				
Personal services	169,600	-	-	-
Contractual services	100	-	-	-
Total environmental	<u>169,700</u>	<u>-</u>	<u>-</u>	<u>-</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 18 (Continued)

CITY OF ARKANSAS CITY, KANSAS

Sewer Utility Fund - Continued
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Administration				
Personal services	\$ 6,939	\$ 8,612	\$ 4,900	\$ 3,712
Contractual services	13,372	16,503	12,600	3,903
Commodities	9,240	10,659	10,500	159
Capital outlay	<u>19,721</u>	<u>15,540</u>	<u>17,500</u>	<u>[1,960]</u>
Total administration	<u>49,272</u>	<u>51,314</u>	<u>45,500</u>	<u>5,814</u>
Operating transfers to				
General Fund	550,000	550,000	550,000	-
Bond and Interest Fund	75,000	-	-	-
Stormwater Utility Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Expenditures	<u>2,014,506</u>	<u>2,101,025</u>	<u>\$ 14,216,503</u>	<u>\$ [12,115,478]</u>
Receipts Over [Under] Expenditures	38,558	[85,952]		
Unencumbered Cash, Beginning	<u>3,967,602</u>	<u>4,006,160</u>		
Unencumbered Cash, Ending	<u>\$ 4,006,160</u>	<u>\$ 3,920,208</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Sanitation Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Sanitation fees	\$ 1,412,566	\$ 1,511,146	\$ 1,475,200	\$ 35,946
Service fees	15,941	4,147	10,000	[5,853]
Intergovernmental				
State grant	7,706	-	-	-
Use of money and property				
Interest	17,775	3,410	3,800	[390]
Sale of assets	919	170	-	170
Other receipts				
Penalties	14,405	9,354	14,500	[5,146]
Miscellaneous	46	3,363	1,000	2,363
Total Receipts	<u>1,469,358</u>	<u>1,531,590</u>	<u>\$ 1,504,500</u>	<u>\$ 27,090</u>
Expenditures				
General utility services				
Personal services	433,195	610,213	\$ 618,871	\$ [8,658]
Contractual services	347,382	365,873	457,450	[91,577]
Commodities	154,646	142,746	237,050	[94,304]
Capital outlay	<u>65,425</u>	<u>216,461</u>	<u>251,000</u>	<u>[34,539]</u>
Total general utility services	<u>1,000,648</u>	<u>1,335,293</u>	<u>1,564,371</u>	<u>[229,078]</u>
Administration				
Personal services	100,356	8,250	3,800	4,450
Contractual services	13,116	14,478	12,425	2,053
Commodities	6,189	7,119	5,600	1,519
Capital outlay	<u>12,544</u>	<u>10,715</u>	<u>13,500</u>	<u>[2,785]</u>
Total administration	<u>132,205</u>	<u>40,562</u>	<u>35,325</u>	<u>5,237</u>
Operating transfers to				
General Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Expenditures	<u>1,332,853</u>	<u>1,575,855</u>	<u>\$ 1,799,696</u>	<u>\$ [223,841]</u>
Receipts Over [Under] Expenditures	136,505	[44,265]		
Unencumbered Cash, Beginning	<u>993,796</u>	<u>1,130,301</u>		
Unencumbered Cash, Ending	<u>\$ 1,130,301</u>	<u>\$ 1,086,036</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Stormwater Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Stormwater receipts	\$ 185,914	\$ 187,504	\$ 190,100	\$ [2,596]
Intergovernmental				
Federal grant - FEMA	-	53,094	-	53,094
Use of money and property				
Interest	4,453	572	5,500	[4,928]
Other receipts				
Penalties	2,096	1,338	-	1,338
Miscellaneous	11	12,305	-	12,305
Operating transfers from				
Sewer Utility Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Receipts	<u>242,474</u>	<u>304,813</u>	<u>\$ 245,600</u>	<u>\$ 59,213</u>
Expenditures				
General utility services				
Personal services	146,122	142,831	\$ 165,521	\$ [22,690]
Contractual services	28,359	628	22,000	[21,372]
Commodities	15,260	5,859	16,200	[10,341]
Capital outlay	<u>114,173</u>	<u>9,921</u>	<u>69,000</u>	<u>[59,079]</u>
Total Expenditures	<u>303,914</u>	<u>159,239</u>	<u>\$ 272,721</u>	<u>\$ [113,482]</u>
Receipts Over [Under] Expenditures	[61,440]	145,574		
Unencumbered Cash, Beginning	<u>207,517</u>	<u>146,077</u>		
Unencumbered Cash, Ending	<u>\$ 146,077</u>	<u>\$ 291,651</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Agency Funds
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2020

<u>Fund</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Municipal Court	\$ 6,175	\$ 74,296	\$ 64,548	\$ 15,923
Drug Task Force	<u>37,808</u>	<u>-</u>	<u>37,808</u>	<u>-</u>
	<u>\$ 43,983</u>	<u>\$ 74,296</u>	<u>\$ 102,356</u>	<u>\$ 15,923</u>

See independent auditor's report on the financial statements.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

APPENDIX C

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, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 12-1736 *et seq.*, all as amended and supplemented.

[“**AGM**” means Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company, or any successor thereto.]

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

[“**BAM**” means Build America Mutual Assurance Company., a New York domiciled mutual insurance corporation, or any successor thereto.]

“**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 Insurance Policy**” means the municipal bond insurance policy issued by the Bond Insurer concurrently with the delivery of the Bonds guaranteeing the scheduled payment when due of the principal of and interest on the Bonds.]

“**Bond Insurer**” means [AGM] [BAM] with respect to the Bonds.]

