

PRELIMINARY OFFICIAL STATEMENT

**NEW ISSUE
BANK QUALIFIED**

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

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is (a) excluded from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The interest on the Bonds is exempt from income taxation by the State of Kansas. The Bonds are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" herein.

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

DATED: December 1, 2011

DUE: September 1, as shown herein

The General Obligation Refunding Bonds, Series 2011 (the "Bonds") will be issued by the City of Marion, Kansas (the "Issuer" or the "City"), 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 denomination of \$5,000 or any integral multiple thereof (the "Authorized Denomination") and shall be numbered in such manner as the Bond Registrar shall determine. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the aforesaid, and shall not mean Beneficial Owners (as herein defined) of the Bonds.] The principal of and premium, if any, on the Bonds shall be payable lawful money of the United States of America at the office of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"), upon presentation and surrender of the Bonds for payment and cancellation. Principal on the Bonds will be payable annually on September 1, commencing September 1, 2012. The interest on the Bonds shall be payable semiannually on March 1 and September 1, commencing on March 1, 2012, in lawful money of the United States of America, by check or draft of the Paying Agent mailed to the registered owners thereof at the address appearing on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar as of the close of business on the fifteenth (15th) day (whether or not a business day) of the month next preceding each applicable Interest Payment Date (the "Record Dates"). [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.]

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable in part 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 territorial limits of the Issuer.

MATURITY SCHEDULE*
(See inside cover page)

The Bonds maturing on September 1, 2019 and thereafter will be subject to redemption prior to maturity, at the option of the Issuer, on September 1, 2018, or thereafter as described herein (see "Description of the Bonds - Redemption of the Bonds" herein).

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors must read the entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. It is expected that the Bonds will be available for delivery [through the facilities of The Depository Trust Company in New York, New York] on or about December 1, 2011.

**SEALED BIDS WILL BE ACCEPTED ON BEHALF OF:
THE CITY OF MARION, KANSAS
ON NOVEMBER 14, 2011 UNTIL 1:00 P.M. CDT
BY RANSON FINANCIAL CONSULTANTS, L.L.C.
200 W. DOUGLAS, SUITE 600
WICHITA, KANSAS 67202
PHONE: (316) 264-3400 FAX: (316) 265-5403**

This Preliminary Official Statement is dated October 17, 2011.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Base:</u>
09/1/2012	\$90,000	_____ %	_____ %	
09/1/2013	15,000	_____ %	_____ %	
09/1/2014	85,000	_____ %	_____ %	
09/1/2015	85,000	_____ %	_____ %	
09/1/2016	90,000	_____ %	_____ %	
09/1/2017	85,000	_____ %	_____ %	
09/1/2018	95,000	_____ %	_____ %	
09/1/2019	95,000	_____ %	_____ %	
09/1/2020	100,000	_____ %	_____ %	
09/1/2021	100,000	_____ %	_____ %	

* Subject to change.

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

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

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

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

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

MAYOR

Mary Olson

CITY COUNCIL

Bill Holdeman

Jerry Kline

Chris Meierhoff

Steven Smith

CITY ADMINISTRATOR

Doug Kjellin

CITY CLERK

Angela Lange

CITY TREASURER

Becky Makovec

CITY ATTORNEY

Keith Collett, Esq.

Marion, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.

Wichita, Kansas

PAYING AGENT

State Treasurer

Topeka, KS

FINANCIAL ADVISOR

Ranson Financial Consultants L.L.C.

Wichita, Kansas

UNDERWRITER

* Subject to change.

REGARDING THIS PRELIMINARY OFFICIAL STATEMENT

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

Neither the delivery of this Preliminary Official Statement, nor any sale made after any such delivery, shall under any circumstances create any implication that there has been no change in the affairs of the City since the date of this Preliminary Official Statement. The summaries of various statutes or documents considered herein are intended as summaries only and are qualified in their entirety by reference to the originals thereof, copies of which are available from the Underwriter or the City. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities offered hereby, by any person in any state in which it is unlawful for such to make such offer, solicitation or sale.

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FINANCIAL OVERVIEW

Equalized Assessed Tangible Valuation (1) (2) (See Page 12).....	\$11,690,319
Outstanding General Obligation Bonded Indebtedness (3) (See Page 14)	\$3,089,828
Estimated Population	1,927
Per Capita General Obligation Bonded Indebtedness	\$1,603
Ratio of General Obligation Bonded Indebtedness to Equalized Assessed Valuation	26.43%
Direct and Overlapping Debt (See Page 14).....	\$5,404,178
Per Capita Direct and Overlapping Debt	\$2,804
Ratio of Direct and Overlapping Debt to Equalized Assessed Valuation	46.23%
Ratio of Statutory Direct Debt to Equalized Assessed Valuation	8.23%

- (1) Includes real estate, personal property, state assessed utilities and motor vehicle valuation.
- (2) Source: City Clerk.
- (3) Includes this issue and subject to change.

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

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

INTRODUCTORY STATEMENT

General

The purpose of this Preliminary Official Statement is to set forth certain information concerning the issuance and sale by the City of Marion, Kansas (the "Issuer" or the "City") of \$840,000* aggregate principal amount of its General Obligation Refunding Bonds, Series 2011 (the "Bonds"), dated December 1, 2011. The Issuer is a city of the second class, organized and existing under and pursuant to the Constitution and laws of the State of Kansas.

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

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

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

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

AUTHORIZATION AND PURPOSE

The Bonds are being issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Kansas, specifically K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427, *et seq.*, and K.S.A. 10-620 *et seq.*, as amended and an ordinance and resolution adopted by the governing body of the Issuer (jointly the "Bond Resolution").

DESCRIPTION OF THE BONDS

General

The Bonds are issuable as fully registered certificated bonds without coupons, not exceeding the aggregate principal amount of the Bonds maturing on the respective Principal Payment Dates and may be numbered in such manner as the Bond Registrar shall determine. The Bonds shall be dated as of December 1, 2011 and shall mature on September 1 (the "Principal Payment Date") in the years and in the principal amounts, subject to redemption and payment, prior to their Stated Maturities, and shall bear interest at the respective rates per annum, set forth on the inside cover page hereof.

The principal of, and premium if any, on the Bonds shall be payable in lawful money of the United States of America at the principal office of the Treasurer of the State of Kansas, Topeka, Kansas, as Paying Agent (the "Paying Agent") upon presentation of the Bonds for payment and cancellation. The interest on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Paying Agent, by mailing to the registered owner thereof at the address appearing on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

* Subject to change.

Interest on the Bonds shall be payable semiannually on March 1 and September 1 (the "Interest Payment Dates"), commencing March 1, 2012 to the respective owners thereof appearing on the books maintained by the Bond Registrar on the fifteenth (15th) day of the month next preceding each Interest Payment Date (the "Record Dates"). The Bonds shall bear interest from the Interest Payment Date immediately preceding the effective registration dates unless such effective registration date shall be as of an Interest Payment Date, in which case the Bonds shall bear interest from such Interest Payment Date or unless the effective registration date shall be prior to the first Interest Payment Date, in which case the Bonds bear interest from December 1, 2011. The effective date of registration shall be the date of authentication thereof by the Bond Registrar.

The Issuer shall cause books for the registration and for the transfer of the Bonds to be kept by the office of the Treasurer of the State of Kansas, Topeka, Kansas, as Bond Registrar (the "Bond Registrar" and "Paying Agent"). The principal of, premium, if any, of any fully registered Bond shall be payable only to or upon the order of the registered owner or his legal representative upon presentation and surrender thereof. Interest on any fully registered Bond will be paid by check or draft of the Bond Registrar mailed to the registered owner thereof.

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 Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No registration 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.

Security for the Bonds

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

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

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

Payments Due on Saturdays, Sundays and Holidays

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

[Book-Entry Bonds: Securities Depository

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

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

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

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

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

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

Registration, Transfer and Exchange of Bonds

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

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar

for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Nonpresentation of Bonds

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

Redemption of the Bonds

Optional Redemption

At the option of the Issuer, Bonds or portions thereof maturing on September 1, 2019 and thereafter may be called for redemption and payment prior to their Stated Maturity on September 1, 2018, and thereafter as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

Selection of Bonds to be Redeemed

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

Notice and Effect of Call for Redemption.

