

PRELIMINARY OFFICIAL STATEMENT DATED MAY 9, 2022

NEW ISSUE BANK QUALIFIED

NOT RATED BOOK-ENTRY ONLY

In the opinion of Gilmore & Bell, P.C., bond counsel to the Issuer, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"): (1) the interest on the Series 2022 Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, (2) the interest on the Series 2022 Bonds is exempt from income taxation by the State of Kansas, and (3) the Series 2022 Bonds are "qualified tax exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS—Opinion of Bond Counsel" herein.

\$1,010,000*

CITY OF STAFFORD, KANSAS GENERAL OBLIGATION ELECTRIC AND WATER UTILITY SYSTEM REFUNDING REVENUE BONDS SERIES 2022

DATED: As of the Delivery Date shown below

DUE: September 1, As shown on the inside cover

The General Obligation Electric and Water Utility System Refunding Revenue Bonds, Series 2022 (the "Series 2022 Bonds") will be issued by the City of Stafford, 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 Series 2022 Bonds. Purchases of the Series 2022 Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). Purchasers will not receive certificates representing their interests in the Series 2022 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2022 Bonds, as nominee for DTC, references herein to the Series 2022 Bond owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Series 2022 Bonds. Principal will be payable upon presentation and surrender of the Series 2022 Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the "Paying Agent" and "Bond Registrar"). Interest payable on each Series 2022 Bond shall be paid to the persons who are the registered owners of the Series 2022 Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Series 2022 Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Series 2022 Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal on the Series 2022 Bonds will be payable annually on September 1, beginning September 1, 2023, and semi-annual interest will be payable on March 1 and September 1, beginning March 1, 2023 (the "Interest Payment Dates").

The Series 2022 Bonds shall be general obligations of the Issuer, payable from the Net Revenues derived by the Issuer from the operation of its Electric and Water Utility system (the "System"), and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. See "The Series 2022 Bonds – Security for the Bonds" herein. Under the Bond Resolution, the Series 2022 Bonds are Subordinate Lien Bonds. Additional Bonds and Additional Obligations may be issued by the Issuer that have a superior lien on the Net Revenues of the System. The Series 2022 Bonds and any Additional Bonds shall hereinafter be referred to collectively as the ("Bonds"). Upon issuance, the Series 2022 Bonds will be only Bonds outstanding under the Bond Resolution.

MATURITY SCHEDULE* (See inside cover page)

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

The Series 2022 Bonds maturing on September 1, 2031, and thereafter will be subject to redemption prior to maturity, at the option of the Issuer, on September 1, 2030 or thereafter as described herein. See "THE SERIES 2022 BONDS - Redemption Provisions" herein.

The Series 2022 Bonds are offered when, as, and if, issued and delivered by the City to the Underwriter, subject to the receipt of the approving legal opinion of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the City. It is expected that the Series 2022 Bonds will be available for delivery on or about June 14, 2022.

**BIDS WILL BE ACCEPTED ON BEHALF OF:
THE CITY OF STAFFORD, KANSAS
ON MAY 23, 2022 UNTIL 11:00 A.M. CT
BY RANSON FINANCIAL GROUP, LLC
200 W. DOUGLAS, SUITE 600
WICHITA, KANSAS 67202
PHONE: (316) 264-3400 FAX: (316) 265-5403**

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

* Subject to change

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

\$1,010,000*
CITY OF STAFFORD, KANSAS
GENERAL OBLIGATION
ELECTRIC AND WATER UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2022

MATURITY SCHEDULE*

<u>Stated Maturity September 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Base: 852481</u>
2023	\$65,000	____%	____%	
2024	75,000	____%	____%	
2025	75,000	____%	____%	
2026	75,000	____%	____%	
2027	80,000	____%	____%	
2028	80,000	____%	____%	
2029	80,000	____%	____%	
2030	85,000	____%	____%	
2031	90,000	____%	____%	
2032	90,000	____%	____%	
2033	95,000	____%	____%	
2034	95,000	____%	____%	
2035	25,000	____%	____%	

[TERM BONDS]

<u>Stated Maturity September 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Price or Yield</u>	<u>CUSIP ⁽¹⁾ Base: 852481</u>
2035	\$	____%	____%	

(all plus accrued interest, if any)

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

* Subject to Change

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

CITY OF STAFFORD, KANSAS

Governing Body

Don Hardin, Mayor
Jimmy Brozek, Council President
Nicholas Minks, Councilmember
Myra Morrison, Councilmember
Randy Pugh, Councilmember
Mark Soria, Councilmember

City Staff

Jami Downing, City Administrator/Clerk
Deana Eisenhour, City Treasurer

City Attorney

Don Knappenberger, Esq.
St. John, Kansas

Bond Counsel

Gilmore & Bell, P.C.
Wichita, Kansas

Paying Agent/Bond Registrar

Office of State Treasurer
Topeka, Kansas

Financial Advisor

Ranson Financial Group, LLC
Wichita, Kansas

Underwriter

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

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

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

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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\$1,010,000*
CITY OF STAFFORD, KANSAS
GENERAL OBLIGATION
ELECTRIC AND WATER UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2022

INTRODUCTION

General Matters

This Preliminary Official Statement including the cover page and appendices hereto (the “Preliminary Official Statement”) is provided to furnish information with respect to the City of Stafford, Kansas (the “City” or “Issuer”), the Issuer’s Electric and Water Utility system (the “System”) and the issuance and delivery of its General Obligation Electric and Water Utility System Refunding Revenue Bonds, Series 2022 (the “Series 2022 Bonds”), dated June 14, 2022 (the “Dated Date”). .

The Series 2022 Bonds will be issued in denominations of \$5,000 or multiples thereof (the “Authorized Denomination”) with the Office of State Treasurer, Topeka, Kansas serving as Registrar and Paying Agent for the Series 2022 Bonds. See “THE SERIES 2022 BONDS - Registration and Transfer” herein for additional detail.

The Series 2022 Bonds are subject to optional redemption and payment prior to maturity. See “THE SERIES 2022 BONDS - Redemption Provisions” herein for additional detail.

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

Definitions

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

Continuing Disclosure

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

* Subject to change.

The Issuer has entered into disclosure undertakings pursuant to the Rule. The Issuer's Annual Report filings for recent years are set forth on the table below.

Fiscal Year	Filing Time	Financial Information	Operating Data
<u>Ending December 31</u>	<u>Period (Days/Date)</u>	<u>Filing Date</u>	<u>Filing Date</u>
2016	240 - 08/28/2017	08/24/2017	08/24/2017
2017	240 - 08/28/2018	08/27/2018	08/27/2018
2018	240 - 08/28/2019	08/28/2019	08/28/2019
2019	240 - 08/27/2020	08/27/2020	08/27/2020
2020	240 - 08/28/2021	08/27/2021	08/27/2021
2021	240 - 08/28/2022	Not yet due	Not yet due

In 2013, the City signed a service agreement designating a dissemination agent in order to assist with the City's disclosure submissions.

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

For more information regarding the Disclosure Undertaking, see “**APPENDIX E – CONTINUING DISCLOSURE UNDERTAKING.**”

Additional Information

All of the summaries of statutes, opinions, financial and statistical data, and other related reports and documents described in this Preliminary Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the City Hall, 112 W. Broadway St. P.O. Box 280, Stafford, Kansas 67578-1404. Additional information regarding the Issuer, the City or the Bonds may be obtained from the City's Financial Advisor, Ranson Financial Group, LLC, 200 W. Douglas, Suite 600, Wichita, Kansas 67202, Attention: Beth Warren, by phone ((316) 264-3400) or e-mail (ewarren@ransonfinancial.com).

THE SERIES 2022 BONDS

Authority and Purpose for the Bonds

The Series 2022 Bonds are being issued pursuant to, and in full compliance with, the Constitution and the statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.*, and K.S.A. 10-1211, as amended and supplemented from time to time (the “Act”), an ordinance passed by the governing body of the Issuer and a resolution adopted by the governing body of the Issuer on May 23, 2022 (collectively, the “Bond Resolution”). The Issuer has published once per week for two consecutive weeks a notice of its intent to issue the Series 2022 Bonds and no sufficient protest has been filed in opposition thereto in accordance with the Act. The Series 2022 Bonds are being issued for the purpose of refunding the Issuer's Electric and Water Utility System Revenue Bonds, Series 2014 (the “Series 2014 Bonds”), and paying the costs associated with the issuance of the Bonds. See “THE REFUNDING PLAN” herein for additional detail.

Security for the Bonds

The Series 2022 Bonds shall be general obligations of the Issuer payable as to both principal and interest from the Net Revenues derived by the Issuer from the operation of the System, and if not so paid, from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal of and interest on the Series 2022 Bonds as the same become due.

The Series 2022 Bonds constitute Subordinate Lien Bonds as defined in the Bond Resolution. The lien of the Series 2022 Bonds on the Net Revenues of the System is subordinate to the lien of any Parity Bonds and Parity Obligations. As of the Issue Date of the Series 2022 Bonds, the Issuer has no Parity Bonds or Parity Obligations Outstanding. The Issuer will not issue any Additional Bonds or Additional Obligations which constitute Parity Bonds or Parity Obligations unless the conditions set forth in the Bond Resolution and summarized in **APPENDIX D – SUMMARY OF FINANCING DOCUMENTS – THE BOND RESOLUTION** – Additional Bonds and Obligations are met. Subordinate Lien Bonds are the only

System Indebtedness which constitute general obligations of the Issuer. The Series 2022 Bonds and any Additional Bonds are collectively referred to as the “Bonds.”

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

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Series 2022 Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Series 2022 Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Description of the Bonds

The Series 2022 Bonds shall consist of fully registered book-entry-only bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated as of the Dated Date, shall become due in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities, and shall bear interest at the rates per annum set forth on the cover page of this Preliminary Official Statement. The Bonds shall bear interest (computed on the basis of twelve 30 day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid on the Interest Payment Dates in the manner hereinafter set forth.

