

OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P "A"

See “Bond Ratings” herein

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, (2) the interest on the Bonds is exempt from income taxation by the State of Kansas, and (3) the Bonds are not “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). See “TAX MATTERS – Opinion of Bond Counsel” herein.

\$21,840,000

**CITY OF ARKANSAS CITY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2020**

DATED: As of the Delivery Date shown below

**DUE: February 1 and August 1, as shown
on the inside cover page**

The General Obligation Refunding and Improvement Bonds, Series 2020 (the “Bonds”) will be issued by the City of Arkansas City, Kansas (the “City” or “Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the Bond owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the “Paying Agent” and “Bond Registrar”). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal on the Bonds will be payable semi-annually on February 1 and August 1 in each year, beginning February 1, 2021, and semi-annual interest will be payable on February 1 and August 1, beginning February 1, 2021 (the “Interest Payment Dates”).

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

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable in part from special assessments levied upon the property benefited by the construction of certain public improvements, 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, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

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

The Bonds are subject to redemption and payment prior to maturity at the option of the City on or after February 1, 2028. See “THE BONDS - Redemption Provisions” herein.

The Bonds are offered when, as, and if, issued and delivered by the City to the Underwriter, subject to the receipt of the approving legal opinion of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Larry Schwartz, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 13, 2020.



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

The date of this Official Statement is September 22, 2020

\$21,840,000
CITY OF ARKANSAS CITY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2020

MATURITY SCHEDULE

SERIAL BONDS

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾</u> <u>Base: 040807</u>
02/01/2021	\$ 585,000	3.000%	0.350%	QX 0
08/01/2021	1,050,000	3.000%	0.380%	QY 8
02/01/2022	795,000	3.000%	0.400%	QZ 5
08/01/2022	800,000	3.000%	0.420%	RA 9
02/01/2023	825,000	3.000%	0.450%	RB 7
08/01/2023	825,000	3.000%	0.470%	RC 5
02/01/2024	845,000	3.000%	0.500%	RD 3
08/01/2024	850,000	3.000%	0.520%	RE 1
02/01/2025	590,000	3.000%	0.550%	RF 8
08/01/2025	580,000	3.000%	0.580%	RG 6
02/01/2026	595,000	3.000%	0.650%	RH 4
08/01/2026	600,000	3.000%	0.700%	RJ 0
02/01/2027	615,000	3.000%	0.780%	RK 7
08/01/2027	620,000	3.000%	0.820%	RL 5
02/01/2028	635,000	3.000%	0.900%	RM 3
08/01/2028	640,000	1.000%	1.000%	RN 1

TERM BONDS

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP ⁽¹⁾</u> <u>Base: 040807</u>
08/01/2029	\$1,295,000	2.000%	1.100%	RQ 4
08/01/2030	1,320,000	1.500%	1.250%	RS 0
08/01/2031	1,340,000	2.000%	1.300%	RU 5
08/01/2032	1,370,000	2.000%	1.400%	RW 1
08/01/2033	1,400,000	2.000%	1.500%	RY 7
08/01/2034	1,420,000	2.000%	1.600%	SA 8
08/01/2035	1,450,000	2.000%	1.650%	SC 4
08/01/2036	795,000	2.000%	1.700%	SE 0

(all plus accrued interest, if any)

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

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this 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 Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

CITY OF ARKANSAS CITY, KANSAS

Governing Body

Karen Welch, Mayor
Kanyon Gingher, Commission Member
Duane L. Oestmann, Commission Member
Scott Rogers, Commission Member
Jay Warren, Commission Member

City Staff

Randy Frazer, City Manager
Kathleen A. Cornwell, Finance Director
Lesley Shook, City Clerk
Jennifer C. Waggoner, City Treasurer

City Attorney

Larry Schwartz, Esq.
Arkansas City, Kansas

Bond Counsel

Gilmore & Bell, P.C.
Wichita, Kansas

Paying Agent/Bond Registrar

Office of State Treasurer
Topeka, Kansas

Financial Advisor

Ranson Financial Group, LLC
Wichita, Kansas

Underwriter

The Baker Group LP
Oklahoma City, Oklahoma

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

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

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

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OFFICIAL STATEMENT
\$21,840,000
CITY OF ARKANSAS CITY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2020

INTRODUCTION

General Matters

This Official Statement including the cover page and appendices hereto (the “Official Statement”) is provided to furnish information with respect to the City of Arkansas City, Kansas (the “City” or “Issuer”) and the issuance and delivery of its General Obligation Refunding and Improvement Bonds, Series 2020 (the “Bonds”) in the aggregate principal amount of \$21,840,000, dated October 13, 2020 (the “Dated Date”).

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

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

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

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

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

Definitions

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

Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In connection with the issuance of the Bonds, the City will enter into a continuing disclosure undertaking (the “Disclosure Undertaking”) wherein the City covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Disclosure Undertaking, the City has agreed to file its Annual Report with the national repository (“EMMA”) not later than September 1 immediately following the end of the City’s Fiscal Year, commencing with the year ending December 31, 2020. In the Bond Resolution, hereinafter defined, the City covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds.

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

The City did not timely file its audited financial statements for its fiscal years ending in 2015 and 2016; additionally, the City’s audited financial statements for fiscal years ending in 2014 through 2017 were filed on EMMA but were not associated with all obligations subject to the Prior Undertakings until March 25, 2019.

For the fiscal years ending in 2014 - 2017, the City did not timely file all the information described as operating data in the Prior Undertakings and did not associate such operating data filings, when made, with all obligations subject to the Prior Undertakings. The City made a supplemental operating data filing on March 22, 2019.

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

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

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

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

Additional Information

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

THE BONDS

Authority and Purpose for the Bonds

The Bonds are being issued pursuant to, and in full compliance with, the Constitution and the statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.*, and K.S.A. 65-163d *et seq.*, all as amended and supplemented from time to time (collectively, the “Act”), and an ordinance and a resolution passed by the governing body of the Issuer on September 22, 2020 (collectively, the “Bond Resolution”).

Security for the Bonds

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

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

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes and/or assessments shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes and/or assessments shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Description of the Bonds

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

Designation of Paying Agent and Bond Registrar

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

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

Method and Place of Payment of the Bonds

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

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

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

notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

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

Payments Due on Saturdays, Sundays and Holidays

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

Book-Entry Bonds; Securities Depository

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

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

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

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

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

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to

the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

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

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Nonpresentment of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Provisions

Optional Redemption. At the option of the Issuer, the Bonds maturing August 1 in the year 2028, and thereafter, will be subject to redemption and payment prior to maturity on February 1, 2028, and thereafter, as a whole or in part (selection of the amount of Bonds to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

Mandatory Redemption. (a) *2029 Term Bonds.* The 2029 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2029 Term Bonds:

Principal Amount	Redemption Date
\$645,000	02/01/2029
650,000	08/01/2029*

*Final Maturity

(b) *2030 Term Bonds.* The 2030 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2030 Term Bonds:

Principal Amount	Redemption Date
\$665,000	02/01/2030
655,000	08/01/2030*

*Final Maturity

(c) *2031 Term Bonds.* The 2031 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2031 Term Bonds:

Principal Amount	Redemption Date
\$670,000	02/01/2031
670,000	08/01/2031*

*Final Maturity

(d) *2032 Term Bonds.* The 2032 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2032 Term Bonds:

Principal Amount	Redemption Date
\$685,000	02/01/2032
685,000	08/01/2032*

*Final Maturity

(e) *2033 Term Bonds.* The 2033 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2033 Term Bonds:

<u>Principal Amount</u>	<u>Redemption Date</u>
\$700,000	02/01/2033
700,000	08/01/2033*

*Final Maturity

(f) *2034 Term Bonds.* The 2034 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2034 Term Bonds:

<u>Principal Amount</u>	<u>Redemption Date</u>
\$710,000	02/01/2034
710,000	08/01/2034*

*Final Maturity

(g) *2035 Term Bonds.* The 2035 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2035 Term Bonds:

<u>Principal Amount</u>	<u>Redemption Date</u>
\$725,000	02/01/2035
725,000	08/01/2035*

*Final Maturity

(h) *2036 Term Bonds.* The 2036 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on February 1 and August 1 in each year, the following principal amounts of such 2036 Term Bonds:

<u>Principal Amount</u>	<u>Redemption Date</u>
\$730,000	02/01/2036
65,000	08/01/2036*

*Final Maturity

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then

for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of a minimum Authorized Denomination of face value represented by any Bond is selected for redemption, then upon notice of intention to redeem a minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of a minimum Authorized Denomination of face value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of a minimum Authorized Denomination of face value called for redemption (and to that extent only).

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

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

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

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

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City or the taxing authority of the City.

Limitations on Remedies Available to Owners of Bonds

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

Debt Service Source

The Bonds are general obligations of the Issuer payable as to both principal and interest, if necessary, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the Issuer's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the Issuer's financial situation. See "APPENDIX A – FINANCIAL INFORMATION – Property Valuations and Property Tax Levies and Collections."

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Code, and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue

Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

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

Premium on Bonds

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

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

Kansas Public Employees Retirement System

As described in “*APPENDIX A – FINANCIAL INFORMATION – Pension and Employee Retirement Plans*,” the Issuer participates in the Kansas Public Employees Retirement System (“KPERS”), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERS administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Issuer participates in the Public Employees Retirement System – Local Group (the “Plan”). Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability (“UAAL”). However, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS’ Valuation Report, the Local Group had an UAAL of approximately \$1.501 billion in calendar year 2018.