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

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

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

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

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

[THE DEPOSITORY TRUST COMPANY

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

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

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

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

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

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

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

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

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

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

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

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

THE REFUNDING PLAN

Proceeds of the Bonds will be applied to pay the costs and expenses incurred in connection with the issuance of the Bonds, and refund and pre-pay all outstanding maturities of the Issuer's GO Bonds, Series A, 2001 (the "Refunded Bonds").

Series A, 2001 Bonds

As of December 1, 2011, \$800,000 of the Issuer's GO Bonds, Series A, 2001 remains outstanding, which will be redeemed in accordance with the following schedule:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$65,000	09/01/2012	4.65%	12/01/2011	100%
65,000	09/01/2013	4.75%	12/01/2011	100%
70,000	09/01/2014	4.80%	12/01/2011	100%
75,000	09/01/2015	4.90%	12/01/2011	100%
75,000	09/01/2016	5.00%	12/01/2011	100%
80,000	09/01/2017	5.00%	12/01/2011	100%
85,000	09/01/2018	5.00%	12/01/2011	100%
90,000	09/01/2019	5.00%	12/01/2011	100%
95,000	09/01/2020	5.00%	12/01/2011	100%
100,000	09/01/2021	5.00%	12/01/2011	100%

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.

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

Market for the Bonds

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

Secondary Market. There is no established secondary market for the Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Bonds. The absence of continuing disclosure of financial or other information pertaining to the Issuer may impair the development of a secondary market for the Bonds and could impair the ability of an owner to sell Bonds in the secondary market. Prices of municipal bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit market. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal 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 subject Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Premium on Bonds

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."

Legal Matters

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

Limitations on Remedies Available to Owners of Bonds

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

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 Preliminary Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment and whether or not the Bonds are an appropriate investment.

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

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

SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available for such Improvements, including the proceeds from the sale of the Bonds, exclusive of accrued interest.

Sources of Funds:

*Proceeds of the Bonds**..... \$840,000.00

Total Sources of Funds*\$

Use of Funds:

Redemption Fund\$

Cost of Issuance_____

Total Uses of Funds*\$

* Subject to change.

DEBT SERVICE REQUIREMENT ON THE BONDS

<u>Dates</u> <u>Payment</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Semi-Annual</u> <u>Debt Service</u>	<u>Fiscal Year</u> <u>Debt Service</u>
03/01/12					
09/01/12	\$90,000	_____%			
03/01/13					
09/01/13	15,000	_____%			
03/01/14					
09/01/14	85,000	_____%			
03/01/15					
09/01/15	85,000	_____%			
03/01/16					
09/01/16	90,000	_____%			
03/01/17					
09/01/17	85,000	_____%			
03/01/18					
09/01/18	95,000	_____%			
03/01/19					
09/01/19	95,000	_____%			
03/01/20					
09/01/20	100,000	_____%			
03/01/21					
09/01/21	100,000				
TOTALS	\$840,000*		\$	\$	\$

* Subject to change.

CITY GOVERNMENT

The City of Marion, Kansas (the “City”) is a municipal corporation and is a Kansas city of the second class. The City was established in 1875. The City is governed by a mayor-commission form of government. The Commission is comprised of five members elected at large in odd years. Four commissioners are elected every two years with the fifth member being Mayor. The commissioner receiving the most votes will serve a four-year term with the runner up serving a two-year term.

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Mary Olson	4/2014
Commissioner	Jerry Kline	4/2014
Commissioner	Bill Holdeman	4/2012
Commissioner	Chris Meierhoff	4/2014
Commissioner	Steven Smith	4/2012
City Administrator	David Mayfield	N/A
City Clerk	Angela Lange	N/A
City Attorney	Keith Collett, Esq.	N/A
City Treasurer	Becky Makovec	N/A

Management Personnel

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

FINANCIAL INFORMATION

Accounting, Budgeting and Auditing Procedures

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

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

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

Kansas law prohibits counties and other governmental units from creating indebtedness unless there is money on hand in the proper fund and encumbered by previous commitments with which to pay the indebtedness. The execution of a contract, or the issuing of a purchase order, automatically encumbers the money in the fund for the payment of the amount represented by the commitment. It makes no difference that the amount may not have to be paid until more moneys are in the fund until the following year. An exception to this cash basis law is the issuance of debt, in the form of bonds, notes, or warrants pursuant to statutory authority, referendum or by the State Board of Tax Appeals. In the event debt is issued, funds need not be on hand for future payments.

Assessed Valuation and Reappraisal

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 Marion County Appraiser's office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the County.

All property in the State of Kansas has been reevaluated as a result of a bill passed by the 1985 session of the Kansas Legislature requiring county assessors to reassess property for tax purposes, with an effective date of January 1, 1989. In conjunction with the November 1986 general election, Kansas voters approved a proposition to modify the State Constitution with respect to classification of property for ad valorem taxation. For taxable years 1989 through 1992, real and personal property was divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use is valued on the basis of its agricultural income or productivity and assessed at 30% of the value so obtained; commercial and industrial machinery and equipment is assessed at 20% of its fair market value; residential property and vacant lots is assessed at 12% of fair market value. Farm machinery and equipment, merchants' and manufacturers' inventories, and livestock are exempt from property taxation.

In conjunction with the November 1992 general election, Kansas voters approved a proposition to further modify the State Constitution with respect to classification of property for ad valorem taxation. The modified clarification provisions shall be effective for assessment and taxation of property on and after January 1, 1993 and each year thereafter. Property was divided into two classes real property and personal property. Real property will be divided into seven subclasses; there will be 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, including 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 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 purpose and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) other urban and real property not otherwise specifically classified, assessed at 30%.

The 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 following table shows the total assessed valuation of all the tangible property in the City for the year 2010:

Assessed Tangible Valuation	\$9,743,141
Tangible Valuation of Motor Vehicles	<u>1,947,178</u>
Equalized Assessed Valuation of Taxable Tangible Property	\$11,690,319

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 June 20 of the following year. Taxes that are paid on the due dates are penalized at the rate of 18% per annum (1.5% prorated monthly) until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale in July of each year and is sold to the County for taxes and all legal charges of the first Tuesday in September. Properties that are sold and not redeemed within three years after the tax sale are subject to foreclosure sale.

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 in full by August 15, warrants are issued and placed in the hand of the Sheriff for collection. On 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. Legislation which became effective January 1, 1996, reduced the applicable assessment rates of motor vehicles from 30% of market value to 20% of market value over a 5 year period which ended January 2000.

Tax Rates.

The City may levy taxes in accordance with the requirements of its adopted budget. Prior to July 1, 1999, the City tax levies were further restricted by a state aggregate tax lid. The funds of city restricted by the tax lid include the general fund, capital improvement funds and general improvement funds. Levies not affected by the tax lid include debt service payments on bonds, notes and no fund warrants; payments made to a public building commission; expenses related to tort claim liability and employer contributions for employee retirement, health care and benefit programs, expenses incurred for rebates to owners of property in connection with neighborhood revitalization programs, and expenses incurred to interface with the state criminal justice information system by cities administering juvenile delinquency and crime programs. The tax lid has been repealed effective July 1, 1999. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the county appraiser.

Employee Retirement Plans

The City 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, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirants of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and employs a staff of approximately 95 people.

As of June 30, 2010, KPERS serves about 277,000 members and 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

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

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

(a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the "TIAA Group"), special members of the State/School Group.

(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. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the "TIAA Group"), special members of the Local Group.

KPERS is 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 (more common in the private sector), which are funded solely by employer contributions. The City's employees annually contribute: (a) 4% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), or (b) 6% of their gross salary to the plan if such employees are KPERS Tier 2 members (covered employment on or after July 1, 2009). 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 6.74% of the employee's gross salary for calendar year 2011.

According to the Valuation Report as of December 31, 2009 (the "Valuation Report") the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (UAAL) of \$1,315 million at the end of 2009. KPERS' actuaries identified that an employer contribution rate of 9.44% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by 2033, the end of the actuarial period. Because the annual growth in employer contribution rates is limited by Kansas law, the actual contribution rate permitted at the time of calculation was only 7.34%. As a result, members of the Local Group are underfunding their projected actuarial liabilities and the UAAL can be expected to grow over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum, 0.60%, each year until such time as the permitted rate equals the actuarial rate. The authors of the Valuation Report expect this to occur in 2019 based upon the actuarial assumptions made by the authors.