Designation of Paying Agent and Bond Registrar

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

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Series 2022 Bonds and bond registrar with respect to the registration, transfer and exchange of Series 2022 Bonds.

Method and Place of Payment of the Bonds

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

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

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special

Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO. REMAINS THE REGISTERED OWNER OF THE SERIES 2022 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 Series 2022 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 Series 2022 Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Series 2022 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 Series 2022 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 Series 2022 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2022 Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Series 2022 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 Series 2022 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2022 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 Series 2022 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 Series 2022 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 Series 2022 Bond or Series 2022 Bonds for cancellation shall cause the delivery of the Series 2022 Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

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

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Nonpresentment of Bonds

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

amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Provisions

Optional Redemption. At the option of the Issuer, the Series 2022 Bonds maturing September 1, 2031 and thereafter will be subject to redemption and payment prior to maturity on September 1, 2030 and thereafter, as a whole or in part (selection of the amount of Series 2022 Bonds to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

[Mandatory Redemption.] [(a) [] Series 2022 Term Bonds.]The [] Series 2022 Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on September 1 in each year, the following principal amounts of such [] Series 2022 Term Bonds:

**Principal
Amount**
\$

Year

*

*Final Maturity]

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

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

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

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

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

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

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2022 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 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 Series 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 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 Series 2022 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 Series 2022 Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Series 2022 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption notices shall be sent to DTC. If less than all of the Series 2022 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2022 Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Series 2022 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2022 Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Series 2022 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2022 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2022 Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE SERIES 2022 BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2022 BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2022 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2022 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 ISSUER OR THE UNDERWRITER.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City or the taxing authority of the City. Changes in laws effecting the taxing authority of the City could limit the ability of the City 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 City in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Debt Service Source

The Series 2022 Bonds are general obligations of the Issuer, payable from the Net Revenues generated by the System in accordance with the provisions of the Bond Resolution. If the Net Revenues are insufficient to pay principal, premium, if any, and interest on the Series 2022 Bonds, then the Issuer is obligated to pay such amounts from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, located within the territorial limits of the Issuer.

The Issuer may levy taxes only in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the Issuer and the assessed valuations provided by the County appraiser. The budget of the Issuer for the next succeeding fiscal year is adopted prior to August 25 of each year. The Issuer may only budget taxes sufficient to pay principal, premium, if any, and interest on the Series 2022 Bonds (as well as any other Subordinate Lien Bonds) on an annual basis, so if the Net Revenues of the System are insufficient to pay principal, premium, if any, and interest on such Subordinate Lien Bonds, a tax levy to provide funds to pay principal, premium, if any, and interest on such Subordinate Lien Bonds will not be made until the Issuer's next succeeding fiscal year.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2022 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 Series 2022 Bonds includable in gross income for federal income tax purposes.

The City has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series 2022 Bonds to comply with the provisions of the Code, including those which require the City to take or omit to take certain actions after the issuance of the Series 2022 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" assumes the compliance by the City with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series 2022 Bonds in the event of noncompliance with such provisions. The failure of the City to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Bond Rating

The Series 2022 Bonds are **not** rated and no application has been made for a rating.

Secondary Market

There is no established secondary market for the Series 2022 Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Series 2022 Bonds. The absence of continuing disclosure of financial or other information pertaining to the Issuer may impair the development of a secondary market for the Bonds and could impair the ability of an owner to sell the Series 2022 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 City, or a material adverse change in the financial condition of the City, 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

[The initial offering price of the Series 2022 Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof.] Any person who purchases a Series 2022 Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Series 2022 Bonds are subject to redemption at par under the various circumstances described under “THE BONDS - Redemption of Bonds.”

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Bond Resolution does not provide for the payment of additional interest or penalty on the Series 2022 Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolution does not provide for the payment of any additional interest or penalty on the Series 2022 Bonds if the interest thereon becomes includable in gross income for Kansas income tax purposes.

Kansas Public Employees Retirement System

As described in “**APPENDIX A – FINANCIAL INFORMATION – Pension and Employee Retirement Plans**,” the Issuer participates in the Kansas Public Employees Retirement System (“KPERS”), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERS administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Issuer participates in the Public Employees Retirement System – Local Group (the “Plan”). Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability (“UAAL”). However, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS’ Valuation Report, the Local Group had an UAAL of approximately \$1.419 billion in calendar year 2020.

Suitability of Investment

The tax exempt feature of the Series 2022 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 Series 2022 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 SERIES 2022 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 City or the Financial Advisor.

Cybersecurity Risks

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

Natural Disasters or Terrorist Attacks

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

Global Health Emergency

On March 11, 2020, the World Health Organization proclaimed the Coronavirus and the disease caused by it (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state and local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The Governor of the State has issued various Executive Orders in response to the COVID-19 pandemic, including Executive Orders temporarily preventing foreclosures and evictions, deferring certain tax deadlines and payments, instituting a temporary State-wide stay-at-home (expired as of May 2020), and instituting a mask mandate which granted each county the right to opt out of such order. Under recently enacted legislation, the State's Legislative Coordinating Council may override certain of the State executive orders related to the COVID-19 pandemic, and parties aggrieved by any county executive orders are given enhanced rights to challenge such orders.

The COVID-19 pandemic could result in increased costs to the Issuer and/or negative impacts on the collection of property taxes (a primary source of revenue for the Issuer, including for repayment of the Notes) within the Issuer due to increased payment delinquencies or disruption of the collection or distribution of property taxes. All such factors could have a material adverse effect on the Issuer's operations and financial condition. As of the date hereof, the Issuer has not experienced material adverse changes relative to its adopted budget with regard to expenditures or receipt of revenues. To date, the Issuer has received approximately \$72,413.05 of funds through the Coronavirus Aid, Relief, and Economic Security Act, and has been allocated approximately \$144,826 of funds through the American Rescue Plan Act of 2021, of which 50% has been received and the balance is expected to be received in 2022.

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

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

THE REFUNDING PLAN

A portion of the proceeds of the Series 2022 Bonds will be applied to currently refund all outstanding maturities of the Series 2014 Bonds as described below:

Electric and Water Utility System Revenue Bonds, Series 2014

<u>Principal Amount</u>	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$130,000	09/01/2023	3.000%	09/01/2022	100%
135,000	09/01/2025	3.500%	09/01/2022	100%
145,000	09/01/2027	3.750%	09/01/2022	100%
155,000	09/01/2029	4.000%	09/01/2022	100%
170,000	09/01/2031	4.125%	09/01/2022	100%
185,000	09/01/2033	4.200%	09/01/2022	100%
195,000	09/01/2035	4.300%	09/01/2022	100%
65,000*	09/01/2037	4.450%	09/01/2022	100%

*a \$165,000 portion of Series 2014 Term Bond maturing 09/01/2037 has previously been refunded

APPLICATION OF BOND PROCEEDS

The following table summarizes the sources and uses of funds associated with the issuance of the Series 2022 Bonds:

Sources of Funds:

Principal Amount of the Bonds	\$1,010,000.00*
Debt Service Reserve Funds	
Total	\$

Uses of Funds:

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

* Subject to change.

LEGAL MATTERS

Approval of the Bonds

All matters incident to the authorization and issuance of the Series 2022 Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the City ("Bond Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the matters appearing in the sections of this Preliminary Official Statement captioned "THE SERIES 2022 BONDS," "LEGAL MATTERS," "TAX MATTERS" and "**APPENDIX D** – 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 Don Knappenberger, Esq., St. John, Kansas.

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Series 2022 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 Series 2022 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 Series 2022 Bonds in the secondary market. Prospective investors are advised to consult their

own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2022 Bonds.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Series 2022 Bonds:

Federal Tax Exemption. The interest on the Series 2022 Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Series 2022 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2022 Bonds are “qualified tax-exempt obligations” for within the meaning of Code § 265(b)(3).

Kansas Tax Exemption. The interest on the Series 2022 Bonds is exempt from income taxation by the State of Kansas.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2022 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 Series 2022 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Series 2022 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2022 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 Series 2022 Bond over its issue price. The issue price of a Series 2022 Bond is the first price at which a substantial amount of the Series 2022 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 Series 2022 Bond during any accrual period generally equals: (a) the issue price of that Series 2022 Bond, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) the yield to maturity on that Series 2022 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 Series 2022 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 Series 2022 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.]

[Original Issue Premium. If a Series 2022 Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2022 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 Series 2022 Bond must amortize the premium over the term of the Series 2022 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2022 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 Series 2022 Bond prior to its maturity. Even though the owner’s basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.]

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2022 Bond, an owner of the Series 2022 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 Series 2022 Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2022 Bond. To the extent the Series 2022 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 Series 2022 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 Series 2022 Bonds, and to the proceeds paid on the sale of Series 2022 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 Series 2022 Bonds should be aware that ownership of the Series 2022 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 Series 2022 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2022 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 Series 2022 Bonds, including the possible application of state, local, foreign and other tax laws.

ABSENCE OF LITIGATION

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

The Issuer certifies there is no controversy, suit or other proceedings of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the issuing municipality or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the Transcript leading up to the issuance of the Series 2022 Bonds, or the constitutionality or validity of the indebtedness represented by the Series 2022 Bonds shown to be authorized in said Transcript, or the validity of the Series 2022 Bonds or any of the proceedings in relation to the issuance or sale thereof, or the levy and collection of a tax.

FINANCIAL ADVISOR

Ranson Financial Group LLC, Wichita, Kansas (the "Financial Advisor") has acted as financial advisor to the Issuer in connection with the sale of the Series 2022 Bonds. The Financial Advisor has assisted the Issuer in the preparation of this Preliminary Official Statement and in other matters relating to the issuance of the Bonds. Ranson Financial Group LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The fees of the Financial Advisor are contingent upon the issuance of the Bonds.