Suitability of Investment

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

Market for the Bonds

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

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in

the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Bonds as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Cybersecurity Risks

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

Natural Disasters or Terrorist Attacks

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

Global Health Emergency

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

Within the State, the Governor issued an Executive Order instituting a temporary State-wide stay-at-home order. The stay-at-home order expired on May 4, 2020, and the Governor has provided the framework for a phased reopening of the State's economy. Governmental authorities continue efforts to contain and limit the spread of COVID-19. Future revenue collections, including property tax collections that are essential to repayment of the Bonds, may deviate from historical or anticipated levels.

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

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

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS 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 CITY OR THE FINANCIAL ADVISOR.

THE PROJECT

A portion of the proceeds of the Bonds will be used to refinance the costs of previously constructed certain water system improvements in the City, which improvements were initially financed through loan agreements between the City and the State of Kansas, Department of Health and Environment ("KDHE Loans"). The City anticipates using proceeds of the Bonds to prepay the outstanding balances of the KDHE Loans as set forth below:

<u>Loan Description</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Final Loan Amount</u>	<u>Outstanding Amount</u>
KPWSLF Proj. No. 2649	11/18/2009	08/01/2030	\$ 885,368.21	\$ 504,314.51
KPWSLF Proj. No. 2813	04/24/2014	08/01/2035	22,000,000.00	19,844,813.42

THE REFUNDING

A portion of the proceeds of the Bonds will be applied to retire the following general obligation bonds of the City (the “Refunded Bonds”).

General Obligation Bonds, Series 2013, Dated April 1, 2013

<u>Maturity Date</u>	<u>Amount Refunded</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
12/01/2021	\$525,000	1.50%	12/01/2020	100%
12/01/2022	540,000	1.75%	12/01/2020	100%
12/01/2024	205,000	2.15%	12/01/2020	100%
12/01/2026	215,000	2.35%	12/01/2020	100%
12/01/2028	235,000	2.60%	12/01/2020	100%
12/01/2030	255,000	2.80%	12/01/2020	100%
12/01/2032	275,000	3.00%	12/01/2020	100%

APPLICATION OF BOND PROCEEDS

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

Sources of Funds:

Principal Amount of the Bonds	\$21,840,000.00
Reoffering Premium	1,254,935.80
Available Issuer Funds	<u>543,005.00</u>
Total	<i>\$23,637,940.80</i>

Uses of Funds:

Deposit to Refunded Loan Redemption Fund	\$20,462,863.81
Deposit to Refunded Bonds Redemption Fund	2,793,005.00
Underwriter’s Compensation	232,814.40
Costs of Issuance	<u>149,257.59</u>
Total	<i>\$23,637,940.80</i>

BOND RATINGS

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

LEGAL MATTERS

Approval of the Bonds

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

TAX MATTERS

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

Opinion of Bond Counsel

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

Federal Tax Exemption. The interest on the Bonds is excludable from gross income for federal income tax purposes.

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

Bank Qualification. The Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b)(5).

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

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

Other Tax Consequences

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

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

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

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

ABSENCE OF LITIGATION

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

The Issuer certifies that there is no controversy, suit or other proceedings of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the issuing municipality or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the Transcript leading up to the issuance of the Bonds, or the constitutionality or validity of the indebtedness represented by the Bonds shown to be authorized in said Transcript, or the validity of the Bonds or any of the proceedings in relation to the issuance or sale thereof, or the levy and collection of a tax.

FINANCIAL ADVISOR

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

INITIAL PURCHASE

On September 22, 2020, the Issuer received five (5) sealed bids for the purchase of the Bonds. The Bonds were awarded by the Issuer’s Governing Body to The Baker Group LP, Oklahoma City, Oklahoma, (the “Underwriter”). The Underwriter submitted the lowest bid for the purchase of the Bonds with a net effective interest rate of 1.550586%

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

ADDITIONAL INFORMATION

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

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

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this 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 Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds

CITY OF ARKANSAS CITY, KANSAS

By _____
Karen Welch, Mayor

ATTEST:

Lesley Shook, City Clerk

APPENDIX A

INFORMATION CONCERNING THE ISSUER

GENERAL

Size and Location

The Arkansas City, Kansas (the "Issuer" or the "City") is located approximately 58 miles southeast of Wichita, Kansas and is the second largest city in Cowley County. The City encompasses approximately 9.3 square miles and has a current estimated population of 11,669 persons.

Government and Organization of the City

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

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Karen Welch	01/2022
Commission Members:	Kanyon Gingher	01/2024
	Duane L. Oestmann	01/2022
	Scott Rogers	01/2024
	Jay Warren	01/2022
City Manager	Randy Frazer	N/A
Finance Director	Kathleen A. Cornwell	N/A
City Clerk	Lesley Shook	N/A
City Attorney	Larry Schwartz, Esq.	N/A
City Treasurer	Jennifer C. Waggoner	N/A

Management Personnel

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

Public Safety

The City provides full-time law enforcement protection consisting of 26 full-time police officers. The City provides full-time fire protection with a fire department consisting of 23 firefighters. The City provides emergency medical services consisting of one full-time EMT. The City operates an emergency ambulance service for the area.

Municipal Services and Other Utilities

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

Transportation Facilities

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

Educational Institutions and Facilities

Unified School District No. 470 (Arkansas City) operates six elementary schools, one middle school serving grades 6, 7 and 8, and one senior high school. The district had a total enrollment of approximately 2,884 students for the 2019/2020 academic year. In addition, there are two private schools and one Catholic elementary school located in the City. The rapidly expanding Cowley College is located in the City and provides a two-year curriculum and vocational and technical courses of study.

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

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

Medical and Health Facilities

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

Recreational, Cultural and Religious Facilities

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

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

The City has 41 churches that serve the community.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

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

An Annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with public hearing required to be held prior to August 15, with the formal budget to be adopted prior to August 25 of each year (or October 1 if the City must conduct an election to increase property taxes above the tax lid 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.

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

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. Beginning in 2015, the Kansas Legislature passed legislation that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the "Tax Lid," located at K.S.A. 79-2925c). The Tax Lid became effective on January 1, 2017, and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. Among other exceptions, the Tax Lid does not require an election in a situation where the increased property tax revenues that will be spent on:

- bond, GO Refunding and Improvement Bonds, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and
- payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016.

Therefore, the City is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on the Bonds, as required by the Bond Resolution.

The City cannot predict the impact of the Tax Lid on the ratings on the Bonds, or the general rating of the City. A change in the rating on the Bonds or 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 Gordon CPA, LLC, Lawrence, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended December 31, 2019 is attached hereto as **APPENDIX B**.

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

Property Valuations

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

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant

to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 20%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost, when new, of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

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

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

The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the City's property tax collections. If a taxpayer valuation challenge is successful, the liability of the City to refund property taxes previously paid under protest may have a material impact on the City's financial situation.

Assessed Valuation

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
2020	2021	\$50,643,587 ⁽¹⁾	\$1,151,482 ⁽¹⁾	\$6,294,170 ⁽¹⁾	\$9,389,125 ⁽²⁾	\$67,478,364
2019	2020	49,160,823	1,214,247	6,102,097	9,389,125	65,866,292
2018	2019	48,262,492	1,309,038	5,543,356	9,037,604	64,152,490
2017	2018	47,811,492	1,426,425	5,543,356	9,010,316	63,791,589
2016	2017	47,447,631	1,753,121	5,012,907	8,976,986	63,190,645

⁽¹⁾ Preliminary figures as of July 1, 2020 used for budgeting purposes.

⁽²⁾ Motor Vehicle valuation for 2020 is not yet available. Motor Vehicle valuation for 2019 was used for estimating purposes.

Source: County Clerk

Property Tax Levies and Collections

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

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

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

In recent months, a strain of coronavirus commonly known as SARS-CoV-2 has spread globally, causing a disease known as COVID-19, negatively affecting global, state, and local economies and possibly sparking a recession. Federal, State, and local officials are taking steps to curb the spread of the virus, including providing both discretionary and mandatory guidelines and orders regarding public gatherings, and imposing mandatory closings of some businesses. The State may suffer material adverse consequences from the continued spread of COVID-19, which could affect the amount of State-shared revenues appropriated to municipalities, including the Issuer. At this time, however, it is not possible to predict the full impact on the Issuer and its finances.

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

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>General</u>	<u>Bond & Interest</u>	<u>Library</u>	<u>Total Levy</u>
2019	2020	52.836	10.912	5.979	69.727
2018	2019	53.204	10.766	6.000	69.970
2017	2018	48.924	15.001	5.994	69.919
2016	2017	45.763	17.825	5.994	69.582
2015	2016	48.494	15.321	5.980	69.795

Source: County Clerk

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

<u>Tax Year</u>	<u>Budget Year</u>	<u>City</u>	<u>Cowley County</u>	<u>USD No. 470⁽¹⁾</u>	<u>State</u>	<u>Community College</u>	<u>Total</u>
2019	2020	69.727	46.985	62.749	1.500	20.281	201.242
2018	2019	69.970	45.058	63.105	1.500	20.313	199.946
2017	2018	69.919	45.063	63.578	1.500	20.302	200.362
2016	2017	69.582	43.449	62.827	1.500	18.998	196.356
2015	2016	69.795	43.568	67.235	1.500	18.915	201.013

⁽¹⁾ Includes the levy for the recreation commission.

