

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 18, 2025

**NEW ISSUE
BOOK ENTRY ONLY**

**NOT RATED
BANK QUALIFIED**

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"): (1) the interest on the Notes [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; (2) the interest on the Notes is exempt from income taxation by the State of Kansas; and (3) the Notes are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). Bond Counsel notes that for tax years beginning after December 31, 2022, interest on the Notes may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See "TAX MATTERS" in this Official Statement.

\$305,000*

**CITY OF HARPER, KANSAS
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2025**

Dated: As of the Delivery Date shown below

Due: October 1, 2027

The General Obligation Temporary Notes, Series 2025 (the "Notes") will be issued by the City of Harper, Kansas (the "City" or "Issuer"), as fully registered Notes 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 Notes. Purchases of the Notes will be made in book-entry form, in the denomination of \$5,000 or any integral multiples thereof (the "Authorized Denomination") and shall be numbered in such manner as the Note Registrar shall determine. Purchasers will not receive certificates representing their interests in Notes purchased. So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the Note owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Notes. Principal will be payable at stated maturity or earlier redemption upon presentation and surrender of the Notes by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as note registrar and paying agent (the "Note Registrar" and "Paying Agent"). Interest on each Note will be payable semiannually on April 1 and October 1, commencing on October 1, 2025 to the persons who are registered owners of the Notes 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 Notes, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Notes, 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.

The Notes and the interest thereon will constitute general obligations of the Issuer, payable from the proceeds of the Issuer's general obligation bonds, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

MATURITY SCHEDULE*

<u>Stated Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
10/01/2027	\$305,000	____%	____%	Base: 413468

(All plus accrued interest, if any)

¹CUSIP 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 Notes. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

The Notes may be called for redemption and payment prior to their Stated Maturity on October 1, 2026, and thereafter as a whole or in part at any time (selection of the amount of Notes to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date (see "THE NOTES – Redemption Provisions" herein).

The Notes are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Phil Unruh, Esq., Harper, Kansas, counsel for the Issuer. It is expected that the Notes will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about July 30, 2025.

SEALED BIDS WILL BE ACCEPTED ON BEHALF OF:

**THE CITY OF HARPER, KANSAS
ON JULY 14, 2025 UNTIL 11:00 A.M. C.T.
BY RANSON FINANCIAL GROUP, LLC
200 W. DOUGLAS, SUITE 110
WICHITA, KANSAS 67202**

PHONE: (316) 264-3400 ~ FAX: (316) 265-5403 ~ EMAIL: bids@ransonfinancial.com

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 PRELIMINARY 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 information contained herein are subject to completion or amendment without notice. These securities may not be sold nor an offer 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.

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

THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE NOTES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE NOTES 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 NOTES 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.

\$305,000*
CITY OF HARPER, KANSAS
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2025

Governing Body

Eric Latta, Mayor
Brande Vogele, Council President
Eric Barker, Councilmember
David Earls, Councilmember
Rose Ann Green, Councilmember
Ken Leu, Councilmember
Lonnie Teel, Councilmember

City Staff

Tiffany Cooperrider, City Administrator/City Clerk
Karen Befort, Deputy City Clerk

City Attorney

Phil Unruh, Esq.
Harper, 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

* Subject to change.

No dealer, broker, salesperson 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 Notes 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 Notes 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, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this 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 Notes.

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\$305,000*
CITY OF HARPER, KANSAS
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2025

INTRODUCTION

General Matters

The purpose of this Preliminary Official Statement is to furnish information relating to the City of Harper, Kansas (the "Issuer" or the "City"), and the General Obligation Temporary Notes, Series 2025 (the "Notes"), of the Issuer, dated July 30, 2025 (the "Dated Date").

The Notes are being issued for the purpose of providing interim financing for certain internal improvements and to pay costs associated with the issuance of the Notes.

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

The Issuer is a municipal corporation and city of the third class duly organized and existing under the laws of the State of Kansas. Additional information regarding the Issuer is contained in APPENDIX A to this Preliminary Official Statement.

The material contained on the cover page, in the body and in the Appendices to this Preliminary Official Statement is to be read in their entirety. Except for the information expressly attributed to other sources, all information has been provided by the Issuer. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has not assisted in the preparation of this Preliminary Official Statement. Except to the extent described under the sections captioned "LEGAL MATTERS," 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. The Issuer is relying on a provision of the Rule that exempts issues of less than \$1,000,000 aggregate principal amount from the requirements of the Rule and therefore has **not** covenanted to provide continuous secondary market disclosure. However, the Issuer obtains an audit of its annual financial statements by independent auditors, and intends to supply its most recent audited financial statements to the Underwriter and any Bondowner upon written request and reimbursement to the Issuer of the costs of the photocopying and mailing.

The Issuer has previously entered into disclosure undertakings pursuant to the Rule (the "Prior Undertaking"). For the past five years the Issuer has filed its Annual Report within the time period prescribed by the Prior Undertaking. The statistical information included in the Annual Reports contains all or substantially all of the information described as Operating Data in the Prior Undertaking. The Issuer's filings for previous years are set forth on the table below.

Fiscal Year	Filing Time	Financial Information	Operating Data
<u>Ending December 31</u>	<u>Period (Days/Date)</u>	<u>Filing Date</u>	<u>Filing Date</u>
	240 – 08/26/2021 ⁽¹⁾		
2020	08/31/2021 ⁽²⁾	07/13/2021	07/13/2021
2021	08/31/2022 ⁽²⁾	08/24/2022	08/24/2022
2022	08/31/2023 ⁽²⁾	08/23/2023	08/30/2023
2023	08/31/2024 ⁽²⁾	08/21/2024	08/21/2024
2024	08/31/2025 ⁽²⁾	Not Yet Due	Not Yet Due

⁽¹⁾Filing requirements for the City's General Obligation Bonds, Series 2011.

⁽²⁾Filing requirements for the City's General Obligation Bonds, Series 2020; General Obligation Refunding Bonds, Series 2021 and General Obligation Bonds, Series 2024.

* Subject to change.

During the past five years, the Issuer may not have made timely filings of event notices on EMMA relating to defeasances. The Issuer believes this information was disseminated or available through other sources.

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, 201 W. Main St., PO Box 337, Harper, Kansas, 67058. Additional information regarding the City or the Notes may be obtained from the City's Financial Advisor, Ranson Financial Group, LLC, 200 W. Douglas, Suite 110, Wichita, Kansas 67202, Attention: Larry Kleeman, by phone (316) 264-3400) or e-mail (larry@citycode.com).

THE NOTES

Authority for the Notes

The Notes are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas (the "State"), including K.S.A. 10-101 to 10-125, inclusive (specifically including K.S.A. 10-123), and Charter Ordinance No. 18 of the Issuer, all as amended and supplemented (collectively, the "Act"), and a resolution adopted by the governing body of the Issuer on July 14, 2025 (the "Note Resolution") for the purpose of paying the cost of certain street improvements in the Issuer (the "Improvements").

Security for the Notes

The Notes shall be general obligations of the Issuer payable as to both principal and interest from the proceeds of the Issuer's general obligation bonds, and if not so paid, 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 Notes 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. If necessary for such payments, the Issuer shall levy and collect taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Any such proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Notes as and when the same become due, taking into account the fees and expenses of the Paying Agent.

Description of the Notes

The Notes shall consist of fully registered book-entry-only Notes in the denomination of \$5,000 or any integral multiples thereof (the "Authorized Denomination") and shall be numbered in such manner as the Note Registrar shall determine. All of the Notes shall be dated as of the Dated Date, shall become due in the amounts, on the Stated Maturity, subject to redemption and payment prior to their Stated Maturity, and shall bear interest at the rates per annum set forth on the cover page of this Preliminary Official Statement. The Notes 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 the Stated Maturity or prior redemption in the manner hereinafter set forth.

Designation of Paying Agent and Note Registrar

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

The Treasurer of the State, Topeka, Kansas (the "Note Registrar" and "Paying Agent") has been designated by the Issuer as paying agent for the payment of principal of and interest on the Notes and note registrar with respect to the registration, transfer and exchange of Notes.

Method and Place of Payment of the Notes

The principal of, or Redemption Price, and interest on the Notes 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 Note shall

be paid at Maturity to the Person in whose name such Note is registered on the Note Register at the Maturity thereof, upon presentation and surrender of such Note at the principal corporate trust office of the Paying Agent.

The interest payable on each Note on any Interest Payment Date shall be paid to the Owner of such Note as shown on the Note 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 Note 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 Notes, by electronic transfer to such Owner upon written notice given to the Note 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 Note shall cease to be payable to the Owner of such Note on the relevant Record Date and shall be payable to the Owner in whose name such Note 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 Note 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 Note 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 NOTES, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE NOTES – Book-Entry Notes; Securities Depository."

Payments Due on Saturdays, Sundays and Holidays

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

Book-Entry Notes: Securities Depository

The Notes 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 Notes, except in the event the Note Registrar issues Replacement Notes. It is anticipated that during the term of the Notes, 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 Notes to the Participants until and unless the Note Registrar authenticates and delivers Replacement Notes 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 Notes being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Notes; or

(b) if the Note Registrar receives written notice from Participants having interest in not less than 50% of the Notes 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 Notes being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Notes, then the Note Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Note Registrar shall register in the name of and authenticate and deliver Replacement Notes 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 Note 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 Note. Upon the issuance of Replacement Notes, 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 Note Registrar, to the extent applicable with respect to such Replacement Notes. If the Securities Depository resigns and the Issuer, the Note Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Note Registrar shall authenticate and cause delivery of Replacement Notes to Owners, as provided herein. The Note Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Notes. The cost of printing, registration, authentication, and delivery of Replacement Notes 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 Note Registrar receives written evidence satisfactory to the Note 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 Note Registrar upon its receipt of a Note or Notes for cancellation shall cause the delivery of the Notes to the successor Securities Depository in appropriate denominations and form as provided in the Note Resolution.

Registration, Transfer and Exchange of Notes

As long as any of the Notes remain Outstanding, each Note when issued shall be registered in the name of the Owner thereof on the Note Register. Notes may be transferred and exchanged only on the Note Register as hereinafter provided. Upon surrender of any Note at the principal office of the Note Registrar, the Note Registrar shall transfer or exchange such Note for a new Note or Notes in any Authorized Denomination of the same Stated Maturity and in the same aggregate principal amount as the Note that was presented for transfer or exchange. Notes 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 Note 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 Notes is exercised, the Note Registrar shall authenticate and deliver Notes in accordance with the provisions of the Note Resolution. The Issuer shall pay the fees and expenses of the Note Registrar for the registration, transfer and exchange of Notes. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Note Registrar, are the responsibility of the Owners of the Notes. 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 Note Registrar shall not be required (a) to register the transfer or exchange of any Note 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 Note 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 Notes

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

Nonpresentment of Notes

If any Note is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Note have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Note 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 Note, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Note Resolution or on, or with respect to, said Note. If any Note is not presented for payment within four (4) years following the date when such Note becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Note, and such Note 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 Notes may be called for redemption and payment prior to their Stated Maturity on October 1, 2026, and thereafter as a whole or in part at any time (selection of the amount of Notes to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

Selection of Notes to be Redeemed. Notes shall be redeemed only in an Authorized Denomination. When less than all of the Notes are to be redeemed and paid prior to their Stated Maturity, such Notes shall be redeemed in such manner as the Issuer shall determine, Notes of less than a full Stated Maturity shall be selected by the Note Registrar in minimum Authorized Denomination in such equitable manner as the Note Registrar may determine. In the case of a partial redemption of Notes by lot when Notes 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 Note of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Note is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Note to the Note Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Note or Notes of the aggregate principal amount of the unredeemed portion of the principal amount of such Note. If the Owner of any such Note fails to present such Note to the Paying Agent for payment and exchange as aforesaid, such Note shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption. Unless waived by any Owner of Notes to be redeemed, if the Issuer shall call any Notes for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Notes to the Note Registrar and the Underwriter. In addition, the Issuer shall cause the Note Registrar to give written notice of redemption to the Owners of said Notes. 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 Notes are to be redeemed, the identification (and, in the case of partial redemption of any Notes, the respective principal amounts) of the Notes to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Note 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 Notes 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 Notes or portions of Notes that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Notes or portions of Notes 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 Notes or portion of Notes shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Notes, the Note 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 Note (having been mailed notice from the Note Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Note so affected, shall not affect the validity of the redemption of such Note.