INITIAL PURCHASE

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

The Series 2022 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 Official Statement. The Underwriter may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing the Series 2022 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 overallocate or effect transactions which stabilize or maintain the market price of the Series 2022 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

ADDITIONAL INFORMATION

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

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

AUTHORIZATION OF PRELIMINARY OFFICIAL STATEMENT

The preparation of this Preliminary Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Preliminary Official Statement is submitted in connection with the issuance of the Series 2022 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 Series 2022 Bonds

CITY OF STAFFORD, KANSAS

By _____
Don Hardin, Mayor

ATTEST:

Jami Downing, City Administrator/Clerk

APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY

Size and Location

The City of Stafford, Kansas (the "Issuer" or "City") is located in Stafford County (the "County") and is located approximately 90 miles northwest of Wichita, the largest population center in Kansas. The Issuer has a current estimated population of 959 persons.

City Government

The City is a municipal corporation founded in 1878, incorporated in 1885, and a city of the third class organized and existing under and pursuant to the Constitution and laws of the State of Kansas. The City has a Mayor/Council form of government. The City Council conducts all legislative functions for the City and establishes general policies which are executed by its staff, which serves at its pleasure.

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Don Hardin	1/1/2026
Council President:	Jimmy Brozek	1/1/2024
Member	Nicholas Minks	1/1/2026
Member	Myra Morrison	1/1/2024
Member	Randy Pugh	1/1/2026
Member	Mark Soria	1/1/2024
City Administrator/Clerk	Jami Downing	N/A
City Attorney	Don Knappenberger, Esq.	N/A
City Treasurer	Deana Eisenhour	N/A

Management Personnel

The City Clerk is appointed by the Mayor, subject to Council approval, and is charged with the efficient and effective administration of the City.

Public Safety

The City has two full-time and two part-time police officers. Fire protection is provided by the City which operates with approximately 15 volunteer firefighters. The County provides emergency medical services (EMS) to the City.

Municipal Services and Other Utilities

The Issuer owns and operates its own water, electric and sewer utility systems. Natural gas service is provided by Kansas Gas Service. Telephone service is provided by Golden Belt Telephone Association. Various providers offer local trash, cable, internet, and telephone services.

Transportation Facilities

The Issuer is served by U.S. Highways 50 and 281. Rail service is provided by BNSF. The Issuer's Municipal Airport serves the Issuer and provides a runway capable of handling private and corporate aircraft. Regularly scheduled air service is available at Wichita Dwight D. Eisenhower National Airport, located 90 miles southeast from the Issuer.

Educational Institutions and Facilities

The City is served by the Unified School District No. 349 (Stafford). The school district is an independent taxing unit with boundaries that are separate from the jurisdictional boundaries of the City. The district currently operates one elementary school and one middle school/high school. The district has a total enrollment of approximately 267 students.

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

<u>Name</u>	<u>Location</u>	<u>Estimated Distance from City (in Miles)</u>	<u>Estimated Enrollment (FTE)</u>
Barton County Community College	Great Bend, KS	32	4,108
Hutchinson Community College	Hutchinson, KS	38	4,174
Newman University	Wichita, KS	70	2,066
Friends University	Wichita, KS	71	2,024
Wichita Technical Institute	Wichita, KS	71	2,024
Wichita State University	Wichita, KS	74	11,743
Fort Hays State University	Hays, KS	75	8,728

Medical and Health Facilities

Major medical service is available in Wichita, Kansas, approximately 70 miles from the Issuer. The city maintains a local hospital/clinic. Eight medical doctors currently practice in the Issuer and twenty-one consulting doctors serve the Issuer. Two nursing homes are located within the Issuer.

Recreational, Cultural and Religious Facilities

The Issuer maintains two beautiful parks, as well as an R.V. campsite. The Nora E. Larabee Memorial Library is located within the City's limits. It is an impressive structure featuring a beautiful stained glass window, 20 foot ornate tin ceilings and gargoyle rain spouts. The Issuer is host to many special events throughout the year, including Oktoberfest, Christmas Wonderland, an annual Rodeo, the Great Plains Passion Play and the County Fair. Special entertainment abounds at the recently restored "Ritz Theater" and at the Stafford Drama Guild. Stafford County Historical Society Museum is located within the City's limits. Also located near the Issuer is the Quivira National Wildlife Refuge, a must see for bird-watchers and nature lovers. Three churches are located with the City's limits..

GENERAL INFORMATION CONCERNING THE ELECTRIC AND WATER UTILITY SYSTEM

General

The Issuer owns and operates the Electric and Water Utility System (the "System"). The System provides both electrical and water services to the citizens of the City and areas of Stafford County. The following information describes the provision of the electrical service and water service of the System.

Electrical Service of the System

The following provides information regarding the provision of electrical services of the System which in 2013 served an average of 735 customers. The system experienced a net summer peak demand of 2.80 MW in 2013, and an all time net peak demand of 2.95 MW in 2011.

Electric Power Supply Resources

The City meets its supply obligations to its electric customers through a combination of resources: (1) the operation of its own power production facilities; and (2) currently the City has been taking service under a non-firm power supply contract from MidWest Energy. The City will nominate how much hourly energy is needed for the month and submit that schedule to MidWest Energy. Everything above that schedule is supplied through the load-following non-firm energy contract with MidWest Energy. The City is required to maintain enough generation to cover their peak summer load plus reserves. MidWest Energy can cut the delivery of the energy with a fairly short notice at which time the City will supply their open load with their generation or "but-through" from a different short-term supplier. The term of the contract is from March 1, 2019 through January 1, 2029.

Generation – Power production facilities owned by the City are located at the Stafford Power Plant and located within the City. The operating plant consists of an 8 cylinder Fairbanks Morse engine installed in July 1952; a 10 cylinder Fairbanks Morse engine installed in 1962; a 12 cylinder Fairbank Morse engine installed in July 1973; and a 12 cylinder EMD installed in May 1957 All the engines are duel fuel using both diesel and natural gas. The plant is currently operated for peaking generation and reserve duty or when Midwest takes the City offline.

Electric Transmission Distribution

The City distribution system extends over 19 miles.

A 36,500 volt interconnection with MidWest Energy, which is located 1/2 mile South of the City. The energy passes from the interconnection point along a 2,400 volt line owned by the City.

Electric Rates

Under Kansas law, the rates established by the City Council for electric system rate payers, other than rates for customers situated more than three miles outside the City's boundaries, are not now subject to regulation by the Kansas Corporation Commission (KCC) or any other state or regulatory body. The electric system services approximately 82 customers in the KCC jurisdiction area outside the three-mile area. Rates established for the KCC jurisdiction area must be approved by the KCC. Rates established by the KCC for customers in the KCC jurisdiction area must be shown to be consistent with rates established by the City for its customers located outside of City limits, but within the City's three-mile area.

Charges for the electricity are made as follows:

Residential:

Minimum (includes 50 kWh) \$14.34/month
Next 50 kWh: 17.40¢/kWh
All usage over 100 kWh: 12.87¢/kWh

Commercial:

Minimum (includes 50 kWh) \$19.93/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 1,000 kWh: 11.75¢/kWh

5 Horsepower:

Minimum (includes 87 kWh) \$28.03/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 1,037 kWh 11.75¢/kWh

9 Horsepower:

Minimum (includes 103 kWh) \$40.14/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 1,053 kWh: 11.75¢/kWh

10 Horsepower:

Minimum (includes 3,100 kWh) \$414.94/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 4,050 kWh: 11.75¢/kWh

19.5 Horsepower:

Minimum (includes 450 kWh) \$89.90/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 1,400 kWh: 11.75¢/kWh

50 Horsepower:

Minimum (includes 1,821 kWh) \$255.83/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 2,771 kWh: 11.75¢/kWh

55 Horsepower:

Minimum (includes 2,059 kWh) \$283.81/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 3,009 kWh 11.75¢/kWh

68 Horsepower:

Minimum (includes 2,680 kWh) \$356.69/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 3,630 kWh: 11.75¢/kWh

92 Horsepower:

Minimum (includes 3,821 kWh) \$490.92/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 4,771 kWh: 11.75¢/kWh

125 Horsepower:

Minimum (includes 5,240 kWh) \$666.65/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 6,190 kWh: 11.75¢/kWh

155 Horsepower:

Minimum (includes 6,821 kWh) \$843.55/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 7,771 kWh: 11.75¢/kWh

158 Horsepower:

Minimum (includes 6,964 kWh) \$860.35/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 7,914 kWh: 11.75¢/kWh

192 Horsepower:

Minimum (includes 8,583 kWh) \$1050.65/month
Next 50 kWh: 21.98¢/kWh
Next 900 kWh: 14.27¢/kWh
All usage over 9,533 kWh: 11.75¢/kWh

Electric Customers

The following table shows the total number of electric meters and the kWh annual sales by customer classification for the years listed.

<u>Year</u>	<u>Total Meters</u>	<u>kWh Sales</u>		<u>Total</u>
		<u>Residential</u>	<u>Commercial</u>	
2021	688	4,520,892	3,775,833	8,296,725
2020	689	4,415,017	3,763,463	8,178,480
2019	695	4,503,291	3,608,332	8,111,623
2018	696	4,724,494	4,708,341	9,432,835
2017	700	4,525,339	3,658,092	8,183,431

Source: City Clerk

The following table shows total annual revenues related to the electric operations of the System for the years listed.

<u>Year</u>	<u>Total</u>
2021	\$1,256,403
2020	1,261,393
2019	1,125,500
2018	1,262,632
2017	964,628

Source: City Clerk

Ten Largest Electric Customers – 2021

The following table shows the top 10 customers of the electric operations of the System based on annual consumption.