Source: County Clerk

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>Total Levy</u>	<u>Total Taxes Levied (\$)</u>	<u>Current Taxes Collected (\$)</u>	<u>Current Taxes Collected (%)</u>
2019	2020	69.727	\$3,997,336	\$3,470,111	90.29%
2018	2019	69.970	3,762,478	3,743,284	99.49%
2017	2018	69.919	3,629,287	3,485,070	96.03%
2016	2017	69.582	3,695,653	3,578,478	96.83%
2015	2016	69.795	3,586,070	3,514,451	98.00%

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 (2019/20):

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. Creekstone Farms	\$2,899,269	\$583,454
2. Kansas Gas & Electric - An Evergy Energy Co.	2,777,764	559,002
3. Walmart	1,809,303	364,107
4. Kansas Gas Service	1,279,132	257,415
5. BNSF	1,052,832	211,874
6. ADM Milling	945,097	190,193
7. RCB Bank	934,309	187,976
8. Union Pacific Railroad	657,710	132,358
9. Kan-Pak LLC	515,434	103,726
10. S&S Singh Partners	433,750	87,288

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, 2019, KPERS serves approximately 318,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

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

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

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

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

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 8.61% of the employee’s gross salary for calendar year 2020. The City’s contribution is projected to change to 8.87% of gross compensation for calendar year 2021. In addition, the Issuer contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2018 (the “2018 Valuation Report”) the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$1.502 billion at the end of 2018. The amount of the UAAL in 2018 changed from the previous year’s amount due to the factors discussed in the 2018 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 2018 Valuation Report is available on the KPERS website at kpers.org/about/reports.html. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2018 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 2018 Valuation Report sets the employer contribution rate for the period beginning January 1, 2021, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.87% 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 2018 Valuation Report. The statutory contribution rate of employers currently equals the 2018 Valuation Report's actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

History of Employment

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

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2019	131	3	134
2018	128	3	131
2017	130	3	133
2016	130	3	133
2015	132	3	135

Source: City Treasurer

Risk Management

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

ISSUER'S AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations ⁽¹⁾	\$67,478,364
Legal limitation of Bonded Debt ⁽²⁾	\$20,243,509
Outstanding general obligation debt anticipated as of October 13, 2020 ⁽³⁾	\$22,355,000
Exempt Debt	\$20,561,209
Net Debt against Statutory Debt limit capacity	\$1,793,791
Additional debt capacity	\$18,449,718
Direct debt per capita	\$1,915
Overlapping Indebtedness	\$17,094,084
Direct and overlapping debt	\$39,449,084
Direct and overlapping debt per capita	\$3,380
Direct debt as a percentage of Assessed Valuation	33.13%
Direct and overlapping debt as a percentage of Assessed Valuation	58.46%
Statutory direct debt as a percentage of Equalized Assessed Valuation	2.66%

⁽¹⁾ The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Motor vehicle valuation for 2020 is not yet available. Motor vehicle valuation for 2019 was used for estimation purposes. See K.S.A. 10-301 *et seq.*

⁽²⁾ See K.S.A. 10-301 *et seq.*

⁽³⁾ Includes this issue and excludes the Refunded Bonds.

DEBT STRUCTURE OF THE ISSUER

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of October 13, 2020, and the percent attributable (on the basis of assessed valuation not including motor vehicle valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>2019 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to The City</u>	<u>Amount Applicable to The City</u>
Cowley County	\$277,863,990	\$ 0	20.33%	\$ 0
U.S.D. No. 470	102,394,961	30,990,000	55.16%	<u>17,094,084</u>
TOTAL				\$17,094,084

Source: County Clerk

Current Indebtedness of the City

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

GENERAL OBLIGATION BONDS (As of October 13, 2020)

<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 ⁽¹⁾	2013	12/01/2032	\$ 6,015,000	\$ 515,000	\$ 343,495
General Obligation Refunding and Imp Bonds ⁽²⁾	2020	08/01/2036	21,840,000	<u>21,840,000</u>	<u>1,450,296</u>
TOTAL				\$22,355,000	\$1,793,791

⁽¹⁾ Issue being refunded by the Bonds.

⁽²⁾ This issue.

TEMPORARY NOTES

As of October 13, 2020, the City had no temporary notes outstanding.

CERTIFICATES OF PARTICIPATION

As of October 13, 2020, the City had no certificates of participation outstanding.

REVENUE BONDS OUTSTANDING

As of October 13, 2020, the City had no revenue bonds outstanding.

CAPITAL LEASE OBLIGATIONS (As of October 13, 2020)

<u>Description</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Pumper Fire Truck	2013	02/01/2023	\$587,667	\$160,423
Fire Truck	2019	08/01/2028	620,500	<u>504,746</u>
TOTAL				\$665,169

LOAN OBLIGATIONS (As of October 13, 2020)

<u>Description</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
KDHE Water Loan ⁽¹⁾	2008	8/1/2030	\$ 1,226,071	\$0
KDHE Water Loan ⁽¹⁾	2016	2/1/2038	23,205,000	<u>0</u>
TOTAL				\$0

⁽¹⁾ Loans being prepaid by the Bonds.

PUBLIC BUILDING COMMISSION REVENUE BONDS OUTSTANDING
(As of October 13, 2020)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Public Building Commission Refunding Revenue Bonds	2019	09/01/2044	\$17,630,000	\$17,280,000

Debt Payment Record

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

Future Indebtedness

The City from time to time will lease small equipment and such leases may or may not have a purchase option in accordance with the terms of said lease. Periodically, the City reviews all its outstanding debt obligations for refunding opportunities and will complete issues as needed when sufficient savings can be achieved. Other than the potential projects detailed above, the City does not have plans to issue any additional debt at this time.

ECONOMIC INFORMATION CONCERNING THE CITY

Population Trends

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

<u>Year</u>	<u>County Population</u>	<u>City Population</u>
2019	34,908	11,669
2018	35,218	11,793
2017	35,361	11,866
2016	35,753	12,063
2015	35,777	12,132

Source: Kansas Statistical Abstract

Labor Force

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

COWLEY COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2019	16,298	15,749	549	3.4%
2018	16,735	16,161	574	3.4%
2017	16,961	16,316	645	3.8%
2016	17,024	16,244	780	4.6%
2015	16,999	16,216	783	4.6%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2019	1,491,808	1,445,043	46,922	3.1%
2018	1,482,220	1,432,387	49,833	3.4%
2017	1,478,791	1,425,217	53,574	3.6%
2016	1,485,350	1,425,419	59,931	4.0%
2015	1,499,009	1,435,884	63,125	4.2%

Currently, the Kansas Department of Labor estimates an unemployment rate of 8.7% for the County and 7.6% for the State of Kansas for the month of June 2020.

Source: Kansas Statistical Abstract (2015 – 2018 data); Kansas Department of Labor (2019 and June 2020 estimate)

Retail Sales Tax Collections

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

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2019	\$23,407,620	\$670.55
2018	22,444,412	652.47
2017	22,970,395	643.55
2016	22,934,999	650.75
2015	23,118,958	637.95

Source: Kansas Statistical Abstract (2015 – 2018 data); Kansas Department of Revenue (2019 estimate)

The statewide sales and use tax was 6.15%, effective July 1, 2013, and increased to 6.50%, effective July 1, 2015.

Financial and Banking Institutions

There are currently 39 banks, with 164 different branch locations, located in Cowley County. During a five-year period, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits</u> (thousands of dollars)
2019	\$669,000
2018	637,000
2017	630,000
2016	613,000
2015	620,000

Source: Kansas Statistical Abstract (2015 – 2018 data); FDIC (2019 data)

Personal Income Trends

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

<u>Year</u>	<u>Cowley County Personal Income (\$000)</u>	<u>Cowley County Per Capita Income</u>	<u>State Per Capita Income</u>
2018	\$1,363,188	\$38,707	\$51,471
2017	1,315,552	37,203	50,155
2016	1,295,687	36,240	47,228
2015	1,337,790	37,381	46,994
2014	1,390,203	35,750	46,568

Source: Kansas Statistical Abstract

APPENDIX B

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

CITY OF ARKANSAS CITY, KANSAS

Financial Statements

For the Year Ended December 31, 2019

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CITY OF ARKANSAS CITY, KANSAS
Financial Statements
For the Year Ended December 31, 2019
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Arkansas City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Arkansas City, Kansas, (the City), as of and for the year ended December 31, 2019 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

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

Other Matter

The 2018 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) for the year ended December 31, 2018, is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The City of Arkansas City, Kansas’s basic financial statement for the year ended December 31, 2018 (not presented herein), was audited by other auditors whose report dated March 22, 2019, expressed an unmodified opinion on the basic financial statement. The 2018 basic financial statement and the other auditor’s report are available in electronic form from the website of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The report of the other auditors dated March 22, 2019, stated that the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2018, was subjected to auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in their opinion, was fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 30, 2020