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 Note.

THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name

as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each scheduled maturity of the Notes and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on

DTC's records, to the Paying Agent. The requirement for physical delivery of the Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Paying Agent's DTC account.

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE NOTES DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE NOTES 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 NOTES. PROSPECTIVE PURCHASERS OF THE NOTES 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 Notes. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

Limitations on Remedies Available to Owners of Notes

The enforceability of the rights and remedies of the owners of Notes, and the obligations incurred by the City in issuing the Notes, 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 Notes 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 Notes 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."

Taxation of Interest on the Notes

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

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

Premium on Notes

[The initial offering price of the Notes that are subject to optional redemption are in excess of the respective principal amounts thereof.] Any person who purchases a Note in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Notes are subject to redemption at par under the various circumstances described under “THE NOTES - Redemption of Notes.”

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

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 Reports, the Local Group had an UAAL of approximately \$2.089 billion in calendar year 2023.

Suitability of Investment

The tax exempt feature of the Notes is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this 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 Notes are an appropriate investment.

Market for the Notes

Lack of Note Rating. The Notes are **not** rated and no application has been made for a rating.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Notes. The absence of continuing disclosure of financial or other information pertaining to the Issuer may impair the development of a secondary market for the Notes and could impair the ability of an owner to sell the Notes in the secondary market. Prices of Notes 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 Notes 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 Notes 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.

Potential Impacts Resulting from Epidemics or Pandemics

The Issuer's finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics, such as the Coronavirus (COVID-19) pandemic. The Issuer cannot predict future impacts of epidemics or pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the local, State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the Issuer, including but not limited to the payment of debt service on any of its outstanding debt obligations.

THE PROJECTS

Proceeds of the Notes will be applied to: 1) temporarily finance certain internal improvements described below; and 2) to pay costs of issuance associated with the issuance of the Notes.

<u>Project Description</u>	<u>Res. No.</u>	<u>Authority (K.S.A.)</u>	<u>Estimated Cost*</u>
Street improvements	910-25	Charter Ordinance No. 18 of the Issuer	\$305,000
* Exclusive of costs of issuance and interest			

SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available for the foregoing improvements, including the proceeds from the sale of the Notes, exclusive of accrued interest.

Sources of Funds	
Principal Amount of the Notes	\$305,000.00*
Total Sources of Funds	
Uses of Funds	
Deposit to Project Fund	\$
Costs of Issuance	
Underwriter's Discount	
Total Uses of Funds	<hr/> \$

* Subject to change

RATINGS

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

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 whereby any question is raised or may be raised questioning or affecting in any way the legal organization of the Issuer or its boundaries or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the Transcript of proceedings leading up to the issuance of the Notes, or the constitutionality or validity of the indebtedness represented by the Notes shown to be authorized in said Transcript, or the validity of the Notes or any of the proceedings had in relation to the issuance or sale thereof, or the levying and collection of taxes to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Notes

All matters incident to the authorization and issuance of the Notes are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the matters appearing in the sections of this Preliminary Official Statement captioned “THE NOTES,” “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 Notes. Certain legal matters have been passed on for the Issuer by Phil Unruh, Esq., Harper, Kansas.

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Notes. 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 Notes 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 Notes 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 Notes.

Opinion of Bond Counsel

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

Federal Tax Exemption. The interest on the Notes [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Notes is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Notes are “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3).

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

Bond Counsel’s opinions are provided as of the date of the original issue of the Notes, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Notes.

Other Tax Consequences

[Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Note over its issue price. The stated redemption price at maturity of a Note is the sum of all payments on the Note other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Note is generally the first price at which a substantial amount of the Notes of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Note during any accrual period generally equals (1) the issue price of that Note, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Note (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 Note during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Note. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

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

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

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

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

Bond Counsel notes that the interest on the Notes may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

MUNICIPAL ADVISOR

Ranson Financial Group, LLC, Wichita, Kansas, has acted as Financial Advisor to the Issuer in connection with the sale of the Notes. The Financial Advisor is a “municipal advisor” as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has assisted the Issuer in the preparation of this Preliminary Official Statement and in other matters relating to the issuance of the Notes. The fees of the Financial Advisor are contingent upon the issuance of the Notes.

UNDERWRITING

The Notes have been sold at public sale by the Issuer to [] (the “Underwriter”) on the basis of lowest true interest cost. [] bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Notes at a price equal to the principal amount of the Notes, [, plus a premium of \$], less an underwriting discount of \$].

The Notes will be offered to the public initially at the prices determined to produce the yield to maturity or applicable redemption date set forth on the inside cover page of this Preliminary Official Statement. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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 Notes 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 Notes.

CITY OF HARPER, KANSAS

By: _____
Eric Latta, Mayor

By: _____
Tiffany Cooperrider, City Administrator/City Clerk

APPENDIX A

GENERAL INFORMATION CONCERNING THE ISSUER

Size and Location

The City of Harper, Kansas (the “City” or “Issuer”) is located in north central Harper County (the “County”), approximately 45 miles southwest of Wichita. The Issuer encompasses approximately 1.63 square miles and has a current estimated population of 1,304 persons.

Government and Organization of the City

The City is a municipal corporation incorporated in 1880, and a city of the second class organized and existing under and pursuant to the Constitution and laws of the State of Kansas. The City has a Mayor/Council form of government. The Mayor is elected at-large to a staggered two (2) year term. The five Councilmembers are elected at-large to staggered four (4) year terms. The City Council conducts all legislative functions for the City and establishes general policies which are executed by its staff, which serves at its pleasure.

The following tables list the principal elected and appointed executive officers of the City:

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Eric Latta	2025
Council President	Brande Voge	2027
Council Member	Eric Barker	2027
	David Earls	2025
	Rose Ann Green	2025
	Ken Leu	2027
	Lonnie Teel	2025
City Administrator/City Clerk	Tiffany Cooperrider	N/A
Deputy City Clerk	Karen Befort	N/A
City Attorney	Phil Unruh, Esq.	N/A

Management Personnel

The City Administrator/Clerk is hired by the Council and is charged with the efficient and effective administration of the City.

Public Safety

The City has three full-time police officers. The City has a volunteer fire department consisting of a Fire Chief and 20 volunteers which provides full-time fire protection to the City and surrounding area. The County provides emergency medical service (EMS), consisting of full-time and part-time emergency medical technicians, to the City and surrounding areas.

Municipal Services and Other Utilities

The City provides water and sewer utility services to residents of the City. Electric service is provided by Wheatland Electric. Natural gas service is provided by Kansas Gas Service. SC Telcom and AT&T provide local telephone and internet services. Other various service providers offer trash, internet, and telephone services.

Transportation Facilities

The City is served by U.S./Kansas Highways 160, 14 and 2. The Burlington Northern Santa Fe railroad runs east-west through the City. The nearest public airport, Harper Municipal Airport, is within a mile southwest of the City. The nearest commercial air service is available at Dwight D. Eisenhower Airport in Wichita, KS, 37 miles northeast of the City.

Educational Institutions and Facilities

The City is served by Unified School District No. 361, which operates two elementary schools, one junior high school and one senior high school. The District has a full-time equivalent enrollment of approximately 794 students for the 2024-2025 school year.

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>
Wichita State University Tech	Wichita, KS	45	3,616
Newman University	Wichita, KS	45	2,444
Friends University	Wichita, KS	46	1,429
Wichita State University	Wichita, KS	50	12,203
Hutchinson Community College	Hutchinson, KS	65	3,268
Cowley County Community College	Arkansas City, KS	57	1,670

Medical and Health Facilities

The City is served by the newly constructed Patterson Health Center which is located approximately five miles south of the City. The 62,500 square foot facility features a 16-bed inpatient wing and a large emergency department with two trauma bays to support our trauma services. In addition, Patterson has a new 64-slice CT scanner and an enhanced 3D mammography unit that provides industry-standard breast screenings.

Recreational, Cultural and Religious Facilities

Various recreational facilities are available for the City's residents including a sports complex, aquatic center, and public parks that feature playground equipment, basketball court, tennis courts, pickleball courts, horseshoe pits, and picnic facilities, including shelter houses. The Harper Recreation Commission offers many different sports programs, clubs and hosts other sporting events throughout the year. Anthony Lake is located approximately seven miles from the City and offers fishing, boating, camping, archery, and various other recreational activities. Anthony Lake also supports a gun club, golf club and driving range.

A wide variety of cultural and entertainment options are available to residents at the Harper Historical Museum, Art Depot and the Harper Public Library. The annual Harper County Fair takes place within the City in August and offers exhibits, activities, and food for people of all ages. Churches within the City host a Pancake Feed every January and a Ham and Bean Feed in February. The City also hosts Red Fish Festival which is a large festival that takes place annually in October. There are currently 12 sites registered with the Kansas Historical Society within the County, six of which are located in or around the City.

The City has nine 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.

The City cannot predict the impact of the Revenue Neutral Tax Act on any general rating of the City. A change in the general rating of the City may adversely impact the market price of the Bonds in the secondary market.

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 Lindburg, Vogel, Pierce, Faris, Chartered CPAs, Hutchinson, 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, 2023 is attached hereto as **APPENDIX B**.

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 County Appraiser's office determines the fair market value of all taxable property within the County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the City.

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 pur 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>
2024	2025	\$10,377,390 ⁽¹⁾	\$175,488 ⁽¹⁾	\$1,986,635 ⁽¹⁾	\$1,470,004	\$14,009,517
2024	2025	10,377,693 ⁽²⁾	175,488 ⁽²⁾	1,986,635 ⁽²⁾	1,470,004	14,009,820
2023	2024	8,303,340	200,269	2,040,681	1,320,070	11,864,360
2022	2023	7,633,936	185,893	2,095,183	1,406,087	11,321,099
2021	2022	7,365,038	189,923	2,293,481	1,391,702	11,240,144
2020	2021	6,908,475	194,575	2,571,188	1,462,913	11,137,151

⁽¹⁾ Preliminary valuation figures as of July 15, 2024 for budgeting purposes.

⁽²⁾ Final valuation figures certified as of November 1, 2023.

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 September 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:

Levy Year	Budget Year	General	Bond & Interest	Employee Benefits	Library	Recreation	Other⁽¹⁾	Total Levy
2024	2025	43.554	3.453	16.108	5.461	3.270	2.266	74.112
2023	2024	51.558	4.818	17.624	5.827	3.936	2.147	85.910
2022	2023	51.370	4.626	17.447	5.655	4.185	0.870	84.153
2021	2022	43.978	5.152	18.417	5.562	4.283	1.955	79.347
2020	2021	40.874	8.196	16.096	5.982	4.738	3.553	79.439

⁽¹⁾ Includes mill levy for the airport and police & fire equipment.