	<u>Customer</u>	<u>Annual Consumption (kWh)</u>	<u>Percent of Annual kWh Sales</u>
1.	Kanza Coop – South	626,020	7.55%
2.	Nursing Home	478,320	5.77
3.	Pauls	318,240	3.84
4.	Hospital	281,040	3.39
5.	Ampride	226,5650	2.73
6.	School	246,080	2.97
7.	School – Intermediate	152,840	1.84
8.	Kanza Coop – North	80,260	0.97
9.	Joans	60,280	0.73
10.	Kanza Coop – Bunker	31,400	0.38

Source: City Clerk

The following table shows the top 10 customers of the electric operations of the System based on annual revenue.

	<u>Customer</u>	<u>Annual Revenue</u>	<u>Percent of Annual Sale Revenue</u>
1.	Kanza Coop – South	\$83,634.53	6.66%
2.	Nursing Home	62,874.95	5.00
3.	Pauls	41,937.62	3.34
4.	Hospital	37,087.79	2.95
5.	School	32,640.50	2.60
6.	Ampride	29,998.50	2.39
7.	School – Intermediate	20,496.03	1.63
8.	Kanza Coop – North	11,021.82	0.88
9.	Kanza Coop – Bunker	10,525.84	0.84
10.	Joans	8,327.59	0.66

Source: City Clerk

Water Service of the System

The water service provision is accomplished by one elevated 300,000-gallon water tower in the North section of town and one elevated 50,000 gallons water tower in the South end of the City.

Sources of Water Supply

The City produces its water from four City owned wells.

Water Rate Structure

The following table shows the current rate structure for water services by the System.

<u>Meter Size</u>	<u>Minimum Charge</u>	<u>Gallons Included With Monthly Minimum</u>	<u>Charge per 1,000 Gallons (All Over Gallons Included with Monthly Minimum)</u>
5/8" Meter	\$ 8.67	2,000	\$2.31
3/4" Meter	11.03	4,000	2.31
1" Meter	12.24	5,000	2.31
1 1/2" Meter	19.37	11,000	2.31
2" Meter	27.71	18,000	2.31

Source: City Clerk

Water Customers

The following table shows the number of water customers of the City's Electric and Water Utility System (the "System") for the years listed.

<u>Year</u>	<u>Number of Customers</u>
2021	560
2020	560
2019	562
2018	570
2017	580

Source: City Clerk

Water Sales History

The following table shows gallons of water pumped and sold for the years listed.

<u>Year</u>	<u>Gallons Pumped/ Purchased</u>	<u>Gallons Sold</u>	<u>Accounted-For Water Loss</u>	<u>Lost and Unaccounted- For Water</u>	<u>% Loss</u>
2021	38,916,000	31,045,000	2,289,000	5,582,000	14.34%
2020	34,883,000	31,624,000	874,000	2,385,000	6.84%
2019	37,594,000	33,144,000	1,846,027	2,603,973	6.93%
2018	37,003,000	33,430,000	443,000	3,130,000	8.46%
2017	51,051,000	33,780,000	437,000	16.834.000	32.97%

Source: City Clerk

SYSTEM'S FINANCIAL SUMMARY AND DEBT SERVICE COVERAGE

The financial information in the following table is derived from the annual financial statements of the System for the years ending December 31, 2017 – December 31, 2020 and unaudited information for year ending December 31, 2021. There can be no assurance that the unaudited financial information appearing herein will not materially change upon audit. No assurance can be given that operating results for future years will be comparable to operating results for the last five fiscal years.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash receipts					
Sales and Services	\$1,451,901	\$1,665,898	\$1,492,555	\$1,371,762	\$1,374,481
Penalties	19,874	17,970	16,987	15,199	13,944
Federal Aid	4,579	0	0	0	0
State Aid	572	0	0	0	0
Sales Tax	41,738	47,266	44,746	40,698	42,631
Interest	5,353	4,276	11,673	9,784	3,288
Connection Fees	7,185	5,025	6,555	5,595	6,460
Reimbursed Expenses	2,912	977	3,536	1,848	94,107
Total cash receipts	\$1,534,114	\$1,741,412	\$1,576,052	\$1,444,886	\$1,534,912
Expenditures					
Power Plant Production	\$ 844,288	\$ 896,202	\$ 873,331	\$ 793,343	\$ 654,101
Transmission and Distribution					
Electric	111,143	117,656	88,008	141,403	156,235
Water	57,480	79,771	70,084	107,912	153,903
Combined	43,957	45,659	69,429	46,373	69,543
General Administrative	284,561	259,821	265,260	231,014	233,106
Sales and Use Tax	47,409	56,151	51,431	40,848	44,201
Water Resource Tax	2,101	2,073	2,021	1,504	1,487
Community Development & Promotion	6,802	5,874	8,147	10,266	5,602
Capital Outlay	67,158	14,457	18,316	64,049	23,476
Bond Payment	55,000	55,000	55,000	60,000	60,000
Interest Payment	52,555	51,455	50,355	49,255	47,455
Transfers Out	55,023	55,000	60,000	15,000	80,000
Total expenditures	\$1,627,477	\$1,639,119	\$1,611,382	\$1,560,967	\$1,529,110
Receipts over (under) expenditures	\$ (93,363)	\$ 102,293	\$ (35,330)	\$ (116,081)	\$ 5,803
Income Available for Debt Service					
Receipts over (under) expenditures	\$ (93,363)	\$ 102,293	\$ (35,330)	\$ (116,081)	\$ 5,803
Community Development & Promotion	6,802	5,874	8,147	10,266	5,602
Capital Outlay	67,158	14,457	18,316	64,049	23,476
Bond Payment	55,000	55,000	55,000	60,000	60,000
Interest Payment	52,555	51,455	50,355	49,255	47,455
Transfers out:	55,023	55,000	60,000	15,000	80,000
Total Income Available for Debt Service	\$ 143,175	\$ 284,079	\$ 156,488	\$ 82,489	\$ 222,336
Debt Service	\$ 107,555	\$ 106,455	\$ 105,355	\$ 109,255	\$ 107,455
Debt Service Coverage Ratio	133.12%	266.85%	148.53%	75.50%	206.91%

(This presentation of financial information has NOT been reviewed by any Independent Certified Public Accountants)

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

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

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

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

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

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

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

Property Valuations

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

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except railroad real property, assessed at

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

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

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

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

Assessed Valuation

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicle Valuation</u>	<u>Total Valuation</u>
2021	2022	\$3,626,236 ⁽¹⁾	\$81,893 ⁽¹⁾	\$406,174 ⁽¹⁾	\$1,128,117	\$5,242,420
2021	2022	3,623,633 ⁽²⁾	70,829 ⁽²⁾	406,174 ⁽²⁾	1,128,117	5,228,753
2020	2021	3,395,746	71,270	420,073	1,059,805	4,946,894
2019	2020	3,436,429	84,111	422,000	1,058,204	5,000,744
2018	2019	3,477,750	78,436	376,041	1,031,502	4,963,729
2017	2018	3,238,045	65,742	359,486	1,051,317	4,714,590

Source: County Clerk

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

⁽²⁾ Preliminary valuation figures as of July 15, 2021 used for budgeting purposes.

Property Tax Levies and Collections

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

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

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

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

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>General</u>	<u>Bond & Interest</u>	<u>Fire Equipment</u>	<u>Library</u>	<u>Total Levy</u>
2021	2022	70.541	0.000	0.000	4.964	75.505
2020	2021	70.584	0.000	0.000	5.203	75.787
2019	2020	68.113	0.000	0.000	5.191	73.304
2018	2019	66.118	0.000	1.272	4.663	72.053
2017	2018	65.383	0.000	1.365	4.912	71.660

Source: County Clerk

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>City</u>	<u>Stafford County</u>	<u>USD No. 349⁽¹⁾</u>	<u>State</u>	<u>Cemetery District</u>	<u>Hospital District</u>	<u>Township</u>	<u>Ext. District</u>	<u>Total</u>
2021	2022	75.505	57.660	54.449	1.500	3.104	5.202	6.746	2.161	206.327
2020	2021	75.787	58.598	53.056	1.500	3.142	4.985	6.920	0.000	203.988
2019	2020	73.304	54.842	57.477	1.500	3.037	5.104	4.490	0.000	199.754
2018	2019	72.053	54.036	56.734	1.500	2.756	5.229	3.387	0.000	195.695
2017	2018	71.660	53.655	56.712	1.500	2.286	5.280	3.395	0.000	194.488

Source: County Clerk

⁽¹⁾Includes recreation commission.

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

<u>Levy Year</u>	<u>Budget Year</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Percentage Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Delinquent & Current Taxes Collected</u>
2021	2022	\$311,026	In Process	N/A	In Process	N/A
2020	2021	295,433	\$257,099	87.02%	\$ 9,201	90.14%
2019	2020	289,514	247,032	95.33%	20,510	92.41%
2018	2019	283,727	240,994	84.94%	12,603	89.38%
2017	2018	264,059	207,880	78.73%	14,244	84.12%

Source: County Clerk & Treasurer

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

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. Kanza Cooperative Association	\$454,683	\$93,813
2. Zenith Co-op Grain	278,956	57,556
3. Kansas Gas Service	203,518	41,991
4. BNSF	122,380	25,250
5. Individual (1)	82,423	16,604
6. Rose Rock Midstream	56,653	11,689
7. Paradise Land & Cattle	54,413	11,132
8. Midwest Energy, Inc.	49,201	10,151
9. Individual (2)	47,097	9,401
10. RAMA Operating Co.	39,799	8,211

Source: County Clerk

Pension and Employee Retirement Plans

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

As of December 31, 2020, KPERS serves approximately 326,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

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

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

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

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

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

The Issuer’s contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer’s contribution is 8.90% of the employee’s gross salary for calendar year 2022. In addition, the Issuer contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees; provided

that starting July 1, 2021, there will be a moratorium on the Death and Disability Insurance rate, and the Issuer will contribute 0% of the employee’s gross salary for Death and Disability Insurance for covered employees after such date.