CITY OF ARKANSAS CITY, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2019

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Period Adjustment</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:							
General Fund	\$ 944,934	\$ -	\$ 10,712,339	\$ 10,530,685	\$ 1,126,588	\$ 205,437	\$ 1,332,025
Special Purpose Funds:							
Special Recreation and Parks Fund	26,979	-	12,867	14,236	25,610	4,731	30,341
Special Street and Highway Fund	486,014	-	504,684	305,906	684,792	-	684,792
Tourism Fund	19,691	-	142,909	134,493	28,107	-	28,107
Special Alcohol Fund	82,456	-	17,467	15,107	84,816	-	84,816
Library Fund	-	-	364,784	364,784	-	-	-
Land Bank Fund	-	-	-	-	-	-	-
Hospital Improvements Fund	1,463,800	-	447,665	1,911,465	-	-	-
Healthcare Sales Tax Fund	-	-	4,539,526	4,539,526	-	-	-
Unpledged Healthcare Sales Tax Fund	-	-	79,091	-	79,091	-	79,091
Special Law Enforcement Trust Fund	15,935	-	18,321	18,523	15,733	-	15,733
CID Sales Tax Fund	-	-	50,979	50,000	979	-	979
Equipment Reserve Fund	200,946	-	-	-	200,946	-	200,946
Public Building Commission Fund	1,946,193	-	19,354,567	21,300,760	-	-	-
Capital Improvements Reserve Fund	1,191,083	-	715,607	301,393	1,605,297	-	1,605,297
Bond and Interest Funds:							
Bond and Interest Fund	80,854	-	850,957	802,130	129,681	-	129,681
Business Funds:							
Water Utility Fund	4,254,300	-	4,269,972	4,267,315	4,256,957	99,494	4,356,451
Sewer Utility Fund	3,967,602	-	2,053,064	2,014,506	4,006,160	179,761	4,185,921
Sanitation Utility Fund	993,796	-	1,469,358	1,332,853	1,130,301	23,877	1,154,178
Stormwater Utility Fund	207,517	-	242,474	303,914	146,077	4,260	150,337
Total reporting entity [excluding agency funds]	<u>\$ 15,882,100</u>	<u>\$ -</u>	<u>\$ 45,846,631</u>	<u>\$ 48,207,596</u>	<u>\$ 13,521,135</u>	<u>\$ 517,560</u>	<u>\$ 14,038,695</u>

Composition of Cash:

RCB Bank	
Checking	\$ 12,964,485
Union State Bank	
Checking	78,760
The Stock Exchange Bank	
CD	1,000,000
Petty Cash	<u>1,625</u>
Total Cash	14,044,870
Less: Agency Funds per Schedule 3	<u>[6,175]</u>
Total Reporting Entity [Excluding Agency Funds]	<u>\$ 14,038,695</u>

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

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

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

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

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

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

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

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

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Arkansas City, Kansas, for the year of 2019:

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

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

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

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

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

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

Basis of Presentation – Regulatory Basis of Accounting

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

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

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Reimbursed Expense

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

Property Taxes

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

Special Assessments

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

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at that time. During the year ended December 31, 2019, the City amended the budget for the Tourism, Healthcare Sales Tax and Unpledged Healthcare Sales Tax funds.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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

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

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

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

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

NOTE 2 - Deposits and Investments

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

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

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2019.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 2 - Deposits and Investments (Continued)

At December 31, 2019, the City's carrying amount of deposits was \$14,044,870 and the bank balance was \$14,961,076. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$578,760 was covered by federal depository insurance and the balance of \$14,382,316 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

NOTE 3 - Long-Term Debt

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
General Obligation Bonds	\$ 3,495,000	\$ -	\$ 730,000	\$ 2,765,000	\$ 72,130
Revenue Bonds	20,220,000	17,630,000	20,220,000	17,630,000	1,369,045
KDHE Loans	22,161,202	-	893,734	21,267,468	596,796
Capital Leases	<u>280,916</u>	<u>620,500</u>	<u>121,818</u>	<u>779,598</u>	<u>18,199</u>
Total	<u>\$ 46,157,118</u>	<u>\$ 18,250,500</u>	<u>\$ 21,965,552</u>	<u>\$ 42,442,066</u>	<u>\$ 2,056,170</u>

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

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes and utility revenues					
Series 2013	1.50% - 3.0%	<u>\$ 2,765,000</u>	<u>\$ 6,015,000</u>	04/01/13	12/01/32

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 515,000	\$ 56,010	\$ 571,010
2021	525,000	48,285	573,285
2022	540,000	40,410	580,410
2023	100,000	30,960	130,960
2024	105,000	28,810	133,810
2024 - 2028	575,000	106,038	681,038
2029 - 2032	<u>405,000</u>	<u>24,340</u>	<u>429,340</u>
Total	<u>\$ 2,765,000</u>	<u>\$ 334,853</u>	<u>\$ 3,099,853</u>

Revenue Bonds. Revenue bonds currently outstanding are as follows:

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes					
Public Building Commission	3.00% - 5.00%	<u>\$ 17,630,000</u>	<u>\$ 17,630,000</u>	07/23/19	09/01/34

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 3 - Long-Term Debt (Continued)

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

The Series 2019 bonds carry an interest rate ranging from 3.00% to 5.00%, with a final maturity of September 1, 2044. The net proceeds of the Series 2019 bonds were used to establish an escrow account invested in U.S. Government Securities to pay the outstanding principal of the Series 2009 Revenue Bonds and the interest due on the refunding revenue bonds. As a result, the Series 2009 bonds were considered to be defeased and the liability of the defeased bonds have been removed from the City's financial statements. The transaction resulted in an economic gain of \$6,961,055 and a reduction of \$9,016,826 in future debt payments.

As part of the 2019 revenue bond issue, the City approved a 1% sales tax. The City has pledged 95% of the revenues derived from the sales tax to pay the City's various costs under the lease. The City has accounted for these funds in the Healthcare Sales Tax and Unpledged Healthcare Sales Tax funds.

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

<u>Year ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 350,000	\$ 717,962	\$ 1,067,962
2021	425,000	638,913	1,063,913
2022	440,000	626,163	1,066,163
2023	460,000	608,563	1,068,563
2024	480,000	585,563	1,065,563
2025 - 2029	2,795,000	2,542,063	5,337,063
2030 - 2034	3,525,000	1,839,063	5,364,063
2035 - 2039	4,225,000	1,158,063	5,383,063
2040 - 2044	4,930,000	471,875	5,401,875
Total	<u>\$ 17,630,000</u>	<u>\$ 9,188,228</u>	<u>\$ 26,818,228</u>

Revolving Loans. Revolving loans with the Kansas Department of Health and Environment currently outstanding are as follows:

<u>KDHE Loans</u>	<u>Interest Rate</u>	<u>Amount</u> <u>Outstanding</u>	<u>Original</u> <u>Amount</u>	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>
Paid with utility revenues					
KDHE Loan #2649	3.12%	\$ 545,849	\$ 1,226,071	11/18/09	08/01/30
KDHE Loan #2813	2.35%	20,721,619	22,000,000	01/14/16	02/01/38
		<u>\$ 21,267,468</u>			

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 3 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the revolving loans are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 918,341	\$ 572,189	\$ 1,490,530
2020	943,628	546,901	1,490,529
2021	969,614	519,296	1,488,910
2022	996,319	494,211	1,490,530
2023	1,023,761	466,769	1,490,530
2024 - 2028	5,557,736	1,894,912	7,452,648
2029 - 2033	6,111,387	1,100,789	7,212,176
2034 - 2038	<u>4,746,682</u>	<u>259,757</u>	<u>5,006,439</u>
Total	<u>\$ 21,267,468</u>	<u>\$ 5,854,824</u>	<u>\$ 27,122,292</u>

Capital Leases. On August 1, 2013, the City entered into a capital lease agreement in order to finance the purchase of a 2013 pumper fire truck. Payments are made semi-annually including interest at 2.82%. Final maturity of the lease is March 6, 2023.

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

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 114,704	\$ 25,313	\$ 140,017
2021	118,373	21,643	140,016
2022	122,162	17,855	140,017
2023	92,619	13,943	106,562
2024	61,781	11,327	73,108
2025 - 2028	<u>269,959</u>	<u>22,195</u>	<u>292,154</u>
Total	<u>\$ 779,598</u>	<u>\$ 112,276</u>	<u>\$ 891,874</u>

NOTE 4 - Economic Development Bonds

The City has entered into various agreements to induce businesses to locate or expand operations in Arkansas City, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2019, there were three industrial revenue bond issues with principal balances due totaling \$16,548,482.

NOTE 5 - Defined Benefit Pension Plan

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

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 5 - Defined Benefit Pension Plan (Continued)

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for KPERS and 22.13% for KP&F for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$285,599 for KPERS and \$584,577 for KP&F for the year ended December 31, 2019.

Net Pension Liability. At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$2,173,557 and \$5,031,049 for KP&F. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 6 - Capital Projects

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

Project	Project	Expenditures	Estimated
<u>Name</u>	<u>Authorization</u>	<u>Through December 31, 2019</u>	<u>Completion</u>
Compass Point Subdivision	\$ 1,021,730	\$ 1,020,619	Completed
Crestwood Bridge Repair	140,000	114,095	Completed
2019 Summit St Mill & Overlay CCLIP	66,481	25,000	2020
Offset Well #5 (Well #15)	179,474	19,483	2020
Waterline Relocate for Westar Easement	650,000	54,152	2020
Wilson Park Planning - Phase 1 Upgrades	68,500	65,932	2020
Wilson Park Site Improvements	68,651	9,600	2020
Westar Hike/Bike Trail	1,275,745	65,573	2021
WWTP Upgrades	108,157	10,862	2023

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 7 - Other Long-Term Obligations from Operations

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

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

Full time employees, except fire personnel:

<u>Years of service</u>	<u>Hours per year</u>	<u>Maximum accrual</u>
1 - 7 years	80	160
8 - 15 years	120	240
16 - 20 years	160	320
20+ years	200	400

Fire personnel working on a work period:

<u>Years of service</u>	<u>Hours per year</u>	<u>Maximum accrual</u>
1 - 7 years	112	224
8 - 15 years	168	336
16 - 20 years	224	448
20+ years	280	560

Sick Leave. All full-time employees, except fire personnel, shall accrue paid sick leave at a rate of at least one eight-hour day per month with a maximum accrual of 960 hours. Fire personnel working on a work period shall accrue 11.2 hours per month with a maximum accrual of 960 hours.