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:

Tax Year	Budget Year	City	Harper County	State	USD No. 361	Hospital Dist. No. 6	Total
2024	2025	74.112	60.889	1.500	54.888	22.613	214.002
2023	2024	85.910	60.680	1.500	51.912	21.691	221.693
2022	2023	84.153	58.894	1.500	49.723	20.965	215.235
2021	2022	79.347	59.378	1.500	49.432	20.965	210.622
2020	2021	79.439	59.323	1.500	53.821	21.626	215.709

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:

Levy Year	Budget Year	Total Levy	Total Taxes Levied (\$)	Current Taxes Collected (\$)	Current Taxes Collected (%)
2024	2025	74.112	\$933,624	\$811,142	86.88%
2023	2024	85.910	866,228	779,326	89.97%
2022	2023	84.153	793,963	714,675	90.01%
2021	2022	79.347	782,878	688,193	87.91%
2020	2021	79.439	769,666	698,281	90.73%

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 (2024/25):

Taxpayer	Assessed Valuation	Taxes Levied
1. Wheatland Electric COOP Inc.	\$1,613,460	\$345,283
2. Harper Industries Inc.	872,333	186,681
3. Sunflower Electric Power COOP	568,432	121,645
4. Kansas Gas Service, Div. of One Gas	514,513	110,106
5. Banccentral National Association	355,148	76,002
6. Anthony Farmers COOP	350,562	75,020
7. SRS Propertires, LLC	332,337	71,120
8. Cox Machine Inc.	192,782	41,255
9. ARC DGHPRKS001 LLC	176,220	37,711
10. Freeport State Bank	161,978	34,663

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 June 30, 2023, KPERS serves approximately 323,000 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 City’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).

The City’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 City’s contribution is 9.26% of the employee’s gross salary for calendar year 2024, and is projected to change to 9.71% of the employee’s gross salary for calendar year 2025. In addition, the City contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees.

In 2004, 2015 and 2021, the Kansas Development Finance Authority, on behalf of the State, issued pension obligation bonds and contributed the proceeds thereof to KPERS to assist with improving the status of the unfunded actuarial pension liability. In 2022 the Legislature provided for additional contributions totaling \$1.125 billion in four payments to be deposited into the KPERS trust fund for the School Group. For more information about the Legislature’s actions related to KPERS, please see the 2022 Valuation Report referenced below.

According to the Valuation Report as of December 31, 2023 (the “2023 Valuation Report”) the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$2.089 billion at the end of 2023. The amount of the UAAL in 2023 changed from the previous year’s amount due to the factors discussed in the 2023 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 2023 Valuation Report is available on the KPERS website at kpers.org/about/reports. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2023 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 2023 Valuation Report sets the employer contribution rate for the period beginning January 1, 2026, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 9.59% 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 2023 Valuation Report. The statutory contribution rate of employers currently equals the 2023 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.

The City has not implemented GASB 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB 27, because the City’s financial statements are prepared on a regulatory basis of accounting which is a comprehensive basis of accounting different from accounting principles generally accepted in the United States of America. KPERS, however, has implemented GASB 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement 25, and is required annually to provide its participants the proportional share of the net pension liability of KPERS allocated to each participant as of the end of the prior fiscal year. The KPERS’ Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the “GASB 68 Report”) provides the net pension liability allocated to each KPERS participant, including the City. The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. Because the City has not implemented GASB 68, the net pension liability calculated by KPERS for the City is not reflected as a liability on the City’s financial statements. The City has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the City has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

History of Employment

The City has 13 full-time and two part-time employees. Employee Relations ae characterized as good.

Risk Management

The City is insured against the risks arising from general liability by Municipal Public Risk, workers compensation insurance is provided by Kansas Municipal Insurance Trust, and employee medical coverage by Blue Cross Blue Shield of Kansas.

CITY’S AUTHORITY TO INCUR DEBT

Debt Summary

The following table summarizes certain key statistics with respect to the City’s general obligation debt, including the Notes:

Equalized Assessed Valuation of Tangible Valuation	
for Computation of Bonded Debt Limitations ⁽¹⁾	\$14,009,820
Legal limitation of Bonded Debt ⁽²⁾	\$4,202,946
Outstanding general obligation debt anticipated as of July 30, 2025 ⁽³⁾	\$3,585,600
Exempt Debt	\$1,680,000
Net Debt against Statutory Debt limit capacity	\$1,905,600
Additional debt capacity	\$2,297,346
Direct debt per capita (1,304)	\$2,750
Overlapping Indebtedness	\$367,251
Direct and overlapping debt.....	\$3,647,851
Direct and overlapping debt per capita	\$2,797
Direct debt as a percentage of Equalized Assessed Valuation.....	23.42%
Direct and overlapping debt as a percentage of Equalized Assessed Valuation.....	26.04%
Statutory direct debt as a percentage of Equalized Assessed Valuation.....	13.60%

⁽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.

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of July 30, 2025, and the percent attributable (on the basis of assessed valuation not including motor vehicle valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>2024 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to The City</u>	<u>Amount Applicable to The City</u>
Harper County	\$97,080,089	\$ 0	12.92%	\$ 0
U.S.D. No. 361	78,190,307	2,290,000	16.04%	367,251
Hospital District No. 6	70,495,488	0	17.79%	0
TOTAL				\$367,251

Source: County Clerk

DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City

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

GENERAL OBLIGATION BONDS (As of July 30, 2025)

<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 Bonds	2010	10/20/2025	\$ 183,600	\$ 15,600	\$ 15,600
General Obligation Bonds	2016A	09/01/2032	730,000	425,000	0
General Obligation Bonds	2020	12/01/2039	1,300,000	870,000	870,000
General Obligation Refunding Bonds	2021	09/01/2034	1,500,000	950,000	0
General Obligation Bonds	2024	10/01/2034	1,020,000	<u>1,020,000</u>	<u>1,020,000</u>
TOTAL				\$3,280,600	\$1,905,600

TEMPORARY NOTES (As of July 30, 2025)

<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 Temporary Notes ⁽¹⁾	2025	10/01/2027	\$305,000	\$305,000	\$0

⁽¹⁾ This issue and subject to change.

CERTIFICATES OF PARTICIPATION

As of July 30, 2025, the City had no certificates of participation outstanding.

REVENUE BONDS OUTSTANDING

As of July 30, 2025, the City had no revenue bonds outstanding.

CAPITAL LEASE OBLIGATIONS (As of July 30, 2025)

<u>Description</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Street sweeper	2022	04/01/2027	\$197,000	\$117,225

LOAN OBLIGATIONS

As of July 30, 2025, the City had no loan obligations outstanding.

PUBLIC BUILDING COMMISSION REVENUE BONDS OUTSTANDING

As of July 30, 2025, the City had no public building commission revenue bonds outstanding.

Debt Payment Record

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

Future Indebtedness

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) will 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 the County and the City in the years indicated:

<u>Year</u>	<u>County Population</u>	<u>City Population</u>
2023	5,435	1,304
2022	5,323	1,276
2021	5,331	1,273
2020	5,485	1,313
2019	5,436	1,317
2010	6,034	1,473

Source: State of Kansas State of Kansas – Division of Budget (2019, 2021-2023); U.S. Census Bureau (2010, 2020)

Labor Force

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

HARPER COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2024	2,580	2,485	95	3.7%
2023	2,797	2,732	65	2.3%
2022	2,783	2,724	59	2.1%
2021	2,744	2,701	73	2.6%
2020	2,792	2,668	124	4.4%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2024	1,545,790	1,490,553	55,237	3.6%
2023	1,510,988	1,470,936	40,052	2.7%
2022	1,504,932	1,464,834	40,098	2.7%
2021	1,495,665	1,447,323	48,342	3.2%
2020	1,497,013	1,409,003	88,010	5.9%

Currently, the Kansas Department of Labor estimates an unemployment rate of 3.4% for the County and 3.7% for the State of Kansas for the month of April 2025.

Source: Kansas Statistical Abstract (2020 data); Kansas Department of Labor (2021 – 2024 data and April 2025 estimate)

Retail Sales and Use Tax Collections

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

<u>Year</u>	<u>Sales Tax and Use Collections</u>	<u>Per Capita Sales and Use Tax</u>
2023	\$5,642,443	\$1,102.72
2022	6,060,870	1,076.52
2021	5,501,541	987.95
2020	5,412,120	1,100.23
2019	5,870,956	1,021.41

Source: Kansas Statistical Abstract

Since July 1, 2015, the statewide sales and use tax has been 6.50%.

Oil Production

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

<u>Year</u>	<u>Oil Production</u>
2024	198,657
2023	230,452
2022	257,560
2021	296,938
2020	322,137

Source: Kansas Geological Survey

Financial and Banking Institutions

There are currently four banks, with seven different branch locations, located in the 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)
2024	\$250,940
2023	210,050
2022	261,212
2021	246,881
2020	234,283

Source: FDIC

Personal Income Trends

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

<u>Year</u>	<u>Harper County</u> <u>Personal Income (\$000)</u>	<u>Harper County</u> <u>Per Capita Income</u>	<u>State Per</u> <u>Capita Income</u>
2023	\$351,105	\$64,601	\$66,115
2022	310,366	58,307	60,424
2021	329,449	61,799	58,924
2020	308,793	57,870	56,099
2019	298,402	54,894	53,426

Source: U.S. Bureau of Economic Analysis

APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

CITY OF HARPER, KANSAS

DECEMBER 31, 2023



CITY OF HARPER, KANSAS

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Guy A. Scofield, CPA
Kenneth D. Hamby, CPA
Michael R. Meisenheimer, CPA
Nick L. Muetting, CPA
Billy J. Klug, CPA
Randall R. Hofmeier, CPA
Brent L. Knoche, CPA
Brian W. Mapel, CPA
Jeffrey D. Reece, CPA
Brady H. Byrnes, CPA
Alex P. Larson, CPA
Kayleen E. Million, CPA

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Harper, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash balances of City of Harper, Kansas (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse and Unmodified Opinions on U.S. Generally Accepted Accounting Principles" section of our report, the accompanying 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, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on the Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2023, 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—Summary of Significant Accounting Policies.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1—Summary of Significant Accounting Policies 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.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis reporting provisions in 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 preparation 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.