The 2011 Kansas legislature approved a number of changes to KPERS, including:

(a) Establishing a 13-member KPERS Study Commission to evaluate alternative plan designs during 2011 and recommend a plan for the long-term sustainability of KPERS. The commission's report is due to the Kansas Legislature by January 6, 2012. Pursuant to the 2011 legislation, the 2012 Kansas Legislature must vote on the report's recommendations in order for the other parts of the bill, described below, to become effective.

(b) Increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014 and to 1.2% per year by 2017.

(c) For future service for existing KPERS members enrolled before July 1, 2009, increasing employee contribution rates and/or reducing retirement benefits, starting in 2014.

(d) For existing KPERS members enrolled on or after July 1, 2009, reducing benefits or eliminating annual cost of living increases on benefits paid during retirement, starting in 2014.

Employee Relations

The City has 24 full-time employees. Employee relations are characterized as good.

AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation For Computation of Bonded Debt Limitations	\$11,690,319
Legal limitation of Bonded Debt ¹	\$3,507,095
Outstanding general obligation debt as of December 1, 2011*	\$3,089,828
Exempt Debt	\$2,127,828
Net Debt against Statutory Debt limit capacity	\$962,000
Additional debt capacity	\$2,545,095
Direct debt per capita	\$1,603
Overlapping Indebtedness	\$2,314,350
Direct and overlapping debt	\$5,404,178
Direct and overlapping debt per capita	\$2,804
Direct debt as a percentage of Equalized Assessed Valuation	26.43%
Direct & overlapping debt as a percentage of Equalized Assessed Valuation	46.23%
Statutory direct debt as a percentage of Equalized Assessed Valuation	8.23%

¹K.S.A. 10-301 *et seq.*

* Includes this issue and subject to change.

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of December 1, 2011, and the percent attributable (on the basis of assessed valuation) to the City.

Taxing Jurisdiction	2010 Assessed Valuation	Outstanding General Obligation Indebtedness	Percent Applicable To the City	Amount Applicable to the City
Marion County	\$106,929,609	\$ 263,731	9.11%	\$ 24,030
U.S.D. No. 408	30,630,755	7,200,000	31.81%	2,290,320
			Totals	\$2,314,350

Source: County Clerk

**Outstanding General Obligation Debt
(As of December 1, 2011)**

Description of Indebtedness	Series	Original Amount	Amount Outstanding	Amount Included In Debt Limitation
GO Bonds*	2001-A	\$1,274,000	\$ 0	\$ 0
GO Bonds	2005-A	885,000	320,000	0
GO Bonds	2006	1,340,000	1,267,828	0
GO Bonds	2007	81,000	63,000	63,000
GO Bonds	2009	70,000	59,000	59,000
GO Bonds	2010	585,000	540,000	0
GO Ref Bonds**	2011	840,000	840,000	840,000
	Totals		\$3,089,828	\$962,000

* Issue being refunded by the Bonds.

** This issue and subject to change.

**Temporary Notes Outstanding
(As of December 1, 2011)**

As of December 1, 2011 none are outstanding.

Capital Leases Outstanding
(As of December 1, 2011)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Steel Building	2007	128,780	\$67,255
Cardie Building	2007	229,200	202,729
Arlies Building	2008	254,519	242,152
Loader	2010	144,000	109,180
Electric Meters	2011	117,000	108,429

Source: City Clerk

Loans Outstanding
(As of December 1, 2011)

<u>Description of Loan</u>	<u>Series</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
KDOT Loan	2008	\$1,122,665	\$739,708

Source: City Clerk

Assessed Valuation

<u>Year</u>	<u>Assessed Valuation of Taxable Tangible Property*</u>
2010	\$9,743,141
2009	9,681,135
2008	9,285,463
2007	8,813,041
2006	8,625,949

* Does not include motor vehicles valuation

Source: County Clerk

Mill Levy
(Per \$1,000 Assessed Valuation)
(2006 to 2010, inclusive)

<u>Levy Year</u>	<u>Budget Year</u>	<u>City of Marion</u>	<u>Marion County</u>	<u>USD No. 408</u>	<u>Other</u>	<u>State</u>	<u>Total</u>
2010	2011	61.910	65.399	46.901	15.946	1.500	191.656
2009	2010	61.739	64.216	45.934	16.611	1.500	190.000
2008	2009	61.216	63.352	46.353	17.551	1.500	189.972
2007	2008	58.550	59.319	46.156	17.647	1.500	183.172
2006	2007	58.060	59.569	46.162	17.467	1.500	182.758

Source: County Clerk

Tax Collection Record
(2005 to 2009, inclusive)

<u>Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percentage of Taxes Collected</u>
2010	\$603,438	In Progress	N/A
2009	599,731	\$568,254	94.75%
2008	569,333	548,277	96.30%
2007	525,014	485,774	92.53%
2006	509,735	490,240	96.18%

Source: County Clerk

REGIONAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

Size and Location

The City of Marion, Kansas (the “City”) located in Marion County, Kansas and is located approximately 65 miles northeast of Wichita, the largest population center in Kansas and east of McPherson, Kansas by approximately 35 miles. The City has a current estimated population of 1,927 persons.

Municipal Services and Utilities

Atmos Energy Company provides natural gas to the City. The City’s supply and distribution of water and sewer services are provided by the municipality owned utility systems. The City purchases wholesale electricity from Westar Energy and supplies retail electricity to the residents of the City. Southwestern Bell supplies telephone service.

Transportation Facilities

The City is served by Kansas Highways 56 and 77. Salina Municipal Airport and Wichita Mid-Continent are both within 65 miles of the City.

Educational Institutions and Facilities

Unified School District No. 408 operates an elementary school, a middle school, and a high school. Total district enrollment is approximately 620 students. Friends University, Wichita State University, and Emporia State University are all within 60 miles of the City. Kansas State University is within 70 miles of the City. Butler County Community College is within 40 miles of the City.

Medical and Health Facilities

St. Luke Hospital provides the City with major medical service. Hillsboro Community Medical Center, Herington Municipal Hospital, and Newton Medical Center are all within 30 miles of the City and are able to provide major medical service to the City.

Recreational Activities

The City has plenty of activities the citizens or visitors may enjoy. Marion Reservoir is a federal facility and has a 6,200 acre lake for fishing, camping, swimming, boating, skiing, wind surfing, picnic facilities, hunting, and much more. Marion County Park has much of the same activities. The park was recently added to the National Register of Historic Places. There are several other parks, swimming pools, basketball courts, tennis courts, volleyball, and playgrounds for people to enjoy.

Financial Institutions

There are currently 10 banks located in Marion County.

Labor Force

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

MARION COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2010	6,804	6,411	393	5.8%
2009	6,975	6,578	397	5.7%
2008	6,704	6,461	243	3.6%
2007	6,669	6,431	238	3.6%
2006	6,788	6,520	268	3.9%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2010	1,502,324	1,396,560	105,764	6.6%
2009	1,508,427	1,401,611	106,816	6.6%
2008	1,488,424	1,421,111	67,313	4.4%
2007	1,477,057	1,415,944	61,113	4.4%
2006	1,468,399	1,403,938	64,461	4.4%

Source: Kansas Department of Labor

Agriculture

The following table lists the total value of field crops, cattle/milk and livestock/poultry produced in Marion County for the years listed:

<u>Year</u>	<u>Total Value Of Field Crops(\$000)</u>	<u>Total Value Of Cattle/Milk(\$000)</u>	<u>Total Value Of Livestock/Poultry (\$000)</u>	<u>Total(\$000)</u>
2007	\$43,687	N/A	\$67,519	\$111,206
2006	56,750	\$42,321	N/A	99,071
2005	41,240	43,493	N/A	84,733
2004	49,682	39,743	N/A	89,425
2003	45,860	42,535	N/A	88,395

Source: Kansas Statistical Abstract

Retail Sales Tax Collections

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

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2010	\$4,839,183	\$342.01
2009	4,199,147	351.07
2008	4,125,586	322.18
2007	3,876,470	302.92
2006	3,869,603	298.58