According to the Valuation Report as of December 31, 2020 (the “2020 Valuation Report”) the KPERS Local Group, of which the City is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$1.419 billion at the end of 2020. The amount of the UAAL in 2020 changed from the previous year’s amount due to the factors discussed in the 2020 Valuation Report; such report also includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group. A copy of the 2020 Valuation Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the 2020 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2020 Valuation Report sets the employer contribution rate for the period beginning January 1, 2023, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 8.43% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2020 Valuation Report. The statutory contribution rate of employers currently equals the 2020 Valuation Report’s actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

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

Employee Relations

The City has eleven full-time, four part-time employees, and fifteen seasonal employees. Employee Relations are characterized as good.

Risk Management

The City is insured against the risks arising from general liability by Employer’s Mutual Company and employee medical coverage by Blue Cross Blue Shield.

AUTHORITY TO INCUR DEBT

Equalized Assessed Valuation of Tangible Valuation	
for Computation of Bonded Debt Limitations ⁽¹⁾	\$5,228,753
Legal limitation of Bonded Debt ⁽²⁾	\$1,568,626
Outstanding general obligation debt anticipated as of June 14, 2022 ⁽³⁾	\$1,010,000
Exempt Debt	\$1,010,000
Net Debt against Statutory Debt limit capacity	\$0
Additional debt capacity	\$1,568,626
Direct debt per capita (population 321)	\$1,053
Overlapping Indebtedness	\$0
Direct and overlapping debt	\$1,010,000
Direct and overlapping debt per capita	\$1,053
Direct debt as a percentage of Assessed Valuation	19.32%
Direct and overlapping debt as a percentage of Assessed Valuation	19.32%
Statutory direct debt as a percentage of Equalized Assessed Valuation	0.00%

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

⁽²⁾ See K.S.A. 10-301 *et seq.*

⁽³⁾ Includes this issue, subject to change.

DEBT STRUCTURE OF THE ISSUER

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of June 14, 2022, and the percent attributable (on the basis of assessed valuation not including motor vehicle valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>2021 Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to The City</u>	<u>Amount Applicable to The City</u>
Stafford County	\$88,270,151	\$0	4.66%	\$0
U.S.D. 349	23,896,881	0	17.22%	<u>0</u> \$0

Source: County Clerk

DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City

The following table sets forth as of the issue date of the Bonds all of the outstanding obligations of the City:

GENERAL OBLIGATION BONDS (As of June 14, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Amount Included in Debt Limitation</u>
General Obligation Electric and Water Utility System Refunding Revenue Bonds ⁽¹⁾⁽²⁾	2022	09/01/2035	\$1,010,000	\$1,010,000	\$0

⁽¹⁾ This issue and subject to change.

⁽²⁾ Debt service is expected to be paid by system revenues.

TEMPORARY NOTES

As of June 14, 2022, the City had no temporary notes outstanding.

CERTIFICATES OF PARTICIPATION

As of June 14, 2022, the City had no certificates of participation outstanding.

REVENUE BONDS OUTSTANDING (AS OF JUNE 14, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Electric and Water Utility System Revenue Bonds ⁽¹⁾	2014	09/01/2022	\$1,925,000	\$0

⁽¹⁾ Issue being refund by the Series 2022 Bonds.

CAPITAL LEASE OBLIGATIONS (AS OF JUNE 14, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Police Pickup	2021	04/28/2026	\$30,878	\$30,878

LOAN OBLIGATIONS

As of June 14, 2022, the City has no outstanding loan obligations.

PUBLIC BUILDING COMMISSION REVENUE BONDS (AS OF JUNE 14, 2022)

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
PBC Revenue Bonds – Swimming Pool Project	2017	08/01/2042	\$1,475,000	\$1,305,000

Debt Payment Record

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

Future Indebtedness

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

ECONOMIC INFORMATION CONCERNING THE CITY

Population Trends

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

<u>Year</u>	<u>County Population</u>	<u>City Population</u>
2020	4,072	959
2019	4,156	949
2018	4,178	956
2017	4,207	968
2016	4,208	978
2010	4,437	1,042

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

Labor Force

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

STAFFORD COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2021	1,980	1,936	44	2.2%
2020	2,043	1,967	76	3.7%
2019	2,010	1,956	84	2.7%
2018	1,966	1,915	51	2.6%
2017	1,994	1,928	66	3.3%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2021	1,495,665	1,447,323	48,342	3.2%
2020	1,497,003	1,408,995	88,008	5.9%
2019	1,491,808	1,445,043	46,922	3.1%
2018	1,482,228	1,432,393	49,835	3.4%
2017	1,478,783	1,425,216	53,567	3.6%

Currently, the Kansas Department of Labor estimates an unemployment rate of 2.3% for the County and 2.7% for the State of Kansas for the month of February 2022.

Source: Kansas Statistical Abstract (2016 – 2019 data); Kansas Department of Labor (2020 – 2021 data and February 2022 estimate)

Retail Sales Tax Collections

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

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2020	\$2,776,882	\$682.62
2019	2,797,943	662.48
2018	2,730,611	507.00 ⁽¹⁾
2017	2,118,634 ⁽¹⁾	495.99 ⁽¹⁾
2016	2,191,721 ⁽¹⁾	551.74 ⁽¹⁾

⁽¹⁾ Use tax collections not included.

Source: Kansas Statistical Abstract

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

Oil Production

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

<u>Year</u>	<u>Oil Production</u>
2021 ⁽¹⁾	838,251
2020	910,712
2019	1,039,856
2018	1,018,844
2017	1,049,011

⁽¹⁾ Data as of 11/2021

Source: Kansas Geological Survey

Financial and Banking Institutions

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

<u>Year</u>	<u>Total Bank Deposits</u> (thousands of dollars)
2021	\$175,609
2020	158,817
2019	144,000
2018	151,000
2017	149,000

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

Personal Income Trends

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

<u>Year</u>	<u>Stafford County Personal Income (\$000)</u>	<u>Stafford County Per Capita Income</u>	<u>State Per Capita Income</u>
2020	\$204,820	\$50,623	\$56,099
2019	231,193	55,629	53,426
2018	186,049	45,168	51,139
2017	180,646	43,144	49,033
2016	191,415	45,640	47,557

Source: U.S. Bureau of Economic Analysis

APPENDIX B

UNAUDITED FINANCIAL STATEMENTS FOR THE ELECTRIC AND WATER UTILITY SYSTEM

Thru: 13/ 2021

Account Status Listing - Short Accounts

City of Stafford

Fund: 01 - W & L UTILITY

Ledger ID	Ledger Description	Initial Budget	Curr Period	Encumbrance Activity	Curr YTD+Enc	YTD %	Budget Bal	Prior Budget	Prior YTD	Prior YTD %
Department										
Object	Description	Ending balance								
01-00	REVENUE									
0010	CASH	\$341,849.06								
0015	INVESTMENTS	0.00								
	Total ASSETS:	\$341,849.06								
0020	TAXES PAYABLE	0.00								
0030	INSURANCE PAYABLE	\$324.74								
0040	KPERS PAYABLE	0.00								
0060	PAYROLL PAYABLES CLEARING	0.00								
0280	ACCOUNTS PAYABLE	(\$14,255.98)								
0285	PRIOR YEAR EXPENDITURE	0.00								
0290	YTD REVENUE OVER EXPENSES	0.00								
0295	FUND BALANCE	(\$327,917.82)								
	Total LIABILITIES & FUND BALANCE	(\$341,849.06)								
01-01	EXPENDITURES									
0060	PAYROLL PAYABLES CLEARING	0.00								
	Total LIABILITIES & FUND BALANCE	0.00								
01-00-3010	ELECTRIC SALES & SERVI				\$1,269,268.23-		\$1,269,268.23		\$1,264,149.38-	0.0%
01-00-3011	WATER SALES AND SERV				\$105,213.17-		\$105,213.17		\$107,534.91-	0.0%
01-00-3012	PENALTIES				\$13,944.05-		\$13,944.05		\$15,199.19-	0.0%
01-00-3013	SALES TAX				\$42,631.20-		\$42,631.20		\$40,698.28-	0.0%
01-00-3014	INTEREST		\$44.65-		\$3,288.35-		\$3,288.35		\$9,784.23-	0.0%
01-00-3015	MISCELLANEOUS/REIMBU				\$93,001.61-		\$93,001.61		\$1,764.33-	0.0%
01-00-3016	NOW ACCOUNT INTERES									0.0%
01-00-3017	MERCHANDISE SOLD									0.0%
01-00-3018	TAXED MDSE. SOLD									0.0%
01-00-3019	TAX ON MDSE. SOLD									0.0%
01-00-3020	TAXED TRANSFERS & CO				\$6,460.00-		\$6,460.00		\$5,595.00-	0.0%
01-00-3021	TAX ON TRANSFER & CON									0.0%
01-00-3022	INSUFFICIENT FUND CHE									0.0%
01-00-3023	Special Electric									0.0%