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

“**Bond Purchase Agreement**” means the Bond Purchase Agreement between the Issuer and the Purchaser.

“**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 Taxable General Obligation Bonds, Series 2022, 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 Arkansas City, 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.

“Compliance Account” means the account by that name created by the Bond Resolution.

“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, 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 May 3, 2022.

“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) evidences of ownership of proportionate interests in future interest and principal payments on United States Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated; or]

[(b)][(c)] 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.

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

“Disclosure Undertaking” means the Continuing Disclosure Undertaking, dated as of the Dated Date, relating to certain obligations contained in the SEC Rule.

“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 (other than the covenants relating to continuing disclosure contained in the Bond Resolution and the Disclosure Undertaking) 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.

“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.

[**“Insurer's Fiscal Agent”** means the agent designated by the Bond Insurer pursuant to the Bond Insurance Policy.]

“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 March 1, 2023.

“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 [with notice to the Bond Insurer].

“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[.];
- and
- (d) Bonds, the principal or interest of which has been paid by the Bond Insurer.]

“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 Issuer 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); or (m) other investment obligations authorized by the laws of the State and approved in writing by the Bond Insurer], 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.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

“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 [with notice to the Bond Insurer].

“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.
- (d) Compliance 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, if necessary; 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 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 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 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 Compliance Account or Debt Service Account.

Application of Moneys in the Compliance Account. Moneys in the Compliance Account shall be used by the Issuer to pay the fees and expenses relating to compliance with state or federal securities laws. Any funds remaining in the Compliance Account not necessary for such payments shall be transferred 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 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.

[The Paying Agent shall notify the Owners and Bond Insurer of any Event of Default of which it has actual notice.]

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.

[**Control of Remedies By Bond Insurer Upon an Event of Default and Event of Insolvency.** Upon the occurrence and continuance of an Event of Default, the Bond Insurer, provided the Bond Insurance Policy is in full force and effect and the Bond Insurer shall not be in default thereunder, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners under the Bond Resolution. Any reorganization or liquidation plan with respect to the Issuer must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners who hold the Bonds insured by the Bond Insurer absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Bonds.

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. [The Issuer shall notify the Bond Insurer of any defeasance of the Bonds.]

[Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer and the covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.]

CONTINUING DISCLOSURE REQUIREMENTS

Disclosure Requirements. The Issuer covenants in the Bond Resolution with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Undertaking and to make the provisions of the Disclosure Undertaking applicable to the Bonds. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

Failure to Comply with Continuing Disclosure Requirements. In the event the Issuer fails to comply in a timely manner with its continuing disclosure covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section. [The Purchaser or Beneficial Owner shall provide a copy of any such demand or notice to the Bond Insurer.] Notwithstanding any other provision of the Bond Resolution, failure of the Issuer to comply with its continuing disclosure covenants contained in the Bond Resolution shall not be considered an Event of Default under the Bond Resolution.

PROVISIONS RELATING TO THE BOND INSURANCE POLICY

[WILL INSERT IF NECESSARY]

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[, and a duplicate copy of the audit shall be mailed to the Bond Insurer]. 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 Bond Insurer and] 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 [the Bond Insurer and] 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 Bond Insurer and] 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, 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[and the Bond Insurer]. The Issuer, the Paying Agent[, the Bond Insurer] 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.

APPENDIX D

FORM OF DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

DATED AS OF MAY 3, 2022

BY

CITY OF ARKANSAS CITY, KANSAS

\$4,470,000*
CITY OF ARKANSAS CITY, KANSAS
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2022
DATED MAY 3, 2022

CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of May 3, 2022 (the “Continuing Disclosure Undertaking”), is executed and delivered by **CITY OF ARKANSAS CITY, KANSAS** (the “Issuer”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of its Taxable General Obligation Bonds, Series 2022 (the “Bonds”), pursuant to an Ordinance and Resolution adopted by the governing body of the Issuer (collectively the “Bond Resolution”).

2. The Issuer is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”). The Issuer is the only “obligated person” with responsibility for continuing disclosure hereunder.

The Issuer covenants and agrees as follows:

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

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

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

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

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

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

“**Financial Obligation**” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“**Fiscal Year**” means the 12-month period beginning on January 1 and ending on December 31 or any other 12-month period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

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

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

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

Section 2. Provision of Annual Reports.

(a) The Issuer shall, not later than September 1 immediately following the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2021, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, in substantially the format contained in the Official Statement relating to the Bonds. A more detailed explanation of the accounting basis and method of preparation of the financial statements is contained in the Official Statement relating to the Bonds. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, as described in *Exhibit A*, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Issuer.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under *Section 3*, and the Annual Report deadline provided above shall automatically become the first day of the ninth month after the end of the Issuer’s new fiscal year.

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

Section 3. Reporting of Material Events. Not later than 10 Business Days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“Material Events”):

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

If the Issuer has not submitted the Annual Report to the MSRB by the date required in *Section 2(a)*, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this *Section 3*.

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

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor

Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Issuer may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Undertaking, the Issuer shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Bond Resolution or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

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

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Bond Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Kansas.

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

CITY OF ARKANSAS CITY, KANSAS

(SEAL)

Mayor

Clerk

EXHIBIT A

**FINANCIAL INFORMATION AND OPERATING DATA
TO BE INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in tables in the following sections contained in ***Appendix A*** of the final Official Statement relating to the Bonds:

- Assessed Valuation
- Tax Rates
- Aggregate Tax Levies
- Tax Collection Record
- Major Taxpayers
- Current Indebtedness of the City*

* This Operating Data is also available in the Issuer's financial information portion of its Annual Report.