Source: Kansas Statistical Abstract

Ten Largest Taxpayers

The following table sets forth the ten largest taxpayers of the City in 2010:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
Atmos Energy Corp	\$197,108	\$37,776
Marion Manufacturing	149,904	28,656
Coop Grain & Supply	143,079	28,081
Bradbury Co./ Marion Die & Fixture	131,162	25,811
Marion Equipment Deer Trail Implement	122,977	23,868
Southwestern Bell	119,020	22,386
Sunrise Townhomes	106,836	21,297
Union Pacific Rail	102,542	19,652
Greg & Mitch LLC	82,053	26,584
Marion September	70,775	16,104

Source: County Clerk

Population Trends

The following table shows the approximate population of Marion County in the years indicated:

<u>Year</u>	<u>Marion County Population</u>
2010	11,958
2009	11,982
2008	12,056
2007	12,187
2006	12,347

Source: Kansas Statistical Abstract

Personal Income Trends

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

<u>Year</u>	<u>Marion County Personal Income (\$000)</u>	<u>Marion County Per Capita Income</u>	<u>State Per Capita Income</u>
2009	\$388,741	\$32,444	\$39,173
2008	399,610	33,146	40,022
2007	358,216	29,393	37,775
2006	331,188	26,823	35,772
2005	332,477	26,339	33,145

Source: Kansas Statistical Abstract

NON-LITIGATION CERTIFICATE

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

FINANCIAL ADVISOR

Ranson Financial Consultants, L.L.C. serves as financial advisor (the "Financial Advisor") to the City of Marion, Kansas. The Financial Advisor has participated in the preparation of this Preliminary Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Preliminary Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Bonds.

UNDERWRITING

On November 14, 2011, the City received _____ bids for the purchase of the Bonds. The Bonds were awarded by the City to the account of _____ (the "Underwriter"). The Initial Purchaser submitted the lowest bid for the purchase of the Bonds with a net effective interest rate of ____%.

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

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein. Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Preliminary Official Statement captioned "DESCRIPTION OF THE BONDS," "LEGAL MATTERS," "TAX MATTERS," and "APPENDIX B-SUMMARY OF FINANCING DOCUMENTS." Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Keith Collett, Esq., City Attorney.

TAX MATTERS

General

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a

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

Opinion of Bond Counsel

Federal Tax Exemption. The interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excluded 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 imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds are “qualified tax-exempt obligations” for purposes of Code § 265(b)(3), and in the case of certain financial institutions (within the meaning of Code § 265(b)(5)), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

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

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

Other Tax Consequences

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

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

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

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

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

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

MISCELLANEOUS

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

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

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

AUTHORIZATION OF PRELIMINARY OFFICIAL STATEMENT

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

CITY OF MARION, KANSAS

By: _____
Mary Olson, Mayor

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

APPENDIX A

FINANCIAL STATEMENTS
FISCAL YEAR ENDED DECEMBER 31, 2010

* Subject to change.

CITY OF MARION, KANSAS

Financial Statements With Independent Auditors' Repo

For the Year Ended December 31, 2010

CITY OF MARION, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2010

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Phone (620)241-2090 ■ Fax (620)245-0328 ■ www.abbb.com

Plaza Building ■ 207 North Main ■ Suite 201

P.O. Box 864 ■ McPherson, Kansas 67460

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Marion, Kansas
Marion, Kansas

We have audited the accompanying financial statements of **City of Marion, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Marion, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component unit, Housing Authority of the City of Marion, Kansas, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **City of Marion, Kansas**, as of December 31, 2010, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Housing Authority of the City of Marion, Kansas, will be issuing separate reporting entity financial statements.

As described more fully in Note 1, **City of Marion, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of **City of Marion, Kansas**, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, **City of Marion, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

City of Marion, Kansas
Page Two

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Marion, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 22, 2011

CITY OF MARION, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 228,576	-	1,354,222	1,520,908	61,890	31,103	92,993
Special Revenue Funds							
Library Fund	1,399	-	138,028	136,113	3,314	49	3,363
Special City Highway Fund	79,523	-	65,425	89,405	55,543	-	55,543
Special Park and Recreation Fund	1,084	-	832	27	1,889	-	1,889
Equipment Reserve Fund	13,090	-	201,797	144,000	70,887	-	70,887
Capital Improvement Fund	93,289	-	806,505	432,345	467,449	563	468,012
Debt Service Fund							
Bond and Interest Fund	7,308	-	395,558	328,940	73,926	-	73,926
Proprietary Fund Category							
Enterprise Fund							
Utilities Fund	515,633	-	2,680,774	2,672,737	523,670	8,081	531,751
Fiduciary Fund Category							
Private Purpose Trust Fund							
Special Law Enforcement Trust Fund	50	-	119	169	-	-	-
Total Primary Government	<u>939,952</u>	<u>-</u>	<u>5,643,260</u>	<u>5,324,644</u>	<u>1,258,568</u>	<u>39,796</u>	<u>1,298,364</u>
Component Unit Funds							
Library Board - General Fund	99,385	-	99,122	78,181	120,326	-	120,326
Library Board - Capital Improvement Fund	7,662	-	48	-	7,710	-	7,710
Total Component Unit Funds	<u>107,047</u>	<u>-</u>	<u>99,170</u>	<u>78,181</u>	<u>128,036</u>	<u>-</u>	<u>128,036</u>
Total Reporting Entity (excluding a component unit)	<u>\$ 1,046,999</u>	<u>-</u>	<u>5,742,430</u>	<u>5,402,825</u>	<u>1,386,604</u>	<u>39,796</u>	<u>1,426,400</u>
			Composition of Cash				
				Checking Accounts			\$ 1,298,164
				Petty Cash			<u>200</u>
				Total Primary Government			1,298,364
				Total Component Unit			<u>128,036</u>
				Total Reporting Entity (excluding a component unit)			<u>\$ 1,426,400</u>

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

CITY OF MARION, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 1,540,368	-	1,540,368	1,520,908	(19,460)
Special Revenue Funds					
Library Fund	154,260	-	154,260	136,113	(18,147)
Special City Highway Fund	174,944	-	174,944	89,405	(85,539)
Special Park and Recreation Fund	1,389	-	1,389	27	(1,362)
Debt Service Fund					
Bond and Interest Fund	331,634	-	331,634	328,940	(2,694)
Proprietary Fund Category					
Enterprise Fund					
Utilities Fund	2,674,655	-	2,674,655	2,672,737	(1,918)

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

CITY OF MARION, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 448,158	452,638	503,460	(50,822)
Delinquent Tax	7,747	8,195	5,000	3,195
Motor Vehicle Tax	71,443	74,864	79,536	(4,672)
Recreational Vehicle Tax	1,687	1,629	1,632	(3)
16/20M Vehicle Tax	1,380	1,494	1,552	(58)
Slider Tax	4,114	-	-	-
Local Alcoholic Liquor Tax	839	832	612	220
Local Sales/Use Tax	312,168	314,941	248,000	66,941
Excise Tax	38	74	-	74
Highway Connecting Links	10,165	10,172	10,165	7
Franchise Taxes	53,029	48,195	47,750	445
Dog Tags	3,156	3,378	1,970	1,408
Licenses, Permits, and Fees	7,216	5,298	2,300	2,998
Cemetery Fees	8,575	8,700	850	7,850
Rural Fire Contracts	19,341	7,138	9,800	(2,662)
Interest Income	3,139	2,311	40,000	(37,689)
Rent Income	64,826	61,491	58,319	3,172
Court Fines and Bonds	5,329	8,272	3,300	4,972
Fire Proceeds	-	-	5,000	(5,000)
Reimbursements	65,883	74,801	56,793	18,008
FEMA Reimbursements	10,844	402	-	402
Business Park Lot Sales	1	3,668	5,000	(1,332)
Miscellaneous	3,714	729	900	(171)
Transfers In	190,000	265,000	265,000	-
Total Cash Receipts	<u>1,292,792</u>	<u>1,354,222</u>	<u>1,346,939</u>	<u>7,283</u>
Expenditures				
General Government				
Personnel Services	151,256	160,474	147,013	13,461
Contractual Services	28,057	22,885	36,000	(13,115)
Commodities	32,436	60,798	46,682	14,116
Capital Outlay	3,551	2,661	500	2,161
Sales Tax	42,311	48,177	65,412	(17,235)
Total General Government	<u>257,611</u>	<u>294,995</u>	<u>295,607</u>	<u>(612)</u>
Senior Citizens Housing Authority				
Personnel Services	50,811	55,131	48,443	6,688
Appropriation	1,000	1,000	1,000	-
Total Senior Citizens Housing Authority	<u>\$ 51,811</u>	<u>56,131</u>	<u>49,443</u>	<u>6,688</u>