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Thru: 13/ 2021

Account Status Listing - Short Accounts

City of Stafford

Fund: 01 - W & L UTILITY

Ledger ID	Ledger Description	Initial Budget	Curr Period	Encumbrance Activity	Curr YTD+Enc	YTD %	Budget Bal	Prior Budget	Prior YTD	Prior YTD %
01-00-3024	CHARGE OFFS COLLECTE									0.0%
01-00-3034	BULK WATER				\$1,105.68-		\$1,105.68		\$76.75-	0.0%
01-00-3036	WATER SERVICES & SER									0.0%
01-00-8090	TRANSFER FROM CAPITA									0.0%
01-00-8092	TRANSFER FROM POWER									0.0%
Dept Totals for REVENUE:			\$44.65-		\$1,534,912.29-		\$1,534,912.29		\$1,444,802.07-	0.0%
01-16-3079	TRANSFER FROM HEALTH									0.0%
Dept Totals for TRANSFERS:										0.0%
Total REVENUES			\$44.65-		\$1,534,912.29-		\$1,534,912.29		\$1,444,802.07-	0.0%
01-11-0101	SALARIES	\$193,593.00			\$97,893.46	50.57%	\$95,699.54	\$183,500.00	\$194,123.78	105.8%
01-11-0104	HEALTH INSURANCE & BE									0.0%
01-11-0106	RETIREMENT	\$18,500.00			\$9,184.86	49.65%	\$9,315.14	\$18,500.00	\$17,239.74	93.2%
01-11-0107	TAXES	\$13,500.00			\$6,929.76	51.33%	\$6,570.24	\$13,500.00	\$13,865.88	102.7%
01-11-0108	INSURANCE	\$45,500.00			\$24,764.70	54.43%	\$20,735.30	\$45,500.00	\$41,127.48	90.4%
01-11-0204	INSURANCE	\$62,000.00			\$64,035.58	103.28%	\$2,035.58-	\$62,000.00	\$63,374.67	102.2%
01-11-0209	MISCELLANEOUS - CONT	\$6,000.00	\$209.42		\$3,694.37	61.57%	\$2,305.63	\$6,000.00	\$4,671.54	77.9%
01-11-0213	FUEL & OIL FOR PLANT									0.0%
01-11-0214	NATURAL GAS	\$1,500.00	\$132.82		\$868.17	57.88%	\$631.83	\$1,500.00	\$712.65	47.5%
01-11-0216	POWER PURCHASED	\$470,000.00			\$393,032.35	83.62%	\$76,967.65	\$470,000.00	\$438,584.72	93.3%
01-11-0300	COMMODITIES	\$5,000.00	\$265.97		\$7,186.95	143.74%	\$2,186.95-	\$5,000.00	\$8,675.73	173.5%
01-11-0301	SUPPLIES & REPAIRS	\$115,000.00	\$3,956.29		\$32,004.84	27.83%	\$82,995.16	\$115,000.00	\$33,460.90	29.1%
01-11-0304	OPERATING SERVICE (GA	\$11,500.00	\$1,265.46		\$10,564.90	91.87%	\$935.10	\$11,500.00	\$8,419.68	73.2%
01-11-0401	BUILDING & FIXED EQUIP	\$3,000.00			\$709.26	23.64%	\$2,290.74	\$3,000.00		0.0%
01-11-0402	ENGINE REPAIRS	\$2,500.00			\$3,231.49	129.26%	\$731.49-	\$2,500.00	\$346.08	13.8%
Dept Totals for PRODUCTION (PWR PLNT		\$947,593.00	\$5,829.96		\$654,100.69	69.03%	\$293,492.31	\$937,500.00	\$824,602.85	88.0%
01-12-0101	SALARIES - ELECTRIC DE	\$48,003.00			\$69,406.43	144.59%	\$21,403.43-	\$45,500.00	\$60,680.10	133.4%
01-12-0104	HEALTH INSURANCE & BE	\$15,000.00			\$2,805.81	18.71%	\$12,194.19	\$15,000.00	\$3,332.95	22.2%
01-12-0106	RETIREMENT	\$6,000.00			\$10,848.00	180.80%	\$4,848.00-	\$6,000.00	\$7,664.81	127.7%
01-12-0107	TAXES	\$5,000.00			\$8,185.11	163.70%	\$3,185.11-	\$5,000.00	\$6,276.79	125.5%
01-12-0108	INSURANCE				\$35,235.61		\$35,235.61-		\$21,008.44	0.0%
01-12-0111	SALARIES - WATER DEPT	\$56,970.00			\$115,731.54	203.14%	\$58,761.54-	\$54,000.00	\$86,921.37	161.0%
01-12-0114	HEALTH INSURANCE & BE									0.0%
01-12-0116	RETIREMENT	\$4,500.00			\$6,610.20	146.89%	\$2,110.20-	\$4,500.00	\$5,736.54	127.5%

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Account Status Listing - Short Accounts

City of Stafford

Fund: 01 - W & L UTILITY

Ledger ID	Ledger Description	Initial Budget	Curr Period	Encumbrance Activity	Curr YTD+Enc	YTD %	Budget Bal	Prior Budget	Prior YTD	Prior YTD %
01-12-0117	TAXES	\$3,500.00			\$4,919.42	140.55%	\$1,419.42-	\$3,500.00	\$4,305.01	123.0%
01-12-0118	INSURANCE	\$12,500.00			\$17,822.22	142.58%	\$5,322.22-	\$12,500.00	\$15,140.38	121.1%
01-12-0204	INSURANCE & BONDS - C	\$15,500.00			\$16,973.58	109.51%	\$1,473.58-	\$15,500.00	\$14,878.67	96.0%
01-12-0209	MISCELLANEOUS - CONT	\$15,000.00	\$404.44		\$14,051.58	93.68%	\$948.42	\$10,000.00	\$9,534.03	95.3%
01-12-0301	ELECTRIC SUPPLIES & RE	\$43,000.00	\$2,489.83		\$25,175.65	58.55%	\$17,824.35	\$43,000.00	\$42,779.54	99.5%
01-12-0305	GASOLINE	\$14,000.00			\$22,860.47	163.29%	\$8,860.47-	\$14,000.00	\$5,246.37	37.5%
01-12-0311	WATER SUPPLIES & REP	\$26,500.00	\$57.92		\$8,819.83	33.28%	\$17,680.17	\$26,500.00	\$14,667.99	55.4%
01-12-0317	VEHICLE EXPENSE	\$5,500.00			\$1,250.46	22.74%	\$4,249.54	\$3,500.00	\$2,513.60	71.8%
01-12-0318	SHOP SUPPLIES & REPAI	\$8,500.00	\$478.19		\$14,407.00	169.49%	\$5,907.00-	\$8,500.00	\$12,839.65	151.1%
01-12-0400	CAPITAL OUTLAY									0.0%
01-12-0401	MISC EQUIPMENT-ELECT	\$3,500.00			\$4,578.25	130.81%	\$1,078.25-	\$5,500.00	\$1,360.95	24.7%
01-12-0405	LEASE PURCHASE PAYM									0.0%
01-12-0420	BOND PRINCIPAL PAYME	\$60,000.00			\$60,000.00	100.00%		\$60,000.00	\$60,000.00	100.0%
01-12-0421	BOND INTEREST PAYMEN	\$45,100.00			\$47,455.00	105.22%	\$2,355.00-	\$49,255.00	\$49,255.00	100.0%
Dept Totals for ELECTRIC & WATER:		\$388,073.00	\$3,430.38		\$487,136.16	125.53%	\$99,063.16-	\$381,755.00	\$424,142.19	111.1%
01-13-0101	SALARIES	\$155,613.00			\$118,062.35	75.87%	\$37,550.65	\$147,500.00	\$121,009.44	82.0%
01-13-0104	HEALTH INSURANCE & BE									0.0%
01-13-0106	RETIREMENT	\$15,000.00			\$11,108.66	74.06%	\$3,891.34	\$15,000.00	\$11,573.83	77.2%
01-13-0107	TAXES	\$10,500.00			\$8,244.90	78.52%	\$2,255.10	\$10,500.00	\$8,472.85	80.7%
01-13-0108	INSURANCE	\$40,000.00			\$31,606.92	79.02%	\$8,393.08	\$40,000.00	\$30,821.10	77.1%
01-13-0201	POSTAGE & FREIGHT	\$8,000.00	\$955.45		\$7,589.36	94.87%	\$410.64	\$8,000.00	\$7,627.79	95.3%
01-13-0202	UTILITIES - TELEPHONE	\$4,000.00	\$164.41		\$1,960.93	49.02%	\$2,039.07	\$4,000.00	\$2,240.10	56.0%
01-13-0204	INSURANCE	\$14,500.00			\$16,973.58	117.06%	\$2,473.58-	\$14,500.00	\$14,878.68	102.6%
01-13-0205	REGISTRATION, FEES, DU	\$5,500.00			\$4,155.82	75.56%	\$1,344.18	\$5,500.00	\$4,915.98	89.4%
01-13-0208	AUDIT, MAIN CONTRACTS	\$20,000.00			\$14,510.00	72.55%	\$5,490.00	\$20,000.00	\$13,675.00	68.4%
01-13-0209	MISCELLANEOUS - CONT	\$17,500.00	\$131.11		\$12,731.04	72.75%	\$4,768.96	\$17,500.00	\$10,182.39	58.2%
01-13-0300	COMMODITIES									0.0%
01-13-0301	OFFICE SUPPLIES & PRIN	\$2,500.00			\$1,726.04	69.04%	\$773.96	\$2,500.00	\$2,215.44	88.6%
01-13-0309	MISCELLANEOUS - COMM	\$7,500.00			\$4,436.04	59.15%	\$3,063.96	\$7,500.00	\$3,401.41	45.4%
Dept Totals for GENERAL ADMINISTRATI		\$300,613.00	\$1,250.97		\$233,105.64	77.54%	\$67,507.36	\$292,500.00	\$231,014.01	79.0%
01-14-0701	SALES & COMPENSATING	\$62,500.00	\$3,434.49		\$43,991.65	70.39%	\$18,508.35	\$62,500.00	\$40,760.15	65.2%
01-14-0703	COMPENSATING USE TAX		\$47.29		\$209.57		\$209.57-		\$87.77	0.0%
Dept Totals for SALES/COMP USE TAX:		\$62,500.00	\$3,481.78		\$44,201.22	70.72%	\$18,298.78	\$62,500.00	\$40,847.92	65.4%

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Account Status Listing - Short Accounts