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

<u>Continuous Years of Service</u>	<u>Sick Leave Payout %</u>
0 - 4 years	-
5 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20+ years	100%

The maximum leave hours each employee can be paid out is 480 hours.

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

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Banked Holiday Time. Police, fire, wastewater treatment facility and water treatment plant personnel can accumulate holiday premium pay in lieu of payment. Holiday time banked has a maximum accrual of 24 hours and must be earned prior to use, except fire personnel, which receive 26 hours of banked holiday time four times a year regardless of whether the employee works the official holiday. Fire personnel can accumulate a maximum of 104 hours.

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

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

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

In accordance with the above criteria, the City has accrued a liability for annual leave, sick time, compensatory time, and banked holiday time, which has been earned, but not taken, by City employees. The estimated liability at December 31, 2019, was \$316,482 for annual leave, \$407,205 for sick leave, \$4,472 for compensatory time, and \$25,590 for banked holiday time.

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2019.

NOTE 8 - Risk Management

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

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 8 - Risk Management (Continued)

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

NOTE 9 - Interfund Transfers

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Water	General	\$ 400,000	K.S.A. 12-825d
Sewer	General	550,000	K.S.A. 12-825d
Sanitation	General	200,000	K.S.A. 12-825d
Water	Bond and Interest	75,000	K.S.A. 12-825d
Sewer	Stormwater	50,000	K.S.A. 12-825d
Sewer	Bond and Interest	75,000	K.S.A. 12-825d
Public Building Commission	Healthcare Sales Tax	1,962,753	Bond covenant
Hospital Improvements	Healthcare Sales Tax	<u>1,226,942</u>	Bond covenant
		<u>\$ 4,539,695</u>	

SCHEDULE 1

CITY OF ARKANSAS CITY, KANSAS

Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over [Under]</u>
General Funds:					
General Fund	\$ 10,817,432	\$ -	\$ 10,817,432	\$ 10,530,685	\$ [286,747]
Special Purpose Funds:					
Special Recreation and Parks Fund	43,204	-	43,204	14,236	[28,968]
Special Street and Highway Fund	787,506	-	787,506	305,906	[481,600]
Tourism Fund	143,000	-	143,000	134,493	[8,507]
Special Alcohol Fund	20,000	-	20,000	15,107	[4,893]
Library Fund	371,600	-	371,600	364,784	[6,816]
Land Bank Fund	3,500	-	3,500	-	[3,500]
Hospital Improvements Fund	2,160,000	-	2,160,000	1,911,465	[248,535]
Healthcare Sales Tax Fund	4,539,695	-	4,539,695	4,539,526	[169]
Unpledged Healthcare Sales Tax Fund	85,500	-	85,500	-	[85,500]
CID Sales Tax Fund	50,000	-	50,000	50,000	-
Bond and Interest Funds:					
Bond and Interest Fund	1,202,230	-	1,202,230	802,130	[400,100]
Business Funds:					
Water Utility Fund	5,083,836	-	5,083,836	4,267,315	[816,521]
Sewer Utility Fund	3,092,163	-	3,092,163	2,014,506	[1,077,657]
Sanitation Utility Fund	1,657,519	-	1,657,519	1,332,853	[324,666]
Stormwater Utility Fund	479,784	-	479,784	303,914	[175,870]

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 2,456,927	\$ 2,769,038	\$ 2,930,017	\$ [160,979]
Delinquent tax	76,315	129,243	75,000	54,243
Motor vehicle tax	335,054	364,221	389,181	[24,960]
Recreational vehicle tax	3,111	3,159	3,912	[753]
16/20M truck tax	6,096	6,500	2,914	3,586
In lieu of tax	908	-	-	-
Neighborhood revitalization	[68,972]	[84,524]	[60,000]	[24,524]
Compensating use tax	580,589	592,403	500,000	92,403
Sales tax	1,576,308	1,711,887	1,605,000	106,887
Franchise tax	1,225,236	1,152,922	1,158,000	[5,078]
Special assessments	18,091	31,522	30,000	1,522
Intergovernmental				
Local alcoholic liquor tax	11,908	12,867	12,757	110
Federal grant	12,455	9,515	-	9,515
State grant	31,712	24,290	273,600	[249,310]
Licenses and permits				
Licenses, permits and fees	153,119	223,391	73,800	149,591
Charges and services				
Cemetery permits/deeds	19,960	25,815	19,000	6,815
Rural fire contracts	350,742	366,360	350,000	16,360
County ambulance fees	176,497	176,497	170,000	6,497
Other ambulance fees	651,483	595,759	625,000	[29,241]
Fines, forfeitures and penalties				
Fines	413,472	423,844	427,000	[3,156]
Use of money and property				
Interest	36,296	46,888	28,000	18,888
Sale of assets	11,620	13,819	30,000	[16,181]
Rental income	39,025	50,675	38,000	12,675
Other receipts				
Donations	24,250	10,982	10,000	982
Reimbursed expense	240,571	223,848	99,000	124,848
Miscellaneous	33,424	681,418	338,000	343,418
Operating transfers from				
Water Utility Fund	400,000	400,000	400,000	-
Sewer Utility Fund	550,000	550,000	550,000	-
Sanitation Utility Fund	200,000	200,000	200,000	-
Total Receipts	<u>9,566,197</u>	<u>10,712,339</u>	<u>\$ 10,278,181</u>	<u>\$ 434,158</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 1 (Continued)

CITY OF ARKANSAS CITY, KANSAS

General Fund - Continued
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures				
General administrative services				
Personal services	\$ 842,247	\$ 1,129,559	\$ 899,644	\$ 229,915
Contractual services	317,517	327,836	291,346	36,490
Commodities	46,565	37,470	36,200	1,270
Capital outlay	27,672	17,646	24,200	[6,554]
Total general administrative services	<u>1,234,001</u>	<u>1,512,511</u>	<u>1,251,390</u>	<u>261,121</u>
Municipal court/legal				
Personal services	134,998	131,343	139,894	[8,551]
Contractual services	64,714	100,778	49,830	50,948
Commodities	1,577	2,293	1,250	1,043
Capital outlay	2,683	2,955	3,512	[557]
Total municipal court/legal	<u>203,972</u>	<u>237,369</u>	<u>194,486</u>	<u>42,883</u>
Neighborhood services				
Personal services	196,698	203,209	223,340	[20,131]
Contractual services	46,799	51,386	50,400	986
Commodities	62,881	14,070	88,050	[73,980]
Capital outlay	31,257	29,565	22,000	7,565
Total neighborhood services	<u>337,635</u>	<u>298,230</u>	<u>383,790</u>	<u>[85,560]</u>
Fire/EMT services				
Personal services	1,913,608	1,928,831	2,151,430	[222,599]
Contractual services	93,895	93,516	100,450	[6,934]
Commodities	144,297	152,501	191,950	[39,449]
Capital outlay	462,770	887,216	224,000	663,216
Debt service	66,909	140,292	140,000	292
Total fire/EMT services	<u>2,681,479</u>	<u>3,202,356</u>	<u>2,807,830</u>	<u>394,526</u>
Law enforcement				
Personal services	2,373,811	2,481,991	2,615,363	[133,372]
Contractual services	117,159	123,900	117,600	6,300
Commodities	107,694	120,742	114,000	6,742
Capital outlay	229,277	176,648	207,700	[31,052]
Debt service	-	2,189	-	2,189
Total law enforcement	<u>2,827,941</u>	<u>2,905,470</u>	<u>3,054,663</u>	<u>[149,193]</u>
Parks and facilities				
Personal services	553,469	496,883	632,482	[135,599]
Contractual services	140,856	180,460	186,950	[6,490]
Commodities	171,977	185,709	232,050	[46,341]
Capital outlay	396,257	41,916	321,000	[279,084]
Total parks and facilities	<u>1,262,559</u>	<u>904,968</u>	<u>1,372,482</u>	<u>[467,514]</u>