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

Auditors' Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash balance – regulatory basis (basic financial statement) as a whole. The summary of expenditures – regulatory basis – actual and budget, the individual fund schedules of receipts and expenditures – regulatory basis – actual and budget, the schedule of receipts and expenditures – regulatory basis – related municipal entities, and the agency fund schedule of receipts and disbursements – regulatory basis (Schedules 1 through 4, as listed in the table of contents) are presented for additional analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and the supplementary information 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—Summary of Significant Accounting Policies.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 24, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants

Hutchinson, Kansas
May 24, 2024

CITY OF HARPER, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2023

Page 1 of 3

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	\$ 180,803	\$ 1,004,387	\$ 1,010,542	\$ 174,648	\$ 21,712	\$ 196,360
SPECIAL PURPOSE FUNDS						
Airport	80,024	4,380	32,625	51,779	382	52,161
Employee Benefits	31,496	178,632	187,078	23,050	158	23,208
Library	1,045	57,631	57,920	756	-	756
Special Parks and Recreation	41,351	-	-	41,351	-	41,351
Recreation	730	44,617	44,750	597	-	597
Transient Guest Tax	25,746	31,038	30,878	25,906	-	25,906
Police and Fire Equipment	14,678	10,077	22,760	1,995	-	1,995
Special Street and Highway	107,194	341,816	402,497	46,513	1,484	47,997
Equipment Reserve	388,400	79,229	82,861	384,768	-	384,768
Fire Equipment Reserve	127,586	36,437	7,481	156,542	-	156,542
Capital Improvement Program	57,561	12,500	23,508	46,553	1,902	48,455
Street Reserve	89,609	15,000	58,039	46,570	-	46,570
Street Improvement Sales Tax	201,175	278,057	216,578	262,654	-	262,654
Infrastructure Sales Tax	335,140	498,542	621,065	212,617	-	212,617
Economic Development Incentives	119,898	85,149	62,750	142,297	3,495	145,792
Cobblestone CID	31,249	19,710	-	50,959	-	50,959
Parks and Culture	5,000	-	5,000	-	-	-
Firemen's Activity	10,965	200	-	11,165	-	11,165
Police Activity	5,259	-	-	5,259	-	5,259
VIN Inspection	2,138	1,040	-	3,178	-	3,178
Diversion	4,950	2,250	-	7,200	-	7,200
BASE Project (ARPA Grant)	175,886	212,068	435,564	(47,610)	-	(47,610)
Community Development	55,006	8,536	3,723	59,819	-	59,819
Donations and Gifts	1,952	18,924	18,009	2,867	-	2,867
Future Community Center	32,470	15,519	-	47,989	-	47,989
Police Drug Seizure Trust	885	5,437	265	6,057	-	6,057
Cemetery Veteran's Memorial	2,366	-	300	2,066	-	2,066
TOTAL SPECIAL PURPOSE FUNDS	1,949,759	1,956,789	2,313,651	1,592,897	7,421	1,600,318
BOND AND INTEREST FUND						
Bond and Interest	85,675	49,013	46,195	88,493	-	88,493

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

CITY OF HARPER, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2023

Page 2 of 3

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
BUSINESS FUNDS						
Water Utility						
Operating Reserve	\$ 36,652	\$ 568,285	\$ 549,258	\$ 55,679	\$ 10,066	\$ 65,745
	205,555	63,268	121,255	147,568	-	147,568
Sewer Utility						
Operating Reserve	46,291	259,302	260,637	44,956	3,359	48,315
	316,724	32,000	25,100	323,624	-	323,624
TOTAL BUSINESS FUNDS	605,222	922,855	956,250	571,827	13,425	585,252
CAPITAL PROJECT FUNDS						
Harper Sports Complex Improvements	6,000	-	6,000	-	-	-
Public Facilities Improvement	300,101	-	-	300,101	-	300,101
TOTAL CAPITAL PROJECT FUNDS	306,101	-	6,000	300,101	-	300,101
TRUST FUNDS						
Health Insurance Savings	13,564	44,885	44,478	13,971	942	14,913
Cemetery Trust	28,916	-	-	28,916	-	28,916
Cemetery Endowment	63,519	100	-	63,619	-	63,619
TOTAL TRUST FUNDS	105,999	44,985	44,478	106,506	942	107,448
TOTAL CITY	3,233,559	3,978,029	4,377,116	2,834,472	43,500	2,877,972
RELATED MUNICIPAL ENTITIES						
Harper Public Library	71,982	78,691	95,394	55,279	1,665	56,944
Harper Recreation Commission	67,119	101,298	118,225	50,192	-	50,192
TOTAL RELATED MUNICIPAL ENTITIES	139,101	179,989	213,619	105,471	1,665	107,136
TOTAL FINANCIAL REPORTING ENTITY	\$ 3,372,660	\$ 4,158,018	\$ 4,590,735	\$ 2,939,943	\$ 45,165	\$ 2,985,108

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

CITY OF HARPER, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2023

Page 3 of 3

COMPOSITION OF CASH AND INVESTMENTS

Cash and cash items	\$ 300
Checking accounts	15,125
Money Market accounts	958,151
Certificates of deposit	<u>1,924,618</u>

TOTAL PRIMARY GOVERNMENT	<u>2,898,194</u>
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RELATED MUNICIPAL ENTITIES

Harper Public Library	56,944
Harper Recreation Commission	<u>50,192</u>

TOTAL RELATED MUNICIPAL ENTITIES	<u>107,136</u>
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TOTAL CASH	3,005,330
AGENCY FUNDS (Schedule 4)	<u>(20,222)</u>

TOTAL REPORTING ENTITY	<u><u>\$ 2,985,108</u></u>
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The notes to the financial statement are an integral part of this statement.

CITY OF HARPER, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Harper, Kansas (the City) is a municipal corporation governed by an elected mayor and council. This regulatory financial statement presents the City and includes its related municipal entities. The related municipal entities discussed below are included in the City's reporting entity because of their operational or financial relationship with the City:

Library Board

The Harper Public Library Board operates the City's public library. The Library is a related municipal entity of the City because of their fiscal dependency. The City budgets an appropriation for the Library. Acquisition or disposition of real property by the Library Board must be approved by the City. Bond issuances must also be approved by the City.

Recreation Commission

The Harper Recreation Commission operates the City's recreation activities. The Recreation Commission is a related municipal entity of the City because of their fiscal dependency. The City budgets an appropriation for the Recreation Commission. The City approved a charter ordinance exempting the City from the provisions of K.S.A. 12-1926 and K.S.A. 12-1928 relating to the powers and operations of the Recreation Commission. As such, the Recreation Commission has only the powers granted by City Ordinance G-416.

Fund Accounting

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.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2023:

General Fund

Used to account for all unrestricted resources, except those required to be accounted for in another fund.

Special Purpose Funds

Used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects 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 for the payment of interest and principal on long-term debt.

Capital Project Funds

Used to account for debt proceeds and other financial resources to be used for the acquisition of major capital facilities or equipment.

Business Funds

Funds financed in whole or in part by fees charged to users of the goods and services.

Trust Funds

Funds used to report assets held in trust for the benefit of the municipal financial reporting entity.

Agency Funds

Funds used to account for assets held by a government as an agent or in a custodial capacity.

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The regulatory basis of accounting provisions in the *Kansas Municipal Audit and Accounting Guide* 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 reporting the 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 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 municipality to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and 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 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City held a revenue neutral rate hearing as a part of the process for adoption of the 2023 budget.

The statutes allow for the governing body to increase the original adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such amended budgets for the year ended December 31, 2023.

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 regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and certain special purpose funds. Spending in funds, which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Tax Cycle

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas are the responsibility of the County. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One half of the property taxes are due December 20 prior to the fiscal year for which they are budgeted, and the second half is due the following May 10. Delinquent taxes were assessed interest as prescribed by Kansas statute. The interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1 and are distributed by the County Treasurer. Approximately 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

Estimates

The preparation of the financial statement requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statement. Actual results could differ from those estimates.

Deposits and Investments

Deposits include amounts in demand deposits, time deposits, and certificates of deposit with financial institutions. K.S.A. 12-1675, authorizes the City to invest monies in temporary notes or no-fund warrants of the governmental unit; in time deposits, open accounts, or certificates of deposit with maturities not exceeding two years; repurchase agreements consisting of obligations insured by the U.S. Government or any agency thereof; U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool.

Cemetery Endowment Fund

The Cemetery Endowment Fund was established to provide for perpetual care and maintenance of the cemetery. The funds were invested and only the interest earned on this may be used for maintenance and upkeep of the cemetery.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

The cash-basis law, K.S.A. 10-113, requires that no indebtedness be created in excess of available monies in a fund. The fund for the BASE Project (ARPA Grant) had a deficit balance at year end for expenditures that will be reimbursed in the ensuing year, a cash-basis exception.

Management was not aware of any other material statutory violations.

NOTE 3—DEPOSITS AND INVESTMENTS

The City's policies relating to deposits and investments are governed by various Kansas statutes. Those statutes specify the type of deposits and investments as well as the securing of those 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 or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

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 (KMIP). The City has no investment policy that would further limit its investment choices.

Interest Rate Risk

In accordance with K.S.A. 12-1675, the City manages its exposure to interest rate fluctuations by limiting all time investments to maturities of two years or less. The City has no other policies that would further limit interest rate risk.

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 FDIC 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, the Federal Home Loan Bank of Topeka, or deposit guaranty bonds coverage.

At December 31, 2023, the City's carrying amount of deposits (including related municipal entities) was \$3,005,030 and the bank balance was \$3,064,650. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$360,116 was covered by FDIC insurance and \$2,704,534 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes limit the amount of credit risk by restricting governments to specific investment types as listed in K.S.A. 12-1675. The City's practice is to invest funds in U.S. obligations and the KMIP.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and monies in the KMIP are diverse according to the policies of the investment pool.

NOTE 4—LONG-TERM DEBT

At year end, the City's long-term debt consisted of the following:

Issue	Date of Issue	Interest Rate	Amount of Issue	Year of Final Maturity
General Obligation Bonds				
Fire truck, Series 2010	10/20/10	3.75%	\$ 183,600	2025
Street improvement, Series 2016A	11/15/16	1.25% - 2.50%	730,000	2032
Public facilities and street improvements, Series 2020	02/04/20	2.00% - 2.40%	1,300,000	2039
Refunding, Series 2021	07/06/21	0.20% - 1.30%	1,500,000	2034
Firemen's Relief Association Loan Warrants				
Loan dated March 1, 2018	03/01/18	1.00%	50,000	2025
Finance Leases				
Street sweeper	04/15/22	4.15%	197,000	2027

Changes in long-term liabilities of the City for the year ended December 31, 2023, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds					
Fire truck	\$ 45,200	\$ -	\$ 14,500	\$ 30,700	\$ 1,695
Street improvement	520,000	-	45,000	475,000	11,735
Public facilities and street improvements	1,045,000	-	90,000	955,000	21,880
Refunding	1,315,000	-	180,000	1,135,000	9,818
	2,925,200	-	329,500	2,595,700	45,128
Firemen's Relief Association Loan					
Warrants					
Loan dated March 1, 2018	22,001	-	7,261	14,740	220
Finance Leases					
Street sweeper	197,000	-	25,525	171,475	8,175
	<u>\$ 3,144,201</u>	<u>\$ -</u>	<u>\$ 362,286</u>	<u>\$ 2,781,915</u>	<u>\$ 53,523</u>

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

General Obligation Bonds	Principal	Interest
2024	\$ 340,100	\$ 41,569
2025	300,600	37,555
2026	255,000	33,445
2027	265,000	29,730
2028	265,000	25,710
2029-2033	895,000	69,215
2034-2038	235,000	19,415
2039	40,000	960
	<u>\$ 2,595,700</u>	<u>\$ 257,599</u>

Firemen's Relief Association Loan Warrants	Principal	Interest
2024	\$ 7,333	\$ 148
2025	7,407	74
2026	-	-
2027	-	-
2028	-	-
	<u>\$ 14,740</u>	<u>\$ 222</u>

Finance Leases	Principal	Interest
2024	\$ 26,564	\$ 7,136
2025	27,686	6,014
2026	28,835	4,865
2027	88,390	3,668
2028	-	-
	<u>\$ 171,475</u>	<u>\$ 21,683</u>

NOTE 5—INTERFUND TRANSFERS

Operating transfers were made as follows:

From Fund	To Fund	Statutory Authority	Amount
General	Equipment Reserve	K.S.A. 12-1,117	\$ 57,576
General	Fire Equipment Reserve	K.S.A. 12-1,117	31,437
General	Capital Improvement	K.S.A. 12-1,118	12,500
General	Street Reserve	K.S.A. 12-1,119	15,000
General	Economic Development Incentives	Ordinance	10,000
General	Community Development	Accounting	3,600
Equipment Reserve	General	K.S.A. 12-1,117	35,000
Police and Fire Equipment	Equipment Reserve	K.S.A. 12-1,117	16,500
Police and Fire Equipment	Fire Equipment Reserve	K.S.A. 12-1,117	5,000
Water Utility	Water Reserve	K.S.A. 12-825d	57,000
Sewer Utility	Sewer Reserve	K.S.A. 12-825d	32,000
Street Improvement Sales Tax	BASE Project (ARPA Grant)	Accounting	144,200
Infrastructure Sales Tax	BASE Project (ARPA Grant)	Accounting	14,200
Economic Development Incentives	BASE Project (ARPA Grant)	Accounting	10,000

NOTE 6—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 the Comprehensive Annual Financial Report, which can be found on 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 establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of annual actuarial valuation. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate for KPERS was 8.43% for the year ended December 31, 2023. Contributions to the pension plan from the City for KPERS was \$61,353 for the year ended December 31, 2023.