City of Stafford

Fund: 01 - W & L UTILITY

Ledger ID	Ledger Description	Initial Budget	Curr Period	Encumbrance Activity	Curr YTD+Enc	YTD %	Budget Bal	Prior Budget	Prior YTD	Prior YTD %
01-15-0720	WATER RESOURCE TAX (\$2,750.00			\$1,487.30	54.08%	\$1,262.70	\$2,750.00	\$1,503.56	54.7%
Dept Totals for WATER RESOURCES TAX:		\$2,750.00			\$1,487.30	54.08%	\$1,262.70	\$2,750.00	\$1,503.56	54.7%
01-16-0750	TRANSFER TO GENERAL	\$45,000.00			\$30,000.00	66.67%	\$15,000.00	\$45,000.00	\$15,000.00	33.3%
01-16-0790	TRANSFER TO RITZ FUND									0.0%
01-16-0804	TRANSFER TO EQUIP. RE	\$15,000.00					\$15,000.00	\$15,000.00		0.0%
01-16-3202	TRANSFER TO SPECIAL H									0.0%
01-16-3204	TRANSFERS OUT	\$292,853.00			\$50,000.00	17.07%	\$242,853.00	\$374,063.00		0.0%
01-16-3205	TRANSFER TO ELECTRIC									0.0%
Dept Totals for TRANSFERS:		\$352,853.00			\$80,000.00	22.67%	\$272,853.00	\$434,063.00	\$15,000.00	3.5%
01-17-0770	COMMUNITY DEVELOPME	\$7,500.00			\$5,602.16	74.70%	\$1,897.84	\$7,500.00	\$10,265.70	136.9%
Dept Totals for DEBT SERVICE:		\$7,500.00			\$5,602.16	74.70%	\$1,897.84	\$7,500.00	\$10,265.70	136.9%
01-18-0309	MISCELLANEOUS									0.0%
01-18-0801	WATER METERS & IMPRO	\$20,000.00			\$9,328.00	46.64%	\$10,672.00	\$20,000.00		0.0%
01-18-0802	ELECTRIC SYSTEM IMPR									0.0%
01-18-0803	OFFICE MACHINES & SYS	\$5,000.00	\$269.05		\$4,442.02	88.84%	\$557.98	\$5,000.00	\$4,116.46	82.3%
01-18-0805	WATER WELL									0.0%
01-18-0806	BUILDING & MAINTENANC	\$5,000.00			\$4,231.36	84.63%	\$768.64	\$5,000.00	\$927.17	18.5%
01-18-0807	OPERATING RESERVE									0.0%
01-18-0808	EQUIPMENT	\$15,000.00					\$15,000.00	\$15,000.00	\$8,546.99	57.0%
01-18-8051	LEASE PURCHASE PYMT							\$8,536.00		0.0%
01-18-8052	LEASE PURCHASE-ELECT									0.0%
01-18-8071	WATER TOWER MAINT. &	\$15,000.00			\$5,475.00	36.50%	\$9,525.00	\$15,000.00		0.0%
Dept Totals for CAPITAL OUTLAY/IMPVMT		\$60,000.00	\$269.05		\$23,476.38	39.13%	\$36,523.62	\$68,536.00	\$13,590.62	19.8%
01-58-0331	SOCIAL SECURITY									0.0%
01-58-0332	KPERS									0.0%
01-58-0335	HEALTH INSURANCE									0.0%
Dept Totals for EMPLOYEE BENEFITS:										0.0%
Total EXPENSES		\$2,121,882.00	\$14,262.14		\$1,529,109.55	72.06%	\$592,772.45	\$2,187,104.00	\$1,560,966.85	71.4%
Fund totals for W & L UTILITY:		\$2,121,882.00	\$14,217.49		\$5,802.74-	-.27%	\$2,127,684.74	\$2,187,104.00	\$116,164.78	5.3%

APPENDIX C

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

CITY OF STAFFORD, KANSAS

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2020

CITY OF STAFFORD, KANSAS
Primary Government Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Stafford, Kansas
Stafford, Kansas

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

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by **City of Stafford, Kansas** on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Stafford, Kansas** as of December 31, 2020, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **City of Stafford, Kansas** as of December 31, 2020, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of **City of Stafford, Kansas** as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated July 27, 2020 which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2019 comparative information is the responsibility of management and was

derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2019, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Adams Brown, LLC". The signature is written in a cursive, flowing style.

ADAMSBROWN, LLC

Certified Public Accountants
Great Bend, Kansas

August 9, 2021

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types							
General Fund	\$ 131,565	-	805,657	778,490	158,732	27,055	185,787
Special Purpose Funds							
Library Fund	-	-	22,446	22,446	-	-	-
Fire Equipment Reserve Fund	139,460	-	1,253	-	140,713	-	140,713
Airport Fund	55,938	-	4,998	4,397	56,539	193	56,732
Special Parks and Recreation Fund	2,453	-	-	-	2,453	-	2,453
Special Highway Fund	1,071	-	24,785	2,280	23,576	-	23,576
Equipment Reserve Fund	52,606	-	1,224	-	53,830	-	53,830
Capital Improvement Fund	1,022	-	70,176	-	71,198	-	71,198
Community Education Fund	9,285	-	1,351	3,538	7,098	-	7,098
City Attorney Diversion Fund	2,428	-	1,302	1,000	2,730	-	2,730
Swimming Pool Fund	136,864	-	126,386	87,000	176,250	-	176,250
SPARKS Federal Fund	-	-	86,332	86,332	-	-	-
Land Bank M.I.H. Grant Fund	-	-	84,851	104,722	(19,871)	3,438	(16,433)
Business Funds							
Electrical and Streets Improvement Fund	434,962	-	126,385	-	561,347	-	561,347
Equipment Reserve Depreciation Fund	25,000	-	-	-	25,000	-	25,000
Bond Reserve Fund	128,690	-	-	-	128,690	-	128,690
Water Reserve Fund	3,566	-	-	-	3,566	-	3,566
Power Plant Reserve Fund	81,554	-	-	-	81,554	-	81,554
Sewer Reserve Fund	219,365	-	5,000	-	224,365	-	224,365
Ritz Theatre Fund	-	-	9,819	9,687	132	-	132
Water and Light Fund	438,923	-	1,444,886	1,560,967	322,842	65,477	388,319
Sewer Service Fund	111,145	-	99,705	96,577	114,273	-	114,273
Trash Fund	45,455	-	145,978	151,542	39,891	11,081	50,972
Total Primary Government	2,021,352	-	3,062,534	2,908,978	2,174,908	107,244	2,282,152
Related Municipal Entity							
Stafford Public Building Commission - Swimming Pool Fund	-	-	87,000	87,000	-	-	-
Total Primary Government (Excluding Agency Funds)	\$ 2,021,352	-	3,149,534	2,995,978	2,174,908	107,244	2,282,152
Composition of Cash							
					Certificates of Deposit	\$	790,050
					Savings Accounts		3,850
					Checking Accounts		1,488,166
					Cash on Hand		100
					Total Cash		2,282,166
					Agency Funds per Schedule 3		(14)
					Total Primary Government		
					(Excluding Agency Funds)	\$	2,282,152

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

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Stafford, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is 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.

Financial Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City (the municipality) and its related municipal entity, Stafford Public Building Commission, shown below. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents. This financial statement does not include the related municipal entities, Housing Authority and Public Library, shown below.

Stafford Public Building Commission

The Public Building Commission (PBC) is a municipal corporation of the State of Kansas formed under the authority of K.S.A. 12-1757 *et seq.* and City Ordinance No. 1039 of **City of Stafford, Kansas**. The Commission has been organized by the governing body of **City of Stafford, Kansas** (the "City") for the purposes of acquiring a site or sites for constructing, reconstructing, equipping and furnishing, or purchasing or otherwise acquiring, a building or buildings or other facilities of a revenue producing character.

Housing Authority

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. Unaudited financial statements can be obtained by contacting the housing authority's office.

Public Library

The City's Library Board operates the Nora E. Larabee Memorial 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 library's operations by levying tax dollars for the library. Unaudited financial statements can be obtained by contacting the library.

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 types of funds comprise the financial activities of the City for the year ended December 31, 2020.

Regulatory Basis Fund Types

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

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

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

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

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

Basis of Accounting

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

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

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis of accounting.

NOTE 2 – BUDGETARY INFORMATION

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

- 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 the year ended December 31, 2020.

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

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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, trust funds, and the following special purpose funds: Equipment Reserve Fund, Community Education Fund, City Attorney Diversion Fund, Swimming Pool Fund, SPARKS Federal Fund, or Land Bank M.I.H. Grant 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.

NOTE 3 – DEPOSITS AND INVESTMENTS

City of Stafford, Kansas follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures 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 investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 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, 2020.

At December 31, 2020, the City's carrying amount of deposits was \$2,282,166 and the bank balance was \$2,364,041. 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 \$2,114,041 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

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, 2020.

NOTE 4 – 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 Stafford, Kansas'** interfund transfers and regulatory authority for the year ended December 31, 2020 were as follows:

From	To	Regulatory Authority	Amount
General Fund	Electrical and Streets Improvement Fund	Resolution 04-12	\$ 126,385
General Fund	Swimming Pool Fund	Ordinance 1042	126,386
General Fund	Capital Improvement Fund	K.S.A. 12,1,118	50,000
Water and Light Fund	General Fund	K.S.A. 12-825d	15,000
Sewer Service Fund	Sewer Reserve Fund	K.S.A. 12-631o	5,000
Sewer Service Fund	General Fund	K.S.A. 12-825d	75,000
Trash Fund	General Fund	K.S.A. 12-825d	5,000
Trash Fund	Ritz Theatre Fund	K.S.A. 12-825d	3,500

NOTE 5 – LITIGATION

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

NOTE 6 – RISK MANAGEMENT

City of Stafford, Kansas is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other counties in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 163 participating members.