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

General Fund - Continued
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Public works/streets				
Personal services	\$ 347,101	\$ 384,695	\$ 485,122	\$ [100,427]
Contractual services	263,032	722,912	267,500	455,412
Commodities	77,805	78,974	56,800	22,174
Capital outlay	<u>1,254</u>	<u>1,322</u>	<u>2,000</u>	<u>[678]</u>
Total public works/streets	<u>689,192</u>	<u>1,187,903</u>	<u>811,422</u>	<u>376,481</u>
Northwest Community Center				
Personal services	44,084	46,307	46,476	[169]
Contractual services	7,882	8,074	9,250	[1,176]
Commodities	2,757	2,424	36,000	[33,576]
Capital outlay	<u>-</u>	<u>349</u>	<u>1,050</u>	<u>[701]</u>
Total Northwest Community Center	<u>54,723</u>	<u>57,154</u>	<u>92,776</u>	<u>[35,622]</u>
Senior center				
Personal services	182,781	182,988	190,543	[7,555]
Contractual services	23,437	28,104	30,400	[2,296]
Commodities	20,373	13,243	26,450	[13,207]
Capital outlay	<u>223</u>	<u>389</u>	<u>1,200</u>	<u>[811]</u>
Total senior center	<u>226,814</u>	<u>224,724</u>	<u>248,593</u>	<u>[23,869]</u>
Operating transfers to				
Capital Improvement Reserve Fund	7,564	-	300,000	[300,000]
Emergency reserve	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>[300,000]</u>
Total Expenditures	<u>9,525,880</u>	<u>10,530,685</u>	<u>\$ 10,817,432</u>	<u>\$ [286,747]</u>
Receipts Over [Under] Expenditures	40,317	181,654		
Unencumbered Cash, Beginning	<u>904,617</u>	<u>944,934</u>		
Unencumbered Cash, Ending	<u>\$ 944,934</u>	<u>\$ 1,126,588</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Recreation and Parks Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 11,908	\$ 12,867	\$ 12,757	\$ 110
Total Receipts	<u>11,908</u>	<u>12,867</u>	<u>\$ 12,757</u>	<u>\$ 110</u>
Expenditures				
Culture and recreation				
Contractual services	14,000	5,248	\$ 19,102	\$ [13,854]
Commodities	-	8,988	5,000	3,988
Total Expenditures	<u>14,000</u>	<u>14,236</u>	<u>\$ 43,204</u>	<u>\$ [28,968]</u>
Receipts Over [Under] Expenditures	[2,092]	[1,369]		
Unencumbered Cash, Beginning	<u>29,071</u>	<u>26,979</u>		
Unencumbered Cash, Ending	<u>\$ 26,979</u>	<u>\$ 25,610</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

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

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Highway gas tax	\$ 325,451	\$ 323,989	\$ 327,050	\$ [3,061]
County gas tax	54,732	53,393	49,110	4,283
Intergovernmental				
KDOT federal exchange funds	337,196	127,191	150,000	[22,809]
Other receipts				
Reimbursed expense	6	111	-	111
Total Receipts	<u>717,385</u>	<u>504,684</u>	<u>\$ 526,160</u>	<u>\$ [21,476]</u>
Expenditures				
General government				
Contractual services	201,659	26,937	\$ 387,506	\$ [360,569]
Commodities	76,858	195,887	156,000	39,887
Capital outlay	53,822	83,082	244,000	[160,918]
Operating transfers to				
Capital Improvements Reserve Fund	<u>192,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>524,651</u>	<u>305,906</u>	<u>\$ 787,506</u>	<u>\$ [481,600]</u>
Receipts Over [Under] Expenditures	192,734	198,778		
Unencumbered Cash, Beginning	<u>293,280</u>	<u>486,014</u>		
Unencumbered Cash, Ending	<u>\$ 486,014</u>	<u>\$ 684,792</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Tourism Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
State guest tax	\$ 120,871	\$ 142,909	\$ 143,000	\$ [91]
Total Receipts	<u>120,871</u>	<u>142,909</u>	<u>\$ 143,000</u>	<u>\$ [91]</u>
Expenditures				
Culture and recreation				
Contractual services	125,642	134,493	\$ 143,000	\$ [8,507]
Total Expenditures	<u>125,642</u>	<u>134,493</u>	<u>\$ 143,000</u>	<u>\$ [8,507]</u>
Receipts Over [Under] Expenditures	[4,771]	8,416		
Unencumbered Cash, Beginning	<u>24,462</u>	<u>19,691</u>		
Unencumbered Cash, Ending	<u>\$ 19,691</u>	<u>\$ 28,107</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Alcohol Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 11,908	\$ 12,867	\$ 12,757	\$ 110
Other receipts				
Donations	10,284	4,600	-	4,600
Total Receipts	<u>22,192</u>	<u>17,467</u>	<u>\$ 12,757</u>	<u>\$ 4,710</u>
Expenditures				
Culture and recreation				
Contractual services	-	1,000	\$ 1,000	\$ -
Commodities	13,979	14,107	19,000	[4,893]
Total Expenditures	<u>13,979</u>	<u>15,107</u>	<u>\$ 20,000</u>	<u>\$ [4,893]</u>
Receipts Over [Under] Expenditures	8,213	2,360		
Unencumbered Cash, Beginning	<u>74,243</u>	<u>82,456</u>		
Unencumbered Cash, Ending	<u>\$ 82,456</u>	<u>\$ 84,816</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Library Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 300,809	\$ 312,265	\$ 330,691	\$ [18,426]
Delinquent tax	9,818	16,138	10,000	6,138
Motor vehicle tax	43,811	44,704	47,268	[2,564]
Recreational vehicle tax	407	387	479	[92]
Commercial vehicle tax	-	-	406	[406]
16/20M truck tax	909	822	357	465
Neighborhood revitalization	<u>[8,461]</u>	<u>[9,532]</u>	<u>[8,000]</u>	<u>[1,532]</u>
Total Receipts	<u>347,293</u>	<u>364,784</u>	<u>\$ 381,201</u>	<u>\$ [16,417]</u>
Expenditures				
Culture and recreation				
Appropriation to library board	<u>347,293</u>	<u>364,784</u>	<u>\$ 371,600</u>	<u>\$ [6,816]</u>
Total Expenditures	<u>347,293</u>	<u>364,784</u>	<u>\$ 371,600</u>	<u>\$ [6,816]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Land Bank Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

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

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Hospital Improvements Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Sales tax	\$ 788,154	\$ 145,506	\$ 268,000	\$ [122,494]
Debt service sales tax	1,576,308	291,012	1,560,000	[1,268,988]
Use of money and property				
Interest	14,527	11,147	6,000	5,147
Total Receipts	<u>2,378,989</u>	<u>447,665</u>	<u>\$ 1,834,000</u>	<u>\$ [1,386,335]</u>
Expenditures				
Appropriations to hospital board	1,952,351	684,523	\$ 600,000	\$ 84,523
Operating transfers to				
Healthcare Sales Tax Fund	-	1,226,942	1,560,000	[333,058]
Total Expenditures	<u>1,952,351</u>	<u>1,911,465</u>	<u>\$ 2,160,000</u>	<u>\$ [248,535]</u>
Receipts Over [Under] Expenditures	426,638	[1,463,800]		
Unencumbered Cash, Beginning	<u>1,037,162</u>	<u>1,463,800</u>		
Unencumbered Cash, Ending	<u>\$ 1,463,800</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Healthcare Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ -	\$ 1,349,831	\$ 1,350,000	\$ [169]
Operating transfers from				
Public Building Commission Fund	-	1,962,753	1,226,942	735,811
Hospital Improvements Fund	-	1,226,942	-	1,226,942
Total Receipts	-	4,539,526	\$ 2,576,942	\$ 1,962,584
Expenditures				
Appropriations to trustee	-	4,539,526	\$ 2,576,942	\$ 1,962,584
Adjustment for qualifying budget credits	-	-	1,962,753	[1,962,753]
Total Expenditures	-	4,539,526	\$ 4,539,695	\$ [169]
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Unpledged Healthcare Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ -	\$ 71,044	\$ 85,000	\$ [13,956]
Use of money and property				
Interest	-	8,047	500	7,547
Total Receipts	-	79,091	\$ 85,500	\$ [6,409]
Expenditures				
Appropriations to hospital	-	-	\$ 85,500	\$ 85,500
Total Expenditures	-	-	\$ 85,500	\$ 85,500
Receipts Over [Under] Expenditures	-	79,091		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ 79,091		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Special Law Enforcement Trust Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2019 and 2018

	<u>2017</u>	<u>2018</u>
Receipts		
Other receipts		
Donations	\$ 7,046	\$ 18,321
Total Receipts	<u>7,046</u>	<u>18,321</u>
Expenditures		
Capital improvements		
Contractual services	2,794	3,351
Capital outlay	<u>-</u>	<u>15,172</u>
Total Expenditures	<u>2,794</u>	<u>18,523</u>
Receipts Over [Under] Expenditures	4,252	[202]
Unencumbered Cash, Beginning	<u>11,683</u>	<u>15,935</u>
Unencumbered Cash, Ending	<u>\$ 15,935</u>	<u>\$ 15,733</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

CID Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Sales tax	\$ 35,292	\$ 50,979	\$ 50,000	\$ 979
Total Receipts	<u>35,292</u>	<u>50,979</u>	<u>50,000</u>	<u>979</u>
Expenditures				
Capital improvements				
Contractual services	36,177	50,000	\$ 50,000	\$ -
Total Expenditures	<u>36,177</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Receipts Over [Under] Expenditures	[885]	979		
Unencumbered Cash, Beginning	<u>885</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 979</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2019 and 2018

	<u>2017</u>	<u>2018</u>
Receipts		
Operating transfers from		
General Fund	\$ -	\$ -
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital improvements		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>200,946</u>	<u>200,946</u>
Unencumbered Cash, Ending	<u>\$ 200,946</u>	<u>\$ 200,946</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Public Building Commission Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2019 and 2018