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

CITY OF MARION, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Cemetery				
Personnel Services	\$ 50,108	43,739	51,278	(7,539)
Commodities	10,345	8,332	8,700	(368)
Total Cemetery	<u>60,453</u>	<u>52,071</u>	<u>59,978</u>	<u>(7,907)</u>
City Building				
Personnel Services	13,916	4,683	25,338	(20,655)
Commodities	19,880	20,421	16,300	4,121
Total City Building	<u>33,796</u>	<u>25,104</u>	<u>41,638</u>	<u>(16,534)</u>
Flood Control Project				
Commodities	5,955	2,724	8,800	(6,076)
Capital Outlay	2,847	2,936	15,500	(12,564)
Total Flood Control Project	<u>8,802</u>	<u>5,660</u>	<u>24,300</u>	<u>(18,640)</u>
Fire				
Personnel Services	10,050	9,794	12,918	(3,124)
Commodities	17,584	23,657	21,900	1,757
Total Fire	<u>27,634</u>	<u>33,451</u>	<u>34,818</u>	<u>(1,367)</u>
Library Program	<u>1,893</u>	<u>3,990</u>	<u>450</u>	<u>3,540</u>
Museum				
Personnel Services	3,354	3,229	3,230	(1)
Commodities	2,354	2,299	2,900	(601)
Total Museum	<u>5,708</u>	<u>5,528</u>	<u>6,130</u>	<u>(602)</u>
Recreation				
Appropriation	17,000	17,000	17,000	-
Park				
Personnel Services	31,140	41,875	18,161	23,714
Commodities	16,857	23,288	11,650	11,638
Capital Outlay	1,325	422	700	(278)
Total Park	<u>\$ 49,322</u>	<u>65,585</u>	<u>30,511</u>	<u>35,074</u>

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

CITY OF MARION, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Municipal Court				
Personnel Services	\$ 2,484	2,584	2,584	-
Commodities	792	384	619	(235)
Total Municipal Court	<u>3,276</u>	<u>2,968</u>	<u>3,203</u>	<u>(235)</u>
Street and Alley				
Personnel Services	111,367	123,607	131,584	(7,977)
Commodities	69,706	98,188	103,275	(5,087)
Capital Outlay	5,778	7,567	11,400	(3,833)
Total Street and Alley	<u>186,851</u>	<u>229,362</u>	<u>246,259</u>	<u>(16,897)</u>
Swimming Pool				
Commodities	60,773	41,967	40,000	1,967
Industrial Development				
Personnel Services	56,858	62,157	62,049	108
Contractual Services	250	186	600	(414)
Commodities	12,561	7,615	19,000	(11,385)
Capital Outlay	395	395	2,500	(2,105)
Property Taxes	17,142	686	6,500	(5,814)
Total Industrial Development	<u>87,206</u>	<u>71,039</u>	<u>90,649</u>	<u>(19,610)</u>
EMS				
Commodities	2,615	2,604	2,800	(196)
Police				
Personnel Services	244,096	231,577	258,205	(26,628)
Commodities	11,089	11,446	12,250	(804)
Capital Outlay	2,489	1,416	1,500	(84)
Car Expense	10,946	9,478	12,600	(3,122)
Training	783	336	1,500	(1,164)
Insurance	13,352	12,633	10,000	2,633
Utilities	5,008	5,203	5,000	203
Total Police	<u>\$ 287,763</u>	<u>272,089</u>	<u>301,055</u>	<u>(28,966)</u>

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

CITY OF MARION, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Tourism				
Appropriation	\$ 7,000	10,000	10,000	-
Airport				
Contractual Services	2,505	4,445	5,000	(555)
Commodities	6,681	4,774	6,000	(1,226)
Total Airport	9,186	9,219	11,000	(1,781)
Baseball Complex				
Personnel Services	6,838	7,406	6,890	516
Commodities	5,664	6,583	12,200	(5,617)
Total Baseball Complex	12,502	13,989	19,090	(5,101)
Other Expenditures				
Lease Expense	160,564	149,633	150,209	(576)
Miscellaneous	4,919	4,355	7,600	(3,245)
Neighborhood Revitalization Rebate	-	-	21,828	(21,828)
Transfers Out	65,000	154,168	76,800	77,368
Total Other Expenditures	230,483	308,156	256,437	51,719
Total Expenditures	1,401,685	1,520,908	1,540,368	(19,460)
Cash Receipts Over (Under) Expenditures	(108,893)	(166,686)		
Unencumbered Cash - Beginning	337,469	228,576		
Unencumbered Cash - Ending	\$ 228,576	61,890		

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

CITY OF MARION, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 69,903	70,267	78,161	(7,894)
Delinquent Tax	1,279	1,312	700	612
Motor Vehicle Tax	11,795	11,820	12,407	(587)
Recreational Vehicle Tax	278	257	254	3
16/20M Vehicle Tax	228	247	242	5
Reimbursements from Library Board	51,230	54,125	56,820	(2,695)
Total Cash Receipts	<u>134,713</u>	<u>138,028</u>	<u>148,584</u>	<u>(10,556)</u>
Expenditures				
Personnel Services to be Reimbursed by Library Board	52,319	51,378	56,820	(5,442)
Commodities	-	122	-	122
Appropriation to Library Board	83,484	83,902	94,035	(10,133)
Miscellaneous	33	711	-	711
Neighborhood Revitalization Rebate	-	-	3,405	(3,405)
Total Expenditures	<u>135,836</u>	<u>136,113</u>	<u>154,260</u>	<u>(18,147)</u>
Cash Receipts Over (Under) Expenditures	(1,123)	1,915		
Unencumbered Cash - Beginning	<u>2,522</u>	<u>1,399</u>		
Unencumbered Cash - Ending	\$ <u>1,399</u>	<u>3,314</u>		

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

CITY OF MARION, KANSAS
Special City Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Special Assessments - Streets	\$ 25,645	11,110	-	11,110
Bond Proceeds	70,000	-	-	-
ARRA Grants Received	-	4,110	-	4,110
State of Kansas - Fuel Tax	47,616	50,205	55,000	(4,795)
Total Cash Receipts	143,261	65,425	55,000	10,425
Expenditures				
Capital Outlay	177,136	89,405	174,944	(85,539)
Cash Receipts Over (Under) Expenditures	(33,875)	(23,980)		
Unencumbered Cash - Beginning	113,398	79,523		
Unencumbered Cash - Ending	\$ 79,523	55,543		

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

CITY OF MARION, KANSAS
Special Park and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State of Kansas - Liquor Tax	\$ 839	832	612	220
Expenditures				
Commodities	-	27	1,389	(1,362)
Cash Receipts Over (Under) Expenditures	839	805		
Unencumbered Cash - Beginning	245	1,084		
Unencumbered Cash - Ending	\$ 1,084	1,889		

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

CITY OF MARION, KANSAS
Equipment Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ -	60,000
Lease Proceeds	-	129,000
Sale of Equipment	-	12,797
Total Cash Receipts	<u>-</u>	<u>201,797</u>
Expenditures		
Capital Outlay	40,189	144,000
Police Vehicle and Equipment	3,774	-
Total Expenditures	<u>43,963</u>	<u>144,000</u>
Cash Receipts Over (Under) Expenditures	(43,963)	57,797
Unencumbered Cash - Beginning	<u>57,053</u>	<u>13,090</u>
Unencumbered Cash - Ending	<u>\$ 13,090</u>	<u>70,887</u>