Net Pension Liability

At December 31, 2023, the City's proportionate share of the collective net pension liability reported by KPERS was \$608,036. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The City's share of the allocated net pension liability is based on the ratio of the City's employer contributions to KPERS, relative to the total employer contributions and nonemployer contributions of local subgroup within KPERS.

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 7—OTHER LONG-TERM OBLIGATIONS

Other Post-Employment Benefits – Death and Disability Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability 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 was set at 1% for the year ended December 31, 2023.

Compensated Absences

Under City personnel policies in effect at year end, the City is liable for payments to employees for vacation and sick pay when taken in agreement with the policy. Under certain conditions employees may carry over limited credits and may be paid for unused time at termination. The City's estimated liability for compensated absences at December 31, 2023, was \$37,929.

NOTE 8—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other municipalities to participate in the Midwest Public Risk (MPR) and Kansas Municipal Insurance Pool (KMIP), which are public entity risk pools operating as common risk management and insurance programs for participating members.

The City pays an annual premium to MPR for property and liability insurance coverage and to KMIP for workers' compensation insurance coverage. The agreements to participate in these public entity risk pools provide that they will be self-sustaining through member premiums, and that MPR and KMIP will reinsure through commercial companies for claims in excess of specified amounts for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated.

The City continues to carry commercial insurance for all other risks of loss. There were no significant reductions in coverage during the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years. Medical benefits were provided to employees and their eligible dependents through commercial insurance.

NOTE 9—CONCENTRATIONS

A substantial portion of the City's water and sewer sales are to one customer. During 2023, water and sewer sales to the customer were 12.3%.

NOTE 10—CAPITAL PROJECTS

On February 4, 2020, the City issued \$1,300,000 general obligation bonds for Street and Drainage Improvements, Harper Sports Complex Improvements, and Public Building Improvements.

At year end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Public Facilities Improvement
Project authorization	\$ 315,000
Approved change orders	8,371
Less: expenditures to date	<u>(8,270)</u>
Remaining project authorization	<u><u>\$ 315,101</u></u>

NOTE 11—OTHER COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

The City participates in various federal and state grant programs from year to year. These grants are often subject to grantor audit or review, the purpose of which is to ensure compliance with specific conditions of the grant. Any liability for reimbursement that may arise as a result of audit or review cannot be reasonably determined at this time; however, it is believed that the amount, if any, would not be material.

BASE Grant Commitment

On April 25, 2022, the City Council committed \$635,370 to the Harper County Growth Initiative Project to be funded with a \$3,000,000 BASE grant awarded to the Harper County Community Foundation by the Kansas Department of Commerce with the City of Harper responsible for 47.6% of the matching costs of \$635,370.

Litigation

The City may sometimes be a defendant in various legal actions pending or in process concerning personal injury, workers' compensation claims, and property damage. The ultimate liability that might result from the final resolution of these matters is not presently determinable. The financial statement does not include accruals or provisions for loss contingencies that may result from these proceedings.

Neighborhood Revitalization Program

The City participates in a neighborhood revitalization program as allowed by K.S.A. 12-17,114, et seq. Under the program, participants are provided a rebate of ad valorem taxes paid based on the increase in assessed valuation attributable to improvements made by the taxpayer after being approved for participation in the neighborhood revitalization program. For the year ended December 31, 2023, the City's neighborhood revitalization tax rebates totaled \$32,473.

In 2020, the City Council approved, by ordinance, an ad valorem tax rebate program. For the year ended December 31, 2023, the City had no rebates from the ad valorem tax rebate program.

CITY OF HARPER, KANSAS
SUMMARY OF EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credit	Total for Comparison	Expenditures Chargeable to Current Year Budget	Over (Under) Budget
GENERAL FUND	\$ 1,057,745	\$ -	\$ 1,057,745	\$ 1,010,542	\$ (47,203)
SPECIAL PURPOSE FUNDS					
Airport	75,423	-	75,423	32,625	(42,798)
Employee Benefits	216,595	-	216,595	187,078	(29,517)
Library	62,750	-	62,750	57,920	(4,830)
Special Parks and Recreation	41,351	-	41,351	-	(41,351)
Recreation	47,300	-	47,300	44,750	(2,550)
Transient Guest Tax	43,354	-	43,354	30,878	(12,476)
Police and Fire Equipment	23,500	-	23,500	22,760	(740)
Special Street and Highway	181,561	300,000	481,561	402,497	(79,064)
Equipment Reserve	351,923	-	351,923	82,861	(269,062)
Fire Equipment Reserve	146,465	-	146,465	7,481	(138,984)
Capital Improvement Program	59,901	-	59,901	23,508	(36,393)
Street Reserve	82,109	-	82,109	58,039	(24,070)
Street Improvement Sales Tax	217,163	-	217,163	216,578	(585)
Infrastructure Sales Tax	303,727	318,126	621,853	621,065	(788)
Economic Development Incentives	89,503	-	89,503	62,750	(26,753)
Cobblestone CID	35,766	-	35,766	-	(35,766)
BOND AND INTEREST FUND					
Bond and Interest	136,295	-	136,295	46,195	(90,100)
BUSINESS FUNDS					
Water Utility					
Operating	565,394	-	565,394	549,258	(16,136)
Reserve	195,005	-	195,005	121,255	(73,750)
Sewer Utility					
Operating	261,028	-	261,028	260,637	(391)
Reserve	331,712	-	331,712	25,100	(306,612)

CITY OF HARPER, KANSAS
 GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-1
 Page 1 of 3

	Actual	Budget	Over (Under) Budget
	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
RECEIPTS			
Taxes and shared revenue			
Ad valorem property tax	\$ 466,034	\$ 517,847	\$ (51,813)
Delinquent tax	21,876	9,000	12,876
Motor vehicle tax	42,199	47,000	(4,801)
Recreational vehicle tax	712	905	(193)
16/20M truck tax	141	370	(229)
Commercial vehicle registration fee	2,518	1,979	539
Local retail sales tax	180,441	140,000	40,441
Connecting links	21,803	17,500	4,303
Neighborhood revitalization	(20,860)	(20,033)	(827)
Licenses, fees, and permits			
Franchise fees	125,738	110,000	15,738
Liquor and CMB licenses	630	380	250
Zoning fees	550	1,000	(450)
Animal impound fees	300	50	250
Miscellaneous licenses, fees, and permits	3,035	1,200	1,835
Fines and forfeitures			
Municipal Court	29,709	18,000	11,709
Uses of money and property			
Interest earned	12,679	4,000	8,679
Cemetery farm rent	6,766	6,766	-
Charges for services			
Swimming pool receipts	13,730	10,000	3,730
Rural fire contracts	40,688	51,103	(10,415)
Cemetery lots and fees	8,950	8,000	950
Other			
Grants and reimbursements	400	500	(100)
Sale of surplus equipment and material	501	250	251
Miscellaneous	10,847	-	10,847
Transfer from - Equipment Reserve	35,000	-	35,000
	<u>1,004,387</u>	<u>925,817</u>	<u>78,570</u>
TOTAL RECEIPTS			

CITY OF HARPER, KANSAS

GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-1
 Page 2 of 3

	Actual	Budget	Over (Under) Budget
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Personal services	\$ 71,562	\$ 79,000	\$ (7,438)
Contractual services	59,819	60,000	(181)
Commodities	5,849	10,000	(4,151)
Department total	<u>137,230</u>	<u>149,000</u>	<u>(11,770)</u>
Police department			
Personal services	180,498	187,000	(6,502)
Contractual services	8,718	7,500	1,218
Commodities	24,440	26,550	(2,110)
Emergency management	-	-	-
Training	1,970	3,000	(1,030)
Code abatement	5,571	5,000	571
Department total	<u>221,197</u>	<u>229,050</u>	<u>(7,853)</u>
Municipal Court			
Personal services	1,800	1,800	-
Contractual services	2,617	10,000	(7,383)
Commodities	43	500	(457)
Department total	<u>4,460</u>	<u>12,300</u>	<u>(7,840)</u>
Street department			
Personal services	172,184	178,000	(5,816)
Contractual services	15,334	15,000	334
Commodities	45,074	64,025	(18,951)
Storm drainage system	25,000	25,000	-
Code abatement	-	1,000	(1,000)
Department total	<u>257,592</u>	<u>283,025</u>	<u>(25,433)</u>
Fire department			
Personal services	3,751	4,500	(749)
Contractual services	1,832	7,000	(5,168)
Commodities	12,835	14,500	(1,665)
Transfer to:			
Equipment Reserve Fund	17,546	12,500	5,046
Fire Equipment Reserve Fund	31,437	51,370	(19,933)
Department total	<u>67,401</u>	<u>89,870</u>	<u>(22,469)</u>
Park department			
Personal services	7,591	8,960	(1,369)
Contractual services	1,996	2,500	(504)
Commodities	8,759	6,000	2,759
Tree care	3,351	5,000	(1,649)
Department total	<u>21,697</u>	<u>22,460</u>	<u>(763)</u>

CITY OF HARPER, KANSAS

GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-1
 Page 3 of 3

	Actual	Budget	Over (Under) Budget
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET (Continued)			
Cemetery department			
Personal services	\$ 52,540	\$ 47,140	\$ 5,400
Contractual services	6,590	5,000	1,590
Commodities	9,901	9,000	901
Road materials	184	3,000	(2,816)
Department total	<u>69,215</u>	<u>64,140</u>	<u>5,075</u>
Swimming pool			
Personal services	26,949	33,000	(6,051)
Contractual services	5,522	7,800	(2,278)
Commodities	6,519	11,100	(4,581)
Capital outlay	1,672	5,000	(3,328)
Department total	<u>40,662</u>	<u>56,900</u>	<u>(16,238)</u>
Utility services			
Electric	42,515	54,000	(11,485)
Gas	6,769	7,600	(831)
Telephone	5,673	5,700	(27)
Department total	<u>54,957</u>	<u>67,300</u>	<u>(12,343)</u>
Planning and Zoning			
Personal services	-	4,200	(4,200)
Contractual services	1,085	8,500	(7,415)
Comprehensive Development Plan	41,879	5,000	36,879
Department total	<u>42,964</u>	<u>17,700</u>	<u>25,264</u>
Other			
Condemnation	1,096	11,000	(9,904)
Community development	10,971	15,000	(4,029)
Transfer to:			
Equipment Reserve Fund	40,000	15,000	25,000
Community Development Fund	3,600	-	3,600
Capital Improvement Fund	12,500	7,500	5,000
Street Reserve Fund	15,000	7,500	7,500
Economic Development Incentives Fund	10,000	10,000	-
Other total	<u>93,167</u>	<u>66,000</u>	<u>27,167</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>1,010,542</u>	<u>1,057,745</u>	<u>(47,203)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(6,155)	(131,928)	125,773
UNENCUMBERED CASH, JANUARY 1	<u>180,803</u>	<u>131,928</u>	<u>48,875</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 174,648</u>	<u>\$ -</u>	<u>\$ 174,648</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
AIRPORT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-2