	<u>2017</u>	<u>2018</u>
Receipts		
Use of money and property		
Interest	\$ 23,037	\$ 16,560
Other receipts		
Bond proceeds	-	18,653,484
Reimbursed expense	<u>1,885,505</u>	<u>684,523</u>
Total Receipts	<u>1,908,542</u>	<u>19,354,567</u>
Expenditures		
Debt service		
Principal	490,000	18,336,559
Interest	1,395,505	684,523
Bond issuance costs	-	316,925
Operating transfers to		
Healthcare Sales Tax Fund	<u>-</u>	<u>1,962,753</u>
Total Expenditures	<u>1,885,505</u>	<u>21,300,760</u>
Receipts Over [Under] Expenditures	23,037	[1,946,193]
Unencumbered Cash, Beginning	<u>1,923,156</u>	<u>1,946,193</u>
Unencumbered Cash, Ending	<u>\$ 1,946,193</u>	<u>\$ -</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Capital Improvements Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2019 and 2018

	<u>2018</u>	<u>2019</u>
Receipts		
Use of money and property		
Interest	\$ 7,108	\$ 24,258
Other receipts		
Donations	68,500	68,651
Reimbursed expense	643,496	622,697
Operating transfers from		
General Fund	7,564	[2,594,391]
Special Street and Highway Fund	192,312	192,312
Water Utility Fund	2,394,516	2,394,516
Sanitation Utility Fund	7,564	7,564
Total Receipts	<u>3,321,060</u>	<u>715,607</u>
Expenditures		
General government		
Contractual services	-	13,176
Capital outlay	2,438,650	288,217
Total Expenditures	<u>2,438,650</u>	<u>301,393</u>
Receipts Over [Under] Expenditures	882,410	414,214
Unencumbered Cash, Beginning	<u>308,673</u>	<u>1,191,083</u>
Unencumbered Cash, Ending	<u>\$ 1,191,083</u>	<u>\$ 1,605,297</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS

Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance- Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 751,338	\$ 560,349	\$ 592,886	\$ [32,537]
Delinquent tax	27,659	42,141	28,000	14,141
Motor vehicle tax	129,796	112,464	118,308	[5,844]
Recreational vehicle tax	1,203	972	1,199	[227]
Commercial vehicle tax	-	-	1,017	[1,017]
16/20M truck tax	2,645	2,135	894	1,241
In lieu of tax	-	-	215,209	[215,209]
Neighborhood revitalization	[21,176]	[17,104]	[22,000]	4,896
Operating transfers from				
Water Utility Fund	75,000	75,000	75,000	-
Sewer Utility Fund	75,000	75,000	75,000	-
Total Receipts	<u>1,041,465</u>	<u>850,957</u>	<u>\$ 1,085,513</u>	<u>\$ [234,556]</u>
Expenditures				
Debt service				
Principal	1,025,000	730,000	\$ 730,000	\$ -
Interest	100,085	72,130	72,130	-
Miscellaneous	-	-	100	[100]
Cash basis reserve	-	-	400,000	[400,000]
Total Expenditures	<u>1,125,085</u>	<u>802,130</u>	<u>\$ 1,202,230</u>	<u>\$ [400,100]</u>
Receipts Over [Under] Expenditures	[83,620]	48,827		
Unencumbered Cash, Beginning	<u>164,474</u>	<u>80,854</u>		
Unencumbered Cash, Ending	<u>\$ 80,854</u>	<u>\$ 129,681</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services				
Water receipts	\$ 3,976,148	\$ 4,038,692	\$ 4,250,000	\$ [211,308]
Connection fees	84,818	85,184	79,000	6,184
Use of money and property				
Loan proceeds	3,005,802	-	-	-
Interest	56,875	61,117	35,000	26,117
Sale of assets	7,043	9,192	-	9,192
Other receipts				
Bad debt collection	265	273	100	173
Penalties	29,550	28,354	27,000	1,354
Reimbursed expense	3,549	3,486	-	3,486
Miscellaneous	35,543	43,674	15,200	28,474
Total Receipts	<u>7,199,593</u>	<u>4,269,972</u>	<u>\$ 4,406,300</u>	<u>\$ [136,328]</u>
Expenditures				
Treatment				
Personal services	209,694	179,200	\$ 157,860	\$ 21,340
Contractual services	466,478	706,343	321,700	384,643
Commodities	361,790	414,761	350,000	64,761
Capital outlay	53,678	108	250,500	[250,392]
Total treatment	<u>1,091,640</u>	<u>1,300,412</u>	<u>1,080,060</u>	<u>220,352</u>
Distribution				
Personal services	332,610	298,056	375,681	[77,625]
Contractual services	102,975	208,571	96,600	111,971
Commodities	245,917	141,740	159,200	[17,460]
Capital outlay	53,720	14,228	1,000,500	[986,272]
Total distribution	<u>735,222</u>	<u>662,595</u>	<u>1,631,981</u>	<u>[969,386]</u>
Environmental				
Personal services	186,044	204,824	249,542	[44,718]
Contractual services	28,156	19,094	17,500	1,594
Commodities	2,410	3,891	5,700	[1,809]
Capital outlay	5,025	3,368	9,200	[5,832]
Total environmental	<u>221,635</u>	<u>231,177</u>	<u>281,942</u>	<u>[50,765]</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 17 (Continued)

CITY OF ARKANSAS CITY, KANSAS

Water Utility Fund - Continued
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Administration				
Personal services	\$ 8,795	\$ 11,565	\$ 8,500	\$ 3,065
Contractual services	54,064	50,442	53,200	[2,758]
Commodities	13,387	15,380	17,700	[2,320]
Capital outlay	24,460	30,213	24,500	5,713
Total administration	<u>100,706</u>	<u>107,600</u>	<u>103,900</u>	<u>3,700</u>
Debt service				
Revolving loans				
Principal	463,549	893,734	893,986	[252]
Interest	489,157	520,009	520,157	[148]
Agency fees	72,148	76,788	96,810	[20,022]
Operating transfers to				
General Fund	400,000	400,000	400,000	-
Capital Improvements Reserve Fund	2,394,516	-	-	-
Bond and Interest Fund	75,000	75,000	75,000	-
Total Expenditures	<u>6,043,573</u>	<u>4,267,315</u>	<u>\$ 5,083,836</u>	<u>\$ [816,521]</u>
Receipts Over [Under] Expenditures	1,156,020	2,657		
Unencumbered Cash, Beginning	<u>3,098,280</u>	<u>4,254,300</u>		
Unencumbered Cash, Ending	<u>\$ 4,254,300</u>	<u>\$ 4,256,957</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services				
Wastewater receipts	\$ 1,950,943	\$ 1,948,769	\$ 2,100,000	\$ [151,231]
Use of money and property				
Interest	50,848	62,637	25,000	37,637
Sale of assets	-	92	-	92
Other receipts				
Penalties	20,247	19,633	19,500	133
Miscellaneous	1,564	21,933	10,000	11,933
Total Receipts	<u>2,023,796</u>	<u>2,053,064</u>	<u>\$ 2,154,500</u>	<u>\$ [101,436]</u>
Expenditures				
Treatment				
Personal services	180,196	204,629	\$ 204,543	\$ 86
Contractual services	134,940	178,790	196,700	[17,910]
Commodities	91,382	69,548	107,500	[37,952]
Capital outlay	18,176	29,861	30,000	[139]
Total treatment	<u>424,694</u>	<u>482,828</u>	<u>538,743</u>	<u>[55,915]</u>
Collections				
Personal services	183,657	126,454	168,729	[42,275]
Contractual services	32,059	319,457	22,900	296,557
Commodities	57,553	44,956	45,050	[94]
Capital outlay	-	146,839	1,385,000	[1,238,161]
Total collections	<u>273,269</u>	<u>637,706</u>	<u>1,621,679</u>	<u>[983,973]</u>
Environmental				
Personal services	156,985	169,600	213,241	[43,641]
Contractual services	79	100	100	-
Total environmental	<u>157,064</u>	<u>169,700</u>	<u>213,341</u>	<u>[43,641]</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 18 (Continued)