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

CITY OF MARION, KANSAS
Capital Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transportation Revolving Loan Fund	\$ 1,083,197	137,217
Rural Development Grant	8,000	-
VIN Inspections	1,980	3,150
Donations/Memorials	52,753	31,116
Golden Living Center Income	99,800	-
Equipment Sale	14,570	-
Miscellaneous Income	11,004	22
Bond Proceeds	-	585,000
Transfers In	50,000	50,000
Total Cash Receipts	<u>1,321,304</u>	<u>806,505</u>
Expenditures		
Capital Outlay	(6,287)	34,287
City Office	1,500	10,783
Safe Route to School	10,427	-
Water Plant Maintenance	8,000	327
Central Park Improvement	1,765	-
Street Improvement	23,555	-
Museum Improvement	-	25,000
Swimming Pool Project	107,557	-
Water Line Improvement	1,994	16,291
Cedar/Eisenhower Project	1,060,975	315,872
Brooker Memorial	-	29,785
Total Expenditures	<u>1,209,486</u>	<u>432,345</u>
Cash Receipts Over (Under) Expenditures	111,818	374,160
Unencumbered Cash - Beginning	<u>(18,529)</u>	<u>93,289</u>
Unencumbered Cash - Ending	<u>\$ 93,289</u>	<u>467,449</u>

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

CITY OF MARION, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 14,306	14,466	16,095	(1,629)
Delinquent Tax	261	269	150	119
Motor Vehicle Tax	2,414	2,419	2,540	(121)
Recreational Vehicle Tax	57	53	52	1
16/20M Vehicle Tax	47	50	50	-
Slider Tax	159	-	-	-
Special Assessments	7,117	15,018	19,064	(4,046)
Transfers In	272,939	363,283	285,915	77,368
Total Cash Receipts	297,300	395,558	323,866	71,692
Expenditures				
Principal	183,438	197,051	199,051	(2,000)
Interest	137,777	131,885	131,886	(1)
Commission and Postage	710	4	-	4
Neighborhood Revitalization Rebate	-	-	697	(697)
Total Expenditures	321,925	328,940	331,634	(2,694)
Cash Receipts Over (Under) Expenditures	(24,625)	66,618		
Unencumbered Cash - Beginning	31,933	7,308		
Unencumbered Cash - Ending	\$ 7,308	73,926		

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

CITY OF MARION, KANSAS
Utilities Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Electric Revenue	\$ 1,555,546	1,799,325	1,500,000	299,325
Refuse Revenue	132,893	144,851	120,000	24,851
Sewer Revenue	204,715	211,341	200,000	11,341
Water Revenue	497,090	524,932	480,000	44,932
FEMA Reimbursement	1,410	325	-	325
Total Cash Receipts	<u>2,391,654</u>	<u>2,680,774</u>	<u>2,300,000</u>	<u>380,774</u>
Expenditures				
Electric Production				
Contractual Services	726	2,815	4,100	(1,285)
Commodities	57,729	76,025	91,850	(15,825)
Purchased Power	917,011	1,049,032	950,000	99,032
Water and Utilities	4,807	9,642	9,000	642
Electric Distribution				
Personnel Services	246,685	251,974	259,441	(7,467)
Commodities and Insurance	20,635	18,153	32,625	(14,472)
Capital Outlay	58,516	100,189	140,588	(40,399)
Equipment Expense/Gasoline	5,167	5,031	8,000	(2,969)
Total Electric	<u>1,311,276</u>	<u>1,512,861</u>	<u>1,495,604</u>	<u>17,257</u>
Water Plant				
Personnel Services	76,005	79,131	81,172	(2,041)
Contractual Services	13,993	14,108	15,800	(1,692)
Commodities	12,822	10,313	14,050	(3,737)
Capital Outlay	1,833	21,923	16,000	5,923
Insurance	7,472	9,229	8,000	1,229
Utilities	18,346	24,518	20,000	4,518
Equipment	5,955	1,356	2,600	(1,244)
Purchased Water - State	11,875	11,875	12,100	(225)
Water Use Tax	3,652	3,920	4,000	(80)
Chemicals	38,096	40,740	45,000	(4,260)
Water Distribution				
Personnel Services	33,890	31,953	31,100	853
Contractual Services	93	105	125	(20)
Commodities	35,933	27,386	27,825	(439)
Insurance	6,791	7,623	10,000	(2,377)
Utilities	3,401	2,394	6,500	(4,106)
Equipment	3,395	22,707	13,450	9,257
Total Water	<u>\$ 273,552</u>	<u>309,281</u>	<u>307,722</u>	<u>1,559</u>

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

CITY OF MARION, KANSAS
Utilities Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Sewer				
Personnel Services	\$ 102,833	105,351	107,363	(2,012)
Contractual Services	2,744	1,740	2,150	(410)
Commodities	14,186	10,143	19,150	(9,007)
Capital Outlay	-	-	5,000	(5,000)
Insurance	10,396	8,416	7,000	1,416
Utilities	14,180	18,469	15,000	3,469
Equipment	12,016	10,890	10,500	390
Lagoon Utilities	-	467	5,000	(4,533)
Total Sewer	<u>156,355</u>	<u>155,476</u>	<u>171,163</u>	<u>(15,687)</u>
Refuse				
Personnel Services	72,213	68,742	73,226	(4,484)
Commodities	17,591	19,189	19,325	(136)
Insurance	6,797	6,597	9,000	(2,403)
Trash Bags	10,240	11,962	11,000	962
Equipment	1,767	4,514	3,500	1,014
Total Refuse	<u>108,608</u>	<u>111,004</u>	<u>116,051</u>	<u>(5,047)</u>
Other Expenditures				
Transfers Out	<u>447,938</u>	<u>584,115</u>	<u>584,115</u>	<u>-</u>
Total Expenditures	<u>2,297,729</u>	<u>2,672,737</u>	<u>2,674,655</u>	<u>(1,918)</u>
Cash Receipts Over (Under) Expenditures	93,925	8,037		
Unencumbered Cash - Beginning	<u>421,708</u>	<u>515,633</u>		
Unencumbered Cash - Ending	\$ <u>515,633</u>	<u>523,670</u>		

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

CITY OF MARION, KANSAS
Special Law Enforcement Trust Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Forfeited Property	\$ -	119
Expenditures		
Equipment	-	169
Cash Receipts Over (Under) Expenditures	-	(50)
Unencumbered Cash - Beginning	50	50
Unencumbered Cash - Ending	\$ 50	-

CITY OF MARION, KANSAS
Library Board - General Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest Income	\$ 128	1,426
User Charges, Fines and Fees	872	2,808
Appropriations from the City of Marion	83,484	83,902
Gifts/Memorial	52,151	7,455
Book Sales	-	1,705
State of Kansas	1,173	1,056
Copies	369	375
Miscellaneous	-	395
Total Cash Receipts	<u>138,177</u>	<u>99,122</u>
Expenditures		
Dues	100	100
Programs	425	171
Periodicals	1,514	1,691
Books and Audio-Visual Materials	6,406	8,859
Supplies, Postage and Stationery	1,570	1,177
Equipment	1,749	2,723
Maintenance	6,612	786
Salaries	52,829	54,042
Utilities and Telephone	6,248	6,280
Miscellaneous	3,166	2,352
Total Expenditures	<u>80,619</u>	<u>78,181</u>
Cash Receipts Over (Under) Expenditures	57,558	20,941
Unencumbered Cash - Beginning	<u>41,827</u>	<u>99,385</u>
Unencumbered Cash - Ending	<u>\$ 99,385</u>	<u>120,326</u>

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

CITY OF MARION, KANSAS
Library Board - Capital Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest Income	\$ 25	48
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	25	48
Unencumbered Cash - Beginning	7,637	7,662
Unencumbered Cash - Ending	\$ 7,662	7,710

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

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Marion, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and elected four-member council. These financial statements present the City (*primary government*) and a component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. The governing body of the component unit is appointed by the City. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City.

Marion Public Library Board

The City's Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the library. Contact the City Clerk for further information.

The component unit listed below is excluded from the financial statements.

Housing Authority of City of Marion, Kansas

The City's housing authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Its financial statements are not included in this report. Contact the City to obtain financial statements for the housing authority.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year December 31, 2010.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Categories

General Fund - to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expend for a specified purpose.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Fund Category

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Category

Private Purpose Trust Funds - to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the funds designated operations.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directly rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

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

All legal annual operating budgets are prepared using the statutory 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 City 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 project funds, fiduciary funds, and the following special revenue fund: Equipment Reserve Fund and Capital Improvement Fund.

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

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Library is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. Since the Library is not subject to these requirements, comparison to budget has been omitted from the financial statements.

Deposits and Investments

The City follows the practice of pooling cash of all funds. Each fund's portion of total cash is summarized by fund category in the summary of cash receipts, cash disbursements, and unencumbered cash.