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Taxes			
Ad valorem property tax	\$ -	\$ -	\$ -
Delinquent tax	365	100	265
Motor vehicle tax	448	500	(52)
Recreational vehicle tax	8	10	(2)
16/20M truck tax	3	4	(1)
Commercial vehicle registration fee	27	21	6
Neighborhood revitalization	-	-	-
Aviation fuel reimbursements	469	7,000	(6,531)
Rentals	360	359	1
Grants and reimbursements	-	20,000	(20,000)
Sale of crops	2,700	1,000	1,700
TOTAL RECEIPTS	<u>4,380</u>	<u>28,994</u>	<u>(24,614)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Contractual services	4,823	8,000	(3,177)
Commodities	2,469	14,650	(12,181)
Capital outlay	-	30,773	(30,773)
Airport improvements			
City match	4,083	2,000	2,083
Grant	21,250	20,000	1,250
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>32,625</u>	<u>75,423</u>	<u>(42,798)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(28,245)	(46,429)	18,184
UNENCUMBERED CASH, JANUARY 1	<u>80,024</u>	<u>46,676</u>	<u>33,348</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 51,779</u>	<u>\$ 247</u>	<u>\$ 51,532</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
EMPLOYEE BENEFITS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-3

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 158,281	\$ 175,882	\$ (17,601)
Delinquent tax	8,356	3,000	5,356
Motor vehicle tax	17,672	19,682	(2,010)
Recreational vehicle tax	298	379	(81)
16/20M truck tax	55	156	(101)
Commercial vehicle registration fee	1,055	829	226
Neighborhood revitalization	(7,085)	(6,804)	(281)
TOTAL RECEIPTS	<u>178,632</u>	<u>193,124</u>	<u>(14,492)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Health insurance	60,811	70,000	(9,189)
Claims	29,681	33,000	(3,319)
Social Security	37,530	41,000	(3,470)
KPERs	42,512	43,500	(988)
Workers' compensation	12,446	8,000	4,446
Unemployment insurance	618	1,000	(382)
Other	3,480	20,095	(16,615)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>187,078</u>	<u>216,595</u>	<u>(29,517)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(8,446)	(23,471)	15,025
UNENCUMBERED CASH, JANUARY 1	<u>31,496</u>	<u>23,471</u>	<u>8,025</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 23,050</u>	<u>\$ -</u>	<u>\$ 23,050</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-4

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 51,303	\$ 57,009	\$ (5,706)
Delinquent tax	2,858	500	2,358
Motor vehicle tax	5,337	5,943	(606)
Recreational vehicle tax	90	115	(25)
16/20M truck tax	21	47	(26)
Commercial vehicle registration fee	318	250	68
Neighborhood revitalization	(2,296)	(2,205)	(91)
TOTAL RECEIPTS	<u>57,631</u>	<u>61,659</u>	<u>(4,028)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation to library	57,920	62,000	(4,080)
Insurance	<u>-</u>	<u>750</u>	<u>(750)</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>57,920</u>	<u>62,750</u>	<u>(4,830)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(289)	(1,091)	802
UNENCUMBERED CASH, JANUARY 1	<u>1,045</u>	<u>1,091</u>	<u>(46)</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 756</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 756</u></u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-5

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Local alcoholic liquor tax	\$ -	\$ -	\$ -
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Culture and recreation	<u> -</u>	<u> 41,351</u>	<u> (41,351)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	(41,351)	41,351
UNENCUMBERED CASH, JANUARY 1	<u> 41,351</u>	<u> 41,351</u>	<u> -</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u> \$ 41,351</u></u>	<u><u> \$ -</u></u>	<u><u> \$ 41,351</u></u>

CITY OF HARPER, KANSAS

SPECIAL PURPOSE FUNDS

RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For Year Ended December 31, 2023

Schedule 2-6

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 39,334	\$ 42,143	\$ (2,809)
Delinquent tax	1,673	900	773
Motor vehicle tax	3,298	4,577	(1,279)
Recreational vehicle tax	65	88	(23)
16/20M truck tax	2	36	(34)
Commercial vehicle registration fee	245	193	52
Neighborhood revitalization	-	(1,630)	1,630
TOTAL RECEIPTS	<u>44,617</u>	<u>46,307</u>	<u>(1,690)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation to Recreation Commission	44,750	47,000	(2,250)
Insurance	-	300	(300)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>44,750</u>	<u>47,300</u>	<u>(2,550)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(133)	(993)	860
UNENCUMBERED CASH, JANUARY 1	<u>730</u>	<u>993</u>	<u>(263)</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 597</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
TRANSIENT GUEST TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

	Schedule 2-7		
	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transient Guest Tax	\$ 31,038	\$ 20,000	\$ 11,038
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Promotion and tourism	15,359	33,354	(17,995)
Activity Center allocation	15,519	10,000	5,519
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	30,878	43,354	(12,476)
RECEIPTS OVER (UNDER) EXPENDITURES	160	(23,354)	23,514
UNENCUMBERED CASH, JANUARY 1	25,746	23,354	2,392
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 25,906</u>	<u>\$ -</u>	<u>\$ 25,906</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
POLICE AND FIRE EQUIPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-8

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 7,893	\$ 8,774	\$ (881)
Delinquent tax	992	250	742
Motor vehicle tax	1,427	1,589	(162)
Recreational vehicle tax	24	31	(7)
16/20M truck tax	9	13	(4)
Commercial vehicle registration fee	85	67	18
Neighborhood revitalization	(353)	(339)	(14)
TOTAL RECEIPTS	<u>10,077</u>	<u>10,385</u>	<u>(308)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	1,260	6,500	(5,240)
Emergency Management	-	1,000	(1,000)
Transfer to:			
Equipment Reserve Fund	16,500	16,000	500
Fire Equipment Reserve Fund	5,000	-	5,000
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>22,760</u>	<u>23,500</u>	<u>(740)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(12,683)	(13,115)	432
UNENCUMBERED CASH, JANUARY 1	<u>14,678</u>	<u>13,115</u>	<u>1,563</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 1,995</u>	<u>\$ -</u>	<u>\$ 1,995</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
SPECIAL STREET AND HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

			Schedule 2-9
	Actual	Budget	Over (Under) Budget
RECEIPTS			
State fuel tax	\$ 34,469	\$ 36,620	\$ (2,151)
Connecting links	7,347	5,000	2,347
Grant proceeds	300,000	-	300,000
TOTAL RECEIPTS	<u>341,816</u>	<u>41,620</u>	<u>300,196</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Streets and highway	402,497	181,561	220,936
ADJUSTMENT FOR QUALIFYING BUDGET CREDIT	<u>-</u>	<u>300,000</u>	<u>(300,000)</u>
TOTAL FOR COMPARISON	<u>402,497</u>	<u>481,561</u>	<u>(79,064)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(60,681)	(139,941)	79,260
UNENCUMBERED CASH, JANUARY 1	<u>107,194</u>	<u>139,941</u>	<u>(32,747)</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 46,513</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,513</u></u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
EQUIPMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-10

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transfer from:			
General Fund	\$ 57,546	\$ 32,500	\$ 25,046
Police and Fire Equipment Fund	16,500	16,000	500
Interest earned	1,383	-	1,383
Sale of surplus equipment	3,800	-	3,800
	<u>79,229</u>	<u>48,500</u>	<u>30,729</u>
TOTAL RECEIPTS			
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	47,861	143,123	(95,262)
Equipment replacement	-	208,800	(208,800)
Transfer to - General Fund	35,000	-	35,000
	<u>82,861</u>	<u>351,923</u>	<u>(269,062)</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
RECEIPTS OVER (UNDER) EXPENDITURES	(3,632)	(303,423)	299,791
UNENCUMBERED CASH, JANUARY 1	<u>388,400</u>	<u>303,423</u>	<u>84,977</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 384,768</u>	<u>\$ -</u>	<u>\$ 384,768</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
FIRE EQUIPMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-11

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transfer from:			
General Fund	\$ 31,437	\$ 51,370	\$ (19,933)
Police and Fire Equipment Fund	5,000	-	5,000
TOTAL RECEIPTS	36,437	51,370	(14,933)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	-	128,984	(128,984)
FRA loan payments	7,481	7,481	-
Hydrant replacement	-	10,000	(10,000)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	7,481	146,465	(138,984)
RECEIPTS OVER (UNDER) EXPENDITURES	28,956	(95,095)	124,051
UNENCUMBERED CASH, JANUARY 1	127,586	95,095	32,491
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 156,542</u>	<u>\$ -</u>	<u>\$ 156,542</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
CAPITAL IMPROVEMENT PROGRAM FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-12

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Transfer from - General Fund	\$ 12,500	\$ 7,500	\$ 5,000
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital improvements	<u>23,508</u>	<u>59,901</u>	<u>(36,393)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(11,008)	(52,401)	41,393
UNENCUMBERED CASH, JANUARY 1	<u>57,561</u>	<u>52,401</u>	<u>5,160</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 46,553</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,553</u></u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
STREET RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-13

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Transfer from - General Fund	\$ 15,000	\$ 7,500	\$ 7,500
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Street improvement and repair	-	44,209	(44,209)
Equipment	58,039	37,900	20,139
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	58,039	82,109	(24,070)
RECEIPTS OVER (UNDER) EXPENDITURES	(43,039)	(74,609)	31,570
UNENCUMBERED CASH, JANUARY 1	89,609	74,609	15,000
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 46,570</u>	<u>\$ -</u>	<u>\$ 46,570</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
STREET IMPROVEMENT SALES TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-14

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Local sales tax	\$ 278,057	\$ 140,000	\$ 138,057
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Street improvements	-	68,463	(68,463)
Infrastructure improvements	3,678	-	3,678
Equipment	-	40,000	(40,000)
Pine/21st project			
Bond principal	60,000	60,000	-
Bond interest	8,700	8,700	-
Transfer to - BASE Project (ARPA Grant)	144,200	40,000	104,200
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>216,578</u>	<u>217,163</u>	<u>(585)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	61,479	(77,163)	138,642
UNENCUMBERED CASH, JANUARY 1	<u>201,175</u>	<u>77,163</u>	<u>124,012</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 262,654</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 262,654</u></u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
INFRASTRUCTURE SALES TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-15

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Local sales tax	\$ 180,416	\$ 140,000	\$ 40,416
Grants	317,186	-	317,186
Reimbursements	940	-	940
Interest earned	-	100	(100)
	<u>498,542</u>	<u>140,100</u>	<u>358,442</u>
TOTAL RECEIPTS			
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Infrastructure improvements	536,950	98,812	438,138
Sidewalk CID	-	20,000	(20,000)
Principal	45,000	45,000	-
Interest	24,915	24,915	-
Transfer to - BASE Project (ARPA Grant)	14,200	115,000	(100,800)
	<u>621,065</u>	<u>303,727</u>	<u>317,338</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
ADJUSTMENT FOR QUALIFYING BUDGET CREDIT	<u>-</u>	<u>318,126</u>	<u>(318,126)</u>
TOTAL FOR COMPARISON	<u>621,065</u>	<u>621,853</u>	<u>(788)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(122,523)	(163,627)	41,104
UNENCUMBERED CASH, JANUARY 1	<u>335,140</u>	<u>163,627</u>	<u>171,513</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 212,617</u>	<u>\$ -</u>	<u>\$ 212,617</u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
ECONOMIC DEVELOPMENT INCENTIVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-16