CITY OF ARKANSAS CITY, KANSAS

Sewer Utility Fund - Continued
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Expenditures - Continued				
Administration				
Personal services	\$ 7,527	\$ 6,939	\$ 4,900	\$ 2,039
Contractual services	12,566	13,372	12,100	1,272
Commodities	8,056	9,240	9,900	[660]
Capital outlay	<u>15,586</u>	<u>19,721</u>	<u>16,500</u>	<u>3,221</u>
Total administration	<u>43,735</u>	<u>49,272</u>	<u>43,400</u>	<u>5,872</u>
Operating transfers to				
General Fund	550,000	550,000	550,000	-
Bond and Interest Fund	75,000	75,000	75,000	-
Stormwater Utility Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Expenditures	<u>1,573,762</u>	<u>2,014,506</u>	<u>\$ 3,092,163</u>	<u>\$ [1,077,657]</u>
Receipts Over [Under] Expenditures	450,034	38,558		
Unencumbered Cash, Beginning	<u>3,517,568</u>	<u>3,967,602</u>		
Unencumbered Cash, Ending	<u>\$ 3,967,602</u>	<u>\$ 4,006,160</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Sanitation Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services				
Sanitation fees	\$ 1,467,511	\$ 1,412,566	\$ 1,500,000	\$ [87,434]
Service fees	17,256	15,941	7,000	8,941
Intergovernmental				
State grant	2,569	7,706	-	7,706
Use of money and property				
Interest	13,196	17,775	6,000	11,775
Sale of assets	-	919	-	919
Other receipts				
Penalties	14,779	14,405	14,500	[95]
Reimbursed expense	-	-	-	-
Miscellaneous	161	46	200	[154]
Total Receipts	<u>1,515,472</u>	<u>1,469,358</u>	<u>\$ 1,527,700</u>	<u>\$ [58,342]</u>
Expenditures				
General utility services				
Personal services	331,714	433,195	\$ 490,536	\$ [57,341]
Contractual services	299,358	347,382	308,550	38,832
Commodities	148,836	154,646	140,550	14,096
Capital outlay	39,400	65,425	330,500	[265,075]
Total general utility services	<u>819,308</u>	<u>1,000,648</u>	<u>1,270,136</u>	<u>[269,488]</u>
Administration				
Personal services	225,906	100,356	156,858	[56,502]
Contractual services	12,388	13,116	11,925	1,191
Commodities	5,391	6,189	6,600	[411]
Capital outlay	10,129	12,544	12,000	544
Total administration	<u>253,814</u>	<u>132,205</u>	<u>187,383</u>	<u>[55,178]</u>
Operating transfers to				
General Fund	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Expenditures	<u>1,280,686</u>	<u>1,332,853</u>	<u>\$ 1,657,519</u>	<u>\$ [324,666]</u>
Receipts Over [Under] Expenditures	234,786	136,505		
Unencumbered Cash, Beginning	<u>759,010</u>	<u>993,796</u>		
Unencumbered Cash, Ending	<u>\$ 993,796</u>	<u>\$ 1,130,301</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Stormwater Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services				
Stormwater receipts	\$ 187,955	\$ 185,914	\$ 190,000	\$ [4,086]
Intergovernmental				
Federal grant - FEMA	38,809	-	-	-
Use of money and property				
Interest	5,203	4,453	3,500	953
Other receipts				
Penalties	2,155	2,096	2,100	[4]
Miscellaneous	92	11	-	11
Operating transfers from				
Sewer Utility Fund	50,000	50,000	50,000	-
Total Receipts	<u>284,214</u>	<u>242,474</u>	<u>\$ 245,600</u>	<u>\$ [3,126]</u>
Expenditures				
General utility services				
Personal services	165,489	146,122	\$ 191,684	\$ [45,562]
Contractual services	42,800	28,359	22,000	6,359
Commodities	19,210	15,260	14,100	1,160
Capital outlay	231,642	114,173	252,000	[137,827]
Total Expenditures	<u>459,141</u>	<u>303,914</u>	<u>\$ 479,784</u>	<u>\$ [175,870]</u>
Receipts Over [Under] Expenditures	[174,927]	[61,440]		
Unencumbered Cash, Beginning	<u>382,444</u>	<u>207,517</u>		
Unencumbered Cash, Ending	<u>\$ 207,517</u>	<u>\$ 146,077</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS

Agency Funds
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2019

<u>Fund</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Municipal Court	\$ 17,625	\$ 78,379	\$ 89,829	\$ 6,175
Drug Task Force	<u>37,808</u>	<u>1,281</u>	<u>39,089</u>	<u>-</u>
	<u>\$ 55,433</u>	<u>\$ 79,660</u>	<u>\$ 128,918</u>	<u>\$ 6,175</u>

See independent auditor's report on the financial statements.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

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

THE BOND RESOLUTION

DEFINITIONS

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

“Act” means the Constitution, including Article 12, Section 5 thereof, and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.*, K.S.A. 10-620 *et seq.*, and K.S.A. 65-163d *et seq.*, as amended and supplemented.

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

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

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

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

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

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

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

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

“Bonds” means the General Obligation Refunding and Improvement Bonds, Series 2020, authorized and issued by the Issuer pursuant to the Bond Resolution.

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

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

“City” means the City of Arkansas City, Kansas.

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

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

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

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

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

“Dated Date” means October 13, 2020.

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

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

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

“Defeasance Obligations” means any of the following obligations:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be February 1 and August 1 of each year, commencing February 1, 2021.

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

“Issuer” means the city and any successors or assigns.

“KDHE” means the Kansas Department of Health and Environment.

“Loan” means collectively (a) the KDHE Loan for Project No. 2649 between the Issuer and KDHE, dated November 18, 2009, maturing August 1, 2030, in the aggregate outstanding principal amount of \$504,314.51; and (b) the KDHE Loan for Project No. 2813 between the Issuer and KDHE, dated April 23, 2014, maturing August 1, 2035, in the aggregate outstanding principal amount of \$19,844,813.42.

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

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

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

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

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

(a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

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

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

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

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

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

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

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

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

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

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

“Refunded Bonds” means the Series 2013 Bonds maturing in the years 2021 to 2032, inclusive, in the aggregate principal amount of \$2,250,000.

“Refunded Bonds Paying Agent” means the paying agent for the Refunded Bonds as designated in the Refunded Bonds Resolution, and any successor or successors at the time acting as paying agent of the Refunded Bonds.

“Refunded Bonds Redemption Date” means December 1, 2020.

“Refunded Bonds Redemption Fund” means the fund by that name created in the Bond Resolution.

“Refunded Bonds Resolution” means the ordinance and resolution which authorized the Refunded Bonds.

“Refunded Loan” means the outstanding principal amount of each Loan.

“Refunded Loan Paying Agent” means KDHE.

“Refunded Loan Redemption Date” means October 15, 2020.

“Refunded Loan Redemption Fund” means the fund by that name created in the Bond Resolution.

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

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

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

“Series 2013 Bonds” means the Issuer's General Obligation Bonds, Series 2013, dated April 1, 2013.

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

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

“State” means the state of Kansas.

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

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

“2029 Term Bonds” means the Bonds scheduled to mature in the year 2029.

“2030 Term Bonds” means the Bonds scheduled to mature in the year 2030.

“2031 Term Bonds” means the Bonds scheduled to mature in the year 2031.

“2032 Term Bonds” means the Bonds scheduled to mature in the year 2032.

“2033 Term Bonds” means the Bonds scheduled to mature in the year 2033.

“2034 Term Bonds” means the Bonds scheduled to mature in the year 2034.

“2035 Term Bonds” means the Bonds scheduled to mature in the year 2035.

“2036 Term Bonds” means the Bonds scheduled to mature in the year 2036.

“Term Bonds” means collectively, the 2029 Term Bonds, 2030 Term Bonds, 2031 Term Bonds, 2032 Term Bonds, 2033 Term Bonds, 2034 Term Bonds, 2035 Term Bonds and the 2036 Term Bonds.

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

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

**ESTABLISHMENT OF FUNDS AND ACCOUNTS;
DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS**

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

- (a) Refunded Bonds Redemption Fund.
- (b) Refunded Loan Redemption Fund.
- (c) Debt Service Account (within the Bond and Interest Fund).
- (d) Costs of Issuance Account.
- (e) Compliance Account.

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

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

- (a) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (b) An amount necessary to refund the Refunded Bonds shall be deposited in the Refunded Bonds Redemption Fund.
- (c) The remaining balance of the proceeds of the Bonds shall be deposited in the Refunded Loan Redemption Fund.
- (d) In addition to the proceeds of the Bonds, the Issuer shall contribute available funds to the Refunded Bonds Redemption Fund.

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

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

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

Application of Moneys in the Refunded Bonds Redemption Fund. Moneys in the Refunded Bonds Redemption Fund shall be transferred to the Refunded Bonds Paying Agent and utilized to retire the Refunded Bonds on the Refunded Bonds Redemption Date. Any moneys remaining in the Refunded Bonds Redemption Fund not needed to retire the Refunded Bonds shall be transferred to the Debt Service Account.

Application of Moneys in the Refunded Loan Redemption Fund. Moneys in the Refunded Loan Redemption Fund shall be transferred to the Refunded Loan Paying Agent and utilized to retire the Refunded Loan on the Refunded Loan

Redemption Date. Any moneys remaining in the Refunded Loan Redemption Fund not needed to retire the Refunded Loan shall be transferred to the Debt Service Account.

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

DEPOSIT AND INVESTMENT OF MONEYS

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

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

DEFAULT AND REMEDIES

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

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

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

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

DEFEASANCE

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest

payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

TAX COVENANTS

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

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

CONTINUING DISCLOSURE REQUIREMENTS

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

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

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

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

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be

evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

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

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

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

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

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

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

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APPENDIX D

FORM OF DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

DATED AS OF OCTOBER 13, 2020

BY

CITY OF ARKANSAS CITY, KANSAS

\$21,840,000
CITY OF ARKANSAS CITY, KANSAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2020
DATED OCTOBER 13, 2020

CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of October 13, 2020 (the “Continuing Disclosure Undertaking”), is executed and delivered by **CITY OF ARKANSAS CITY** (the “Issuer”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of its General Obligation Refunding and Improvement Bonds, Series 2020 (the “Bonds”), pursuant to an Ordinance and Resolution adopted by the governing body of the Issuer (collectively the “Bond Resolution”).

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

The Issuer covenants and agrees as follows:

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

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking, which may include the Issuer's CAFR, so long as the CAFR contains the financial information and operating data described in **Section 2(a)(1)** and **(2)**.

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

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

“**CAFR**” means the Issuer's Comprehensive Annual Financial Report, if any.

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

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

“**Financial Obligation**” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not

include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

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

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

Section 2. Provision of Annual Reports.

(a) The Issuer shall, not later than September 1 immediately following the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2020, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

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

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

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

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

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

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

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

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

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

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Undertaking.

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

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

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

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

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

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

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

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

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

CITY OF ARKANSAS CITY, KANSAS

(SEAL)

Mayor

Clerk

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

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

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

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