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

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

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 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, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$1,426,400 and the bank balance was \$1,527,658. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,277,658 was collateralized with securities held by the pledging financial institutions' agent in the City's name. In addition, the City had cash on hand of \$200.

At December 31, 2010, the Library's carrying amount of deposits was \$128,036 and the bank balance was \$128,998. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, the entire balance was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Marion Public Library Board's employees are paid by the City and the Library reimburses the City for these expenses.

Vacation

The City's pay period is bi-weekly, for a total of 26 pay periods per year. The City's policy regarding vacation for full-time employees was as follows:

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
2 to 9 years	80 working hours	None
10 to 19 years	120 working hours	None
After 20 years	160 working hours	None

Vacation earned may not be taken until the employee completes one year of service. An employee shall be paid for all accumulated unused vacation leave upon termination.

Sick Leave

The City's policy for sick leave permits full-time employees to earn sick leave at the rate of eight hours per calendar month up to a maximum of 960 hours. Sick leave will be paid for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. On termination of employment an employee shall not be paid for accumulated sick leave. At retirement, a lump sum payment at the employee's current rate of pay will be made for accumulated sick leave up to a maximum of 240 hours. A potential liability of \$156,994 for accumulated sick leave existed as of December 31, 2010. This has not been included on the schedule of long-term debt.

Compensation Time

Compensation for authorized overtime work shall be at the rate of one and one-half times the employee's regular rate of pay. At the discretion of the department head and with the agreement of the employee, an employee may be given compensatory time off in lieu of cash payments for the overtime worked. Any compensatory time off shall be at the rate of one and one-half times the hours of overtime worked. Upon termination of employment of a nonexempt employee, the accrued compensatory time will be paid to the employee at the final regular rate of pay received.

A potential liability for accumulated vacation of \$24,134 and compensation time of \$16,122 is shown on the schedule of long-term debt.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. The deferred compensation may be withdrawn by employees before termination, retirement, death or unforeseeable emergency; however, employees are penalized for withdrawing funds before one of these events occur. The first time funds are withdrawn, the employee may not participate in the plan for one year. The second time funds are withdrawn, the employee may not participate in the plan for three years. The third time funds are withdrawn, the employee is disqualified from participating in the plan. The City is not required to make any contributions.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERs and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$50,210, \$44,263, and \$37,059, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2010 was 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$18,370, \$23,160, and \$21,649, respectively, equal to the required contributions for each year as set forth by the legislature.

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.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted cash balances are also reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Marion, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
Utilities Fund	General Fund	K.S.A. 12-825d	\$ 265,000
General Fund	Bond and Interest Fund	K.S.A. 1,118	154,168
Utilities Fund	Bond and Interest Fund	K.S.A. 12-825d	209,115
Utilities Fund	Equipment Reserve Fund	K.S.A. 12-825d	60,000
Utilities Fund	Capital Improvement Fund	K.S.A. 12-825d	50,000

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
KLINK Project	\$ 92,264	\$ 39,000
ARRA Project	173,216	8,220
Water Line for Freeborn Street	192,870	16,291
Water Line for Locust Street	42,781	-

NOTE 4 – LITIGATION

City of Marion, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 5 – RISK MANAGEMENT

City of Marion, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, linebacker, law enforcement, workers' compensation, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

City of Marion, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Marion, Kansas'** cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Marion, Kansas did not publish the second, third and fourth quarters of the financial statements within 30 days of the quarter ending showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

The City violated K.S.A. 58-3934, *et.seq.* It did not remit unclaimed payroll checks over a year old to unclaimed property to the State of Kansas. The unclaimed properties were not disposed of properly nor were required reports filed with the State treasurer.

The City did not cancel checks over two years old or restore them to the fund originally charged, which is a violation of K.S.A. 10-816.

The City violated K.S.A. 10-130. The City did not remit payments to the state fiscal office agent at least 20 days before the day of the maturity of any bonds or interest payable. The general obligations bonds affected by the payments not remitted timely (within 20 days) were Series 2001A and Series 2007.

NOTE 9 – JOINTLY GOVERNED ORGANIZATION

City of Marion, Kansas along with Unified School District #408 entered into an agreement Resolution No. 01-08 on June 26, 2001, initiating the establishment of a joint City-School District Recreation Commission. The purpose of the Commission is to organize and coordinate recreational activities to meet the needs of the community.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 9 – JOINTLY GOVERNED ORGANIZATION (continued)

Management of the Commission is carried out by an appointed five member Commission. The City appoints two members to the Commission, USD #408 appoints two members, and the fifth member is appointed collectively by the other four members of the Commission.

Funding is utilized by each entity committing general funds to the recreation program. If additional funding becomes necessary, the agreement states that recommendations should be made to reorganize the Commission to comply with K.S.A 12-1924, *et. seq.* in order to gain authority to levy tax and to seek bonds by elections. The City appropriated \$17,000 for operating expense to the Recreation Commission for 2010.

NOTE 10 – JOINT VENTURE

City of Marion, Kansas has entered into a joint venture with several of the townships (Center Township, Wilson Township, Gale Township, and Grant Township) surrounding the City. In the agreement, the townships provide all necessary equipment and the City will provide fire protection to these townships. The City will be compensated for providing this service and reimbursed for maintenance to the equipment, insurance expense, personnel expense, etc. accordingly by the townships prorating this by the amount of fire protection needed by the townships. The joint venture does not issue a separate audit report or separate financial statements. Contact the City Clerk for further information.

NOTE 11 – INTERLOCAL AGREEMENT

City of Marion, Kansas approved the proposal from Unified School District #408 for the City to utilize the school districts' indoor swimming pool facility for public and City recreation use, with the City agreeing to pay \$100,000 annually to USD #408 for the life of the bonds and also split net expenses each year equally with the school district, and to be re-evaluated in three years.

The City along with USD #408 entered into an interlocal agreement on October 23, 2006 regarding the cooperative use of facilities, equipment, and personnel. The purpose of the agreement states the parties agree to execute one or more letter agreements that shall become apart of this agreement. The letters of understanding shall address issues relating to sharing facilities and resources controlled or owned by the parties, and may include use of facilities, access to facilities, equipment, personnel; charges, costs, or fees; site improvements; maintenance responsibilities; duration of use or access; and times and dates of use or access.

On June 4, 2007, the City approved Resolution No.07-02 authorizing the payment of \$100,000 from the City to USD #408 pursuant to the interlocal agreement for financing, building, and operation of a swimming pool structure. The authorized payment of \$100,000 was made on or about the 15th day of July, 2007.

The City approved on July 16, 2007, Resolution No.07-03 to augment the prior interlocal agreement between the parties regarding the cooperative use of facilities, equipment, and personnel. The subject of the agreement is to facilitate the joint planning, construction, maintenance, and scheduling and operations of the district owned gymnasium/swimming facilities. The agreement states the parties will develop agreements, policies and procedures that recognize that facilities are intended to be used jointly for school and community recreation purposes for the benefit of district students, the district, and the city at large. In this endeavor, the security, academic, athletic and recreational needs and opportunities of school aged children will be the highest priority and adequately protected.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 11 – INTERLOCAL AGREEMENT (continued)

An agreement dated December 31, 2008 between the City and USD #408 was signed serving as written documentation of the procedures and payment dates regarding the 50%-50% shared expenses of the aquatic center. The agreement states "Invoices for 50% of net expenses and documentation of revenue received during the same period will be submitted bi-annually from the School District to the City for the operation period of July 1st thru December 31st and January 1st thru June 30th of each calendar year.

Payment for said invoices will be made on or before August 1st and February 1st of each year. In the event that the aquatic center generates a profit during either of the above mentioned six month periods, a check for 50% of the profit will be submitted to the City instead of an invoice."

NOTE 12 – RELATED PARTIES

The following related party transactions were identified for the City for 2010. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and accordingly, such items are not included below:

Marion Auto Supply

Fire Chief, Mike Regnier is co-owner of company

Provides automotive supplies to the City

\$ 7,538

There were no related party transactions noted for the Library for 2010.

NOTE 13 – LEASE RECEIVABLE

City of Marion, Kansas entered into an unconditional capital lease and purchase agreement for a building and real estate with Arlie's Inc. on November 21, 2007 in which the City is the lessor. Termination of this lease will occur on April 30, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2011, 2012, and 2013 of \$18,508, \$18,508, and \$249,473, respectively.