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transfer from - General Fund	\$ 10,000	\$ 10,000	\$ -
Reimbursements	<u>75,149</u>	<u>-</u>	<u>75,149</u>
TOTAL RECEIPTS	<u>85,149</u>	<u>10,000</u>	<u>75,149</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Business incentives	740	10,000	(9,260)
Development projects	35,802	72,003	(36,201)
Rural opportunity zones	65	7,500	(7,435)
Rural champion	16,143	-	16,143
Transfer to - BASE Project (ARPA Grant)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>62,750</u>	<u>89,503</u>	<u>(26,753)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	22,399	(79,503)	101,902
UNENCUMBERED CASH, JANUARY 1	<u>119,898</u>	<u>79,503</u>	<u>40,395</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 142,297</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,297</u></u>

CITY OF HARPER, KANSAS
SPECIAL PURPOSE FUNDS
COBBLESTONE CID FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2023

Schedule 2-17

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
RECEIPTS			
Local sales tax	\$ 19,710	\$ 11,200	\$ 8,510
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation	<u>-</u>	<u>35,766</u>	<u>(35,766)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	19,710	(24,566)	44,276
UNENCUMBERED CASH, JANUARY 1	<u>31,249</u>	<u>24,566</u>	<u>6,683</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 50,959</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,959</u></u>

CITY OF HARPER, KANSAS
 NONBUDGETED SPECIAL PURPOSE FUNDS
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 2-18
 Page 1 of 2

	Parks and Culture	Firemen's Activity	Police Activity	VIN Inspection	Diversion
RECEIPTS					
Donations and gifts	\$ -	\$ 200	\$ -	\$ -	\$ -
Grants	-	-	-	-	-
Fees	-	-	-	1,040	2,250
Reimbursements	-	-	-	-	-
Forfeitures	-	-	-	-	-
Transfer from:					
Transient Guest Tax	-	-	-	-	-
General Fund	-	-	-	-	-
Economic Development Incentive Fund	-	-	-	-	-
Infrastructure Sales Tax Fund	-	-	-	-	-
Street Improvement Sales Tax Fund	-	-	-	-	-
TOTAL RECEIPTS	-	200	-	1,040	2,250
EXPENDITURES					
Engineering	-	-	-	-	-
Construction	-	-	-	-	-
Administration	-	-	-	-	-
Improvement loans and grants	-	-	-	-	-
Program expenditures	5,000	-	-	-	-
TOTAL EXPENDITURES	5,000	-	-	-	-
RECEIPTS OVER (UNDER) EXPENDITURES	(5,000)	200	-	1,040	2,250
UNENCUMBERED CASH, JANUARY 1	5,000	10,965	5,259	2,138	4,950
UNENCUMBERED CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 11,165</u>	<u>\$ 5,259</u>	<u>\$ 3,178</u>	<u>\$ 7,200</u>

CITY OF HARPER, KANSAS
 NONBUDGETED SPECIAL PURPOSE FUNDS
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 2-18
 Page 2 of 2

	BASE Project (ARPA Grant)	Community Development	Donations and Gifts	Future Community Center	Police Drug Seizure Trust	Cemetery Veteran's Memorial
RECEIPTS						
Donations and gifts	\$ -	\$ -	\$ 18,924	\$ -	\$ -	\$ -
Grants	43,668	692	-	-	-	-
Fees	-	-	-	-	-	-
Reimbursements	-	4,244	-	-	-	-
Forfeitures	-	-	-	-	5,437	-
Transfer from:						
Transient Guest Tax	-	-	-	15,519	-	-
General Fund	-	3,600	-	-	-	-
Economic Development Incentive Fund	10,000	-	-	-	-	-
Infrastructure Sales Tax Fund	14,200	-	-	-	-	-
Street Improvement Sales Tax Fund	144,200	-	-	-	-	-
TOTAL RECEIPTS	212,068	8,536	18,924	15,519	5,437	-
EXPENDITURES						
Engineering	32,574	-	-	-	-	-
Construction	339,062	-	-	-	-	-
Administration	63,811	-	-	-	-	-
Improvement loans and grants	-	3,723	-	-	-	-
Program expenditures	117	-	18,009	-	265	300
TOTAL EXPENDITURES	435,564	3,723	18,009	-	265	300
RECEIPTS OVER (UNDER) EXPENDITURES	(223,496)	4,813	915	15,519	5,172	(300)
UNENCUMBERED CASH, JANUARY 1	175,886	55,006	1,952	32,470	885	2,366
UNENCUMBERED CASH, DECEMBER 31	<u>\$ (47,610)</u>	<u>\$ 59,819</u>	<u>\$ 2,867</u>	<u>\$ 47,989</u>	<u>\$ 6,057</u>	<u>\$ 2,066</u>

CITY OF HARPER, KANSAS
 BOND AND INTEREST FUND
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-19

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 41,967	\$ 46,629	\$ (4,662)
Delinquent tax	3,574	500	3,074
Motor vehicle tax	4,944	5,506	(562)
Recreational vehicle tax	83	106	(23)
16/20M truck tax	28	44	(16)
Commercial vehicle registration fee	295	232	63
Neighborhood revitalization	(1,878)	(1,804)	(74)
TOTAL RECEIPTS	<u>49,013</u>	<u>51,213</u>	<u>(2,200)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Fire truck			
Principal	14,500	14,500	-
Interest	1,695	1,695	-
Commissions	-	100	(100)
Ballfield improvements			
Principal	30,000	30,000	-
Reserve for temporary improvement note	-	50,000	(50,000)
Activity Center	-	30,000	(30,000)
Cash basis requirement	-	10,000	(10,000)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>46,195</u>	<u>136,295</u>	<u>(90,100)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	2,818	(85,082)	87,900
UNENCUMBERED CASH, JANUARY 1	<u>85,675</u>	<u>85,082</u>	<u>593</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 88,493</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,493</u></u>

CITY OF HARPER, KANSAS

BUSINESS FUNDS

WATER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For Year Ended December 31, 2023

Schedule 2-20

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Sales to consumers	\$ 555,216	\$ 530,000	\$ 25,216
Reimbursements and other	13,069	10,000	3,069
TOTAL RECEIPTS	568,285	540,000	28,285
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Salaries	79,110	78,500	610
Health insurance	26,205	29,000	(2,795)
Self-insurance expense	10,817	14,000	(3,183)
Social Security	9,867	12,000	(2,133)
KPERS	13,102	15,000	(1,898)
Workers' compensation	1,115	1,000	115
Other employee benefits	2,162	4,527	(2,365)
Contractual services	53,937	40,000	13,937
Commodities	3,487	8,000	(4,513)
Production			
Salaries	28,700	29,000	(300)
Contractual services	12,589	15,000	(2,411)
Commodities	38,651	35,000	3,651
Distribution			
Salaries	28,926	48,000	(19,074)
Contractual services	10,637	7,000	3,637
Commodities	23,011	25,000	(1,989)
Nonoperating expenses			
Clean water drinking fee	1,408	1,700	(292)
Water protection fee	1,320	1,500	(180)
Utilities			
Electric service	27,361	39,600	(12,239)
Gas service	2,912	3,300	(388)
Telephone service	2,723	3,300	(577)
Debt service			
General obligation bond principal and interest	80,618	80,618	-
KPWS loan principal and interest	33,600	33,600	-
Transfer to - Water Reserve Fund	57,000	40,749	16,251
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	549,258	565,394	(16,136)
RECEIPTS OVER (UNDER) EXPENDITURES	19,027	(25,394)	44,421
UNENCUMBERED CASH, JANUARY 1	36,652	25,394	11,258
UNENCUMBERED CASH, DECEMBER 31	\$ 55,679	\$ -	\$ 55,679

CITY OF HARPER, KANSAS

BUSINESS FUNDS

WATER RESERVE FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-21

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transfer from - Water Utility Fund	\$ 57,000	\$ 40,749	\$ 16,251
Reimbursements	<u>6,268</u>	<u>-</u>	<u>6,268</u>
TOTAL RECEIPTS	<u>63,268</u>	<u>40,749</u>	<u>22,519</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital improvements	-	112,255	(112,255)
Water tower repair/maintenance	99,453	50,000	49,453
Excavator	-	3,750	(3,750)
Equipment replacement	<u>21,802</u>	<u>29,000</u>	<u>(7,198)</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>121,255</u>	<u>195,005</u>	<u>(73,750)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(57,987)	(154,256)	96,269
UNENCUMBERED CASH, JANUARY 1	<u>205,555</u>	<u>154,256</u>	<u>51,299</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 147,568</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 147,568</u></u>

CITY OF HARPER, KANSAS

BUSINESS FUNDS

SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)

For Year Ended December 31, 2023

Schedule 2-22

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Charges for services	\$ 259,302	\$ 225,000	\$ 34,302
Reimbursements and other	-	-	-
TOTAL RECEIPTS	259,302	225,000	34,302
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Salaries	35,704	36,000	(296)
Health insurance	10,289	12,000	(1,711)
Self-insurance expense	4,370	6,000	(1,630)
Social Security	4,117	4,800	(683)
KPERS	5,738	6,000	(262)
Workers' compensation	278	300	(22)
Other employee benefits	929	1,834	(905)
Contractual services	19,662	12,350	7,312
Commodities	1,706	3,000	(1,294)
Collection			
Salaries	11,652	18,500	(6,848)
Contractual services	3,334	5,000	(1,666)
Commodities	4,377	6,000	(1,623)
Treatment			
Salaries	9,566	10,000	(434)
Contractual services	17,100	7,000	10,100
Commodities	18,557	5,500	13,057
Utilities			
Electric service	3,646	7,600	(3,954)
Gas service	1,293	1,600	(307)
Telephone service	719	900	(181)
Debt service			
Principal and interest	75,600	75,300	300
Transfer to - Sewer Reserve Fund	32,000	41,344	(9,344)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	260,637	261,028	(391)
RECEIPTS OVER (UNDER) EXPENDITURES	(1,335)	(36,028)	34,693
UNENCUMBERED CASH, JANUARY 1	46,291	36,028	10,263
UNENCUMBERED CASH, DECEMBER 31	\$ 44,956	\$ -	\$ 44,956

CITY OF HARPER, KANSAS
 BUSINESS FUNDS
 SEWER RESERVE FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2023

Schedule 2-23

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Transfer from - Sewer Utility Fund	\$ 32,000	\$ 41,344	\$ (9,344)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital improvements	-	116,762	(116,762)
Lagoon improvement	-	150,000	(150,000)
Excavator	-	3,750	(3,750)
Sewer cleanout	-	45,000	(45,000)
Equipment replacement	25,100	16,200	8,900
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	25,100	331,712	(306,612)
RECEIPTS OVER (UNDER) EXPENDITURES	6,900	(290,368)	297,268
UNENCUMBERED CASH, JANUARY 1	316,724	290,368	26,356
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 323,624</u>	<u>\$ -</u>	<u>\$ 323,624</u>

CITY OF HARPER, KANSAS
 CAPITAL PROJECT FUNDS
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 2-24

	Harper Sports Complex Improvements	Public Facilities Improvements
RECEIPTS		
Interest earned	\$ -	\$ -
EXPENDITURES AND TRANSFERS		
Construction	<u>6,000</u>	<u>-</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(6,000)	-
UNENCUMBERED CASH, JANUARY 1	<u>6,000</u>	<u>300,101</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 300,101</u></u>

CITY OF HARPER, KANSAS
 TRUST FUNDS
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 2-25

	Health Insurance Savings	Cemetery Trust	Cemetery Endowment
RECEIPTS			
Premium savings	\$ 44,869	\$ -	\$ -
Donations and other	-	-	100
Interest earned	16	-	-
	<u>44,885</u>	<u>-</u>	<u>100</u>
TOTAL RECEIPTS			
	<u>44,885</u>	<u>-</u>	<u>100</u>
EXPENDITURES			
Capital improvements	-	-	-
Claims paid	44,478	-	-
	<u>44,478</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES			
	<u>44,478</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER) EXPENDITURES	407	-	100
UNENCUMBERED CASH, JANUARY 1	<u>13,564</u>	<u>28,916</u>	<u>63,519</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 13,971</u></u>	<u><u>\$ 28,916</u></u>	<u><u>\$ 63,619</u></u>

CITY OF HARPER, KANSAS
 RELATED MUNICIPAL ENTITIES
 HARPER PUBLIC LIBRARY
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 3-1

RECEIPTS

Appropriation from the City	\$ 58,073
South Central Kansas Library	13,439
State aid	359
Interest earned	941
Grants and donations	950
Fines and copies	2,453
Miscellaneous	2,476

TOTAL RECEIPTS

78,691

EXPENDITURES

Payroll expense	50,087
Books and periodicals	7,396
Supplies	2,213
Outside services	1,690
Professional fees	1,800
Utilities, telephone, and internet	9,861
Insurance	2,148
Maintenance	10,804
Technology expense	4,594
Equipment	1,164
Library programs	2,518
Miscellaneous	1,119

TOTAL EXPENDITURES

95,394

RECEIPTS OVER (UNDER) EXPENDITURES

(16,703)

UNENCUMBERED CASH, JANUARY 1

71,982

UNENCUMBERED CASH, DECEMBER 31

\$ 55,279

ANALYSIS OF AVAILABLE CASH

Checking account	\$ 10,109
Money Market account	16,635
Savings account	7,200
Certificate of deposit	23,000

TOTAL CASH

56,944

ACCOUNTS PAYABLE, DECEMBER 31

(1,665)

UNENCUMBERED CASH, DECEMBER 31

\$ 55,279

CITY OF HARPER, KANSAS
 RELATED MUNICIPAL ENTITIES
 HARPER RECREATION COMMISSION
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

Schedule 3-2

	General Fund	Capital Improvement Fund	Total
RECEIPTS			
Appropriation from the City	\$ 44,750	\$ -	\$ 44,750
Entry fees	11,630	-	11,630
Event revenue	3,315	-	3,315
Donations and other	5,000	11,820	16,820
Signage	-	15,875	15,875
Concessions	-	7,456	7,456
Other	1,321	131	1,452
TOTAL RECEIPTS	66,016	35,282	101,298
EXPENDITURES			
Advertising	193	-	193
Utilities and telephone	5,146	-	5,146
Insurance	5,352	-	5,352
Office supplies	280	-	280
Uniforms, banners, etc.	1,562	-	1,562
Activities equipment	2,979	-	2,979
Director fees	12,000	-	12,000
Umpires, referees, and scorekeepers	6,524	-	6,524
Administrative assistance	1,400	-	1,400
Complex maintenance	19,841	-	19,841
Equipment maintenance	2,558	-	2,558
Tournaments and events	3,517	-	3,517
Dues, memberships, and miscellaneous	1,527	-	1,527
Capital equipment	-	27,128	27,128
Capital improvements	-	27,091	27,091
Sponsorships	-	1,127	1,127
TOTAL EXPENDITURES	62,879	55,346	118,225
RECEIPTS OVER (UNDER) EXPENDITURES	3,137	(20,064)	(16,927)
UNENCUMBERED CASH, JANUARY 1	14,123	75,710	67,119
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 17,260</u>	<u>\$ 55,646</u>	<u>\$ 50,192</u>
ANALYSIS OF AVAILABLE CASH			
Checking account			\$ 17,612
Money Market account			<u>32,580</u>
TOTAL CASH			50,192
ACCOUNTS PAYABLE, DECEMBER 31			<u>-</u>
UNENCUMBERED CASH, DECEMBER 31			<u>\$ 50,192</u>

CITY OF HARPER, KANSAS
 AGENCY FUNDS
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 (ACTUAL)
 For Year Ended December 31, 2023

				Schedule 4
	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Security Deposit	<u>\$ 23,513</u>	<u>\$ 5,410</u>	<u>\$ 8,701</u>	<u>\$ 20,222</u>



Guy A. Scofield, CPA
 Kenneth D. Hamby, CPA
 Michael R. Meisenheimer, CPA
 Nick L. Muetting, CPA
 Billy J. Klug, CPA
 Randall R. Hofmeier, CPA
 Brent L. Knoche, CPA
 Brian W. Mapel, CPA
 Jeffrey D. Reece, CPA
 Brady H. Byrnes, CPA
 Alex P. Larson, CPA
 Kayleen E. Million, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council
 City of Harper, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Harper, Kansas (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated May 24, 2024, which was modified because the financial statement is prepared on the regulatory basis of accounting.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, which is identified as 2023-1.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Laris".

Certified Public Accountants

Hutchinson, Kansas
May 24, 2024

CITY OF HARPER, KANSAS
SCHEDULE OF FINDINGS AND RESPONSES
For Year Ended December 31, 2023

2023-1 Significant Deficiency – Segregation of Duties

Condition

Because of the limited staff size at the City office, duties within the office are not designed in such a manner to provide segregation of duties over authorizing, recording, and custody of an asset; such as, the City employee responsibilities with payroll processing, or duties associated with billing, collecting, recording, and depositing receipts resulting from the utility transactions. This situation also exists with the Harper Public Library and the Harper Recreation Commission.

Criteria

No single individual should be able to authorize a transaction, record the transaction, and ensure custody of the asset resulting from the transaction.

Effect

The lack of segregation of duties increases the possibility that misstatements may occur, whether the result of error or fraud, and not be prevented, or detected and corrected on a timely basis.

Recommendation

In addition to logically dividing accounting duties to the extent possible, the City should develop other controls to mitigate the risks associated with a small office staff, which limits the segregation of duties. This should include designating other individuals, or groups of individuals, such as the Mayor or Council members for oversight responsibilities. Examples of some of the control procedures that may be performed include the following:

- Review of budget comparison reports and investigating unexpected variances or results, including comparison with previous periods, to ensure that reported results do not vary from anticipated results.
- Examining bank reconciliations prepared by the City's office, including comparing a sample of the checks that clear the bank statement with check registers or appropriation ordinances.
- Reviewing utility customer charges, collections, adjustments, write-offs, and balances.

It is also important that performance of these control procedures be documented, including the date the review procedure was completed, and the signature of the individual or a representative of the group that performed the procedure.

Management Response

We agree with the auditors' findings. We understand that the design of appropriate separation of duties is important and will continue to separate duties to the extent possible.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

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

THE NOTE 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 (specifically including K.S.A. 10-123), K.S.A. 10-620 *et seq.* and Charter Ordinance No. 18 of the Issuer, all as amended and supplemented.

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

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

“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.

“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 Notes.

“City” means the City of Harper, Kansas.

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

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

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

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

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

“Dated Date” means July 30, 2025.

“Debt Service Account” means the account by that name (within the Bond and Interest Fund) created by the Note 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 Notes 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 Note which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

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

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

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

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

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

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

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

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

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

“DTC” means The Depository Trust Company.

“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 Notes 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 Notes 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 Notes or in the Note Resolution on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Notes then Outstanding.

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

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

“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.

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

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

“Improvements” means the improvements referred to in the preamble to the Note Resolution 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 Note Resolution.

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Note which shall be April 1 and October 1 of each year, commencing October 1, 2025.

“Issue Date” means the date when the Issuer delivers the Notes 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 Note means the date on which the principal of such Note becomes due and payable as therein and in the Note Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Mayor” means the duly elected and acting Mayor, 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.

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

“Note Register” means the books for the registration, transfer and exchange of Notes kept at the office of the Note Registrar.

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

“Note Resolution” means the resolution adopted by the governing body of the Issuer authorizing the issuance of the Notes, as amended from time to time.

“Notes” means the General Obligation Notes, Series 2025, authorized and issued by the Issuer pursuant to the Note Resolution.

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

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

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

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

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

“Paying Agent” means the State Treasurer, and any successors and assigns.

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

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

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

“Rating Agency” means any company, agency or entity that provides ratings for the Notes.

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

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

“Replacement Notes” means Notes issued to the Beneficial Owners of the Notes in accordance with the Note Resolution.

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

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

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

“State” means the state of Kansas.

“State Treasurer” means the duly elected Treasurer 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 Note or any installment of interest thereon means the date specified in such Note and the Note Resolution as the fixed date on which the principal of such Note or such installment of interest is due and payable.

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

“Treasurer” means the duly appointed and/or elected Treasurer 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 NOTE PROCEEDS

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

- (a) Improvement Fund.
- (b) Debt Service Account.
- (c) Costs of Issuance Account.

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

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

- (a) All accrued interest and excess proceeds, if any, received from the sale of the Notes 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 Notes 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 paying the costs of the Improvements.

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 Mayor (or designate) stating that such payment is being made for a purpose within the scope of the Note 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 Mayor (or designate) stating that such payment is being made for a purpose within the scope of the Note 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 Notes 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 Notes to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section; and (c) the use of the proceeds of the Notes to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax-exempt status of the Notes under State or federal law.

The Issuer may reallocate expenditure of Note proceeds among all Improvements financed by the Notes; 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 Notes allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax-exempt status of the Notes under State or federal law.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Notes as and when the same become due and the usual and customary fees and expenses of the Note 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 Notes and the fees and expenses of the Note 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 Notes are no longer entitled to enforce payment of the Notes 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 Note Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Notes entitled to payment from such moneys.

Any moneys or investments remaining in the Debt Service Account after the retirement of the indebtedness for which the Notes were issued shall be transferred and paid into the Bond and Interest Fund.

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

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

DEFAULT AND REMEDIES

Remedies. The provisions of the Note Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Notes. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Notes at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Notes 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 Note 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 Notes.

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Note Resolution and in the Notes shall be for the equal benefit, protection, and security of the Owners of any or all of the Notes, all of which Notes of any series shall be of equal rank and without preference or priority of one Note over any other Note in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Notes, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Note 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 Note Resolution, or to enforce any right, except in the manner provided in the Note 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 Notes.

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 Note shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

DEFEASANCE

When any or all of the Notes, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Note Resolution and all other rights granted thereby shall terminate with respect to the Notes or scheduled interest payments thereon so paid and discharged. Notes, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Note 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 Notes 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 Notes 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 Notes, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Notes, 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 Note Registrar to give such notice of redemption.

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that: it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Notes; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will, in addition, adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Notes will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

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

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Notes, 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 Notes 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 Notes 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 Notes 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 Notes or of the Note Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Notes then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Note;
- (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Note;
- (c) permit preference or priority of any Note over any other Note; or
- (d) reduce the percentage in principal amount of Notes required for the written consent to any modification or alteration of the provisions of the Note Resolution.

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

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Note 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 Notes among Improvements, to provide for Substitute Improvements, to conform the Note Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Notices, Consents and Other Instruments by Owners. Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Note Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transaction. The issuance of the Notes 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 Note 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 Note Resolution.

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

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