The City entered into an unconditional capital lease and purchase agreement for a building and real estate with Cardie Oil, Inc. on July 30, 2007 in which the City is the lessor. Termination of this lease will occur on November 1, 2013. As this lease is unconditional, the City has lease payments receivable for the years ending 2011, 2012, and 2013 of \$20,411, \$20,411, and \$193,406, respectively.

NOTE 14 – DEBT RESTRICTIONS AND COVENANTS

KDOT Revolving Loan

City of Marion, Kansas entered into a loan agreement with the Kansas Department of Transportation on February 11, 2008 to fund qualified project costs of a transportation project in the amount of \$1,122,665. As of December 31, 2010 this project was not complete and \$137,217 was drawn down from this loan during the current year. The loan agreement requires the City to have a minimum of \$500,000 general liability insurance coverage policy in effect during the course of this loan agreement. The City is in compliance with this requirement as of December 31, 2010.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 15 – LONG-TERM DEBT

City of Marion, Kansas has the following types of long-term debt.

General Obligation Bonds - On July 1, 2001 the City issued \$1,274,000 in general obligation bonds Series 2001-A for the purpose of internal improvements.

On February 2, 2002 the City issued \$262,000 in general obligation bonds Series 2002-A for the purpose of internal improvements.

On September 1, 2005 the City issued \$885,000 in general obligation bonds – Series 2005-A for the purpose of internal improvements.

On October 9, 2006 the City issued \$1,340,000 in general obligation bonds – Series 2006 for the purpose of internal improvements.

On July 15, 2010 the City issued \$585,000 in general obligation refunding bonds Series 2010 for the purpose of internal improvements.

Revenue Bond - On February 11, 2008 the City entered into a loan agreement with the Kansas Department of Transportation for the purpose of internal transportation improvements.

Capital Leases - The City has entered into several capital lease agreements with options to purchase the equipment at the expiration of the lease term.

The changes in long-term debt and the maturity of long-term debt are disclosed on the following two pages.

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 15 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2001A	4.50-6.00%	2001	\$ 1,274,000	2021	\$ 915,000	-	55,000	(55,000)	860,000	44,735
Series 2002A	2.60-5.00%	2002	262,000	2017	160,000	-	160,000	(160,000)	-	7,305
Series 2005A	2.90-3.70%	2005	885,000	2014	520,000	-	100,000	(100,000)	420,000	16,570
Series 2006	4.25%	2006	1,340,000	2046	1,298,570	-	15,051	(15,051)	1,283,519	55,189
Series 2007	4.90%	2007	81,000	2018	77,000	-	7,000	(7,000)	70,000	3,773
Series 2009	5.25%	2009	70,000	2019	70,000	-	5,000	(5,000)	65,000	4,288
Series 2010	1.95-3.5%	2010	585,000	2020	-	585,000	-	585,000	585,000	-
Total General Obligation Bonds					<u>3,040,570</u>	<u>585,000</u>	<u>342,051</u>	<u>242,949</u>	<u>3,283,519</u>	<u>131,860</u>
Revolving Debt										
KDOT Revolving Loan	3.76%	2008	1,122,665	2027	691,642	137,217	55,850	81,367	773,009	26,676
Capital Leases										
Case Loader	3.60%	2010	129,000	2015	-	129,000	-	129,000	129,000	-
Steel Building	4.00%	2007	128,780	2011	93,747	-	11,871	(11,871)	81,876	3,750
Cardie Building	4.35%	2007	229,200	2013	218,194	-	8,682	(8,682)	209,512	9,318
Arlies Building	5.10%	2008	254,519	2013	249,262	-	3,970	(3,970)	245,292	12,619
Total Capital Leases					<u>561,203</u>	<u>129,000</u>	<u>24,523</u>	<u>104,477</u>	<u>665,680</u>	<u>25,687</u>
Compensated Absences										
	N/A	N/A	N/A	N/A	37,626	-	-	2,630	40,256	-
Total Long-Term Debt			<u>\$ 6,361,164</u>		<u>\$ 4,331,041</u>	<u>851,217</u>	<u>422,424</u>	<u>431,423</u>	<u>4,762,464</u>	<u>184,223</u>

CITY OF MARION, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 15 - LONG-TERM DEBT (continued)

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

	YEAR												Total
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	
Principal													
General Obligation Bonds	\$ 233,691	260,210	266,047	268,771	174,527	886,840	229,266	159,181	196,018	241,337	297,277	70,354	3,283,519
Revolving Debt	33,301	34,553	35,852	37,200	38,599	215,888	259,644	117,972	-	-	-	-	773,009
Capital Leases	118,999	38,679	453,547	26,738	27,717	-	-	-	-	-	-	-	665,680
Total Principal	385,991	333,442	755,446	332,709	240,843	1,102,728	488,910	277,153	196,018	241,337	297,277	70,354	4,722,208
Interest													
General Obligation Bonds	136,590	123,987	113,651	103,260	94,684	369,075	226,819	191,918	155,095	109,747	53,903	2,990	1,681,719
Revolving Debt	29,065	27,813	26,514	25,366	23,767	95,943	52,187	6,693	-	-	-	-	287,348
Capital Leases	29,000	24,169	10,149	1,521	543	-	-	-	-	-	-	-	65,382
Total Interest	194,655	175,969	150,314	130,147	118,994	465,018	279,006	198,611	155,095	109,747	53,903	2,990	2,034,449
Total Principal and Interest	\$ 580,646	509,411	905,760	462,856	359,837	1,567,746	767,916	475,764	351,113	351,084	351,180	73,344	6,756,657

\$840,000*
CITY OF MARION, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

APPENDIX B
SUMMARY OF FINANCING DOCUMENTS

* Subject to change.

APPENDIX B

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing 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 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. 12-187 *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 Purchase Agreement” means the Bond Purchase Agreement between the Issuer and the Purchaser.

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

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

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

“Bonds” means the General Obligation Refunding Bonds, Series 2011, 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 Marion, Kansas.

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

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

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

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

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

“Dated Date” means December 1, 2011.

“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) the obligations are rated in the highest rating category by Moody's (presently “Aaa”) or Standard & Poor's (presently “AAA”).

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

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

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

- (a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;
- (b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or
- (c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

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

“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 March 1 and September 1 of each year, commencing March 1, 2012.

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

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

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

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

“Official Statement” means the Issuer's Official Statement, dated November 15, 2011, 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.

[BEO- **“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.

“Rebate Fund” means the fund by that name created by the Bond Resolution.

“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 Fund” means the fund by that name created in 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 2001-A Bonds maturing in the years 2012 to 2021, inclusive, in the aggregate principal amount of \$800,000.

“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, 2011.

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

[BEO- **“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, as may be amended from time to time.

[BEO- **“Securities Depository”** means, initially, DTC, and its successors and assigns.]

“Series 2001-A Bonds” means the Issuer's General Obligation Sales Tax Bonds, Series 2001-A, dated June 25, 2001.

“Series 2001-A Principal and Interest Account” means the Principal and Interest Account for the Series 2001-A Bonds.

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

“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.

“Term Bonds” means the Bonds scheduled to mature in the year 2021.]

“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) Redemption Fund.
- (b) Debt Service Account (within the Bond and Interest Fund).
- (c) Rebate Fund.
- (d) Costs of Issuance Account.

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

Deposit of Bond Proceeds and Other Moneys. 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) All accrued interest and premium, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited into the Redemption Fund.
- (d) Simultaneously with the issuance of the Bonds, the Issuer shall transfer from the Series 2001-A Principal and Interest Account the sum of \$_____ additional funds to provide for payment of the Refunded Bonds.

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 Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money.

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 Debt Service Account.

Application of Moneys in the Redemption Fund. Moneys in the Redemption Fund shall be transferred to the Refunded Bonds Paying Agent and utilized to retire the Refunded Bonds on the Refunded Bonds Redemption Date. The Clerk is authorized and instructed to provide appropriate notice of redemption in accordance with the Refunded Bonds Resolution. Any moneys remaining in the Redemption Fund not needed to retire the Refunded Bonds 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 shall be credited to the Debt Service Account.

DEFAULT AND REMEDIES

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

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

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

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

DEFEASANCE

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

TAX COVENANTS

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

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

MISCELLANEOUS PROVISIONS

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

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

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

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

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to 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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