The City pays an annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, umbrella, law enforcement liability, airport liability, commercial output, linebacker, cyber liability, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – GRANTS AND SHARED REVENUES

City of Stafford, 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

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

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 8 – DEFERRED COMPENSATION PLAN

City of Stafford, Kansas sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not required to make any contributions.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Contributions

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the City were \$52,531 for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, the City's proportionate share of the collective net pension liability reported by KPERS was \$498,894. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

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

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **City of Stafford, Kansas** 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 this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

As provided by K.S.A.74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2020.

NOTE 11 – COMPENSATED ABSENCES

Vacation

City of Stafford, Kansas' policy regarding vacation is that a full-time employee is entitled to paid vacation according to the following schedule:

Years of Continuous Employment	0-5	5-10	10-15	15-20	20+
Hours Earned Per Month	8	10	12	14	16
Maximum Hours Accumulation	144	180	216	252	288

Upon termination, an employee shall be compensated for all earned but unused vacation at his/her final rate of pay.

Sick Leave

The City's policy regarding sick leave is that full-time employees, who work at least 17 days out of the month, accumulate sick leave at 8 hours per month, which is cancelled upon the termination of the employee. There is no limit to the accumulation of sick leave.

NOTE 12 – HEALTH REIMBURSEMENT ARRANGEMENT

City of Stafford, Kansas entered into a Health Reimbursement Arrangement (HRA) during 2015. The full-time employee benefit is an HRA as defined by Section 105 of the Internal Revenue Code. The HRA plan is funded solely by the employer. The HRA plan allows for reimbursement of certain out-of-pocket medical and prescription drug costs incurred by the employee, their spouse or their dependents. The maximum allowance per year is \$5,000 for employee only, \$10,000 for employee and spouse, employee and children and employee and family. The amount the City paid in HRA reimbursements was \$15,262 for the year ended December 31, 2020.

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

NOTE 13 – STAFFORD PUBLIC BUILDING COMMISSION

Lease Receivable

Stafford Public Building Commission entered into a separate lease agreement with **City of Stafford, Kansas** for the lease of the swimming pool. The City is obligated to make payments to the Commission equivalent to the debt that the Commission has assumed and to pay its outstanding revenue bond. Total payments receivable are as follows:

<u>Years Ending December 31</u>	<u>Total</u>
2021	\$ 90,100
2022	88,300
2023	86,500
2024	90,465
2025	89,315
2026-2030	440,945
2031-2035	447,550
2036-2040	444,263
2041-2042	<u>174,563</u>
Total	\$ <u>1,952,001</u>

Long-Term Debt

The Commission issued Revenue Bonds, Series 2017 dated October 17, 2017 with an original issue amount of \$1,475,000 for the construction of a swimming pool. The bonds have varying maturities with annual payments. Interest rates range from 2.30-4.75% depending on the maturity date.

NOTE 14 – DEBT RESTRICTIONS AND COVENANTS

Net Operating Revenue Requirements

The Series 2014 Electric and Water Utility System Revenue Bonds require that the City fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the system and produce revenues sufficient to enable the City to have in each year, a debt coverage ratio of not less than 1.25 on all parity bonds and parity obligations at the time outstanding and 1.10 on any subordinate lien bonds. The City was not in compliance with this requirement as of December 31, 2020 as the debt service ratio was as follows:

2014 Series Electric and Water Utility System Revenue Bond

Net Revenues	\$ 72,222
Net Revenues Required	109,255
Debt Ratio (Net Revenues/Net Revenues Required)	.66

The Series 2014 Electric and Water Utility System Revenue Bonds require that the City credit monthly deposits of an equal pro rata portion of the amount of interest coming due in an amount not less than 1/6 of the amount of interest on the next succeeding interest payment date and an amount not less than 1/12 of the amount of principal coming due on the next succeeding maturity date. The City is in compliance as of December 31, 2020 as the funded amount is as follows:

1 st Interest Payment of Two for Next Year	\$ 23,728
Principal Payment for Next Year	60,000

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

Interest Accrual (1/6 of first payment)	\$	3,955
Principal Accrual (1/12 of payment)		<u>5,000</u>
Total Required		8,955
Water and Light Fund		
Unencumbered Cash @ 12-31-20		322,842
Bond Reserve Fund		
Unencumbered Cash @ 12-31-20		<u>128,690</u>
Amount Over Funded	\$	<u>442,577</u>

NOTE 15 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020.

NOTE 16 – CRF AND CARES ACT FUNDING

As a result of COVID-19, the State of Kansas has received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CRF were passed through to the counties of Kansas through Strengthening People and Revitalizing Kansas (SPARK). SPARK’s first round distribution was to local governments in the amount of \$400 million. The City received CRF in the amount of \$86,332 during 2020. The City is encouraged to share the CRF with school districts and local businesses within the City. The CRF are to be used to strengthen health, to allow the economy to reopen safely and to remain open. The goals are to be fair, impactful and timely. Additional information and updates on SPARK, the CARES Act and CRF, which includes audit requirements, can be found at <https://covid.ks.gov/>.

NOTE 17 – LONG-TERM DEBT

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

Revenue Bonds

On March 4, 2014, the City issued \$1,925,000 in Electric and Water Utility System Series 2014 revenue bonds for acquiring, constructing, reconstructing, improving or enlarging the system.

Capital Leases

The City entered a lease agreement with Stafford Public Building Commission on October 17, 2017 in which the City is the lessee. The basic term ends on August 1, 2042.

The terms of the lease provide for basic rent to be paid on each basic rent payment date in an amount sufficient to pay on the next succeeding payment date, the principal of, redemption premium, if any, and interest on the Series 2017 revenue bonds which are due. The basic rent payment dates are February 1

CITY OF STAFFORD, KANSAS

Notes to Financial Statement

December 31, 2020

and August 1, commencing August 1, 2018, and continuing through the basic term of the lease. The lease agreement also provides for the payment of additional rent, in addition to basic rent, in amounts pursuant to the terms of the lease. The City intends that revenues received from a one cent sales tax, approved by the voters of the City on August 15, 2016, and from the operation of the project under the provisions of the lease, will be used to make the City's payments to the Commission under the lease, which payments will in turn, be used to pay debt service on the Series 2017 refunding bonds. To the extent that the payments of basic rent and additional rent are not adequate to provide the Commission with funds sufficient to pay the principal and interest on the bonds as they become due and payable, the City shall be obligated to pay, as additional rent, further sums of money as may be required for such purposes.

<u>Years Ending December 31</u>	<u>Total</u>
2021	\$ 90,100
2022	88,300
2023	86,500
2024	90,465
2025	89,315
2026-2030	440,945
2031-2035	447,550
2036-2040	444,263
2041-2042	<u>174,563</u>
Total	\$ <u>1,952,001</u>

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

CITY OF STAFFORD, KANSAS
Notes to Financial Statement
December 31, 2020

Changes in long-term liabilities for the City for the year ended December 31, 2020, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Capital Leases									
Ford F150	2.85%	05/09/2016	\$ 31,467	05/09/2020	\$ 4,305	-	4,305	-	122
Bobcat	2.85%	03/28/2016	39,839	03/28/2020	8,306	-	8,306	-	240
Public Building Commission - Series 2017	2.30-4.75%	10/17/2017	1,475,000	08/01/2042	1,390,000	-	40,000	1,350,000	47,000
Revenue Bonds									
Electric and Water Utility System Revenue Bonds - Series 2014	2.00-4.55%	03/04/2014	1,925,000	09/01/2037	1,285,000	-	60,000	1,225,000	49,255
Total for City of Stafford					2,687,611	-	112,611	2,575,000	96,617
Stafford Public Building Commission									
Revenue Bonds - Series 2017	2.30-4.75%	10/17/2017	1,475,000	08/01/2042	1,390,000	-	40,000	1,350,000	47,000
Total Contractual Indebtedness					<u>\$ 4,077,611</u>	<u>-</u>	<u>152,611</u>	<u>3,925,000</u>	<u>143,617</u>

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

City	YEAR									Total	
	2021	2022	2023	2024	2025	2026 - 2030	2031 - 2035	2036 - 2040	2041 - 2042		
Principal											
Capital Leases	\$	45,000	45,000	45,000	50,000	50,000	265,000	315,000	370,000	165,000	1,350,000
Revenue Bonds		60,000	65,000	65,000	65,000	70,000	385,000	465,000	50,000	-	1,225,000
Total Principal		105,000	110,000	110,000	115,000	120,000	650,000	780,000	420,000	165,000	2,575,000
Interest											
Capital Leases		45,100	43,300	41,500	40,465	39,315	175,945	132,550	74,263	9,563	602,001
Revenue Bonds		47,455	45,655	43,705	41,755	39,480	157,013	72,001	4,450	-	451,514
Total Interest		92,555	88,955	85,205	82,220	78,795	332,958	204,551	78,713	9,563	1,053,515
Total City Principal and Interest		\$ 197,555	198,955	195,205	197,220	198,795	982,958	984,551	498,713	174,563	3,628,515
Stafford Public Building Commission											
Principal											
Revenue Bonds	\$	45,000	45,000	45,000	50,000	50,000	265,000	315,000	370,000	165,000	1,350,000
Interest											
Revenue Bonds		45,100	43,300	41,500	40,465	39,315	175,945	132,550	74,263	9,563	602,001
Total Stafford Public Building Commission Principal and Interest		\$ 90,100	88,300	86,500	90,465	89,315	440,945	447,550	444,263	174,563	1,952,001

CITY OF STAFFORD, KANSAS

Regulatory-Required Supplementary Information

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

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Types					
General Fund	\$ 918,211	-	918,211	778,490	(139,721)
Special Purpose Funds					
Library Fund	23,200	-	23,200	22,446	(754)
Fire Equipment Reserve Fund	74,213	-	74,213	-	(74,213)
Airport Fund	46,622	-	46,622	4,397	(42,225)
Special Parks and Recreation Fund	1,744	-	1,744	-	(1,744)
Special Highway Fund	26,400	-	26,400	2,280	(24,120)
Capital Improvement Fund	97,751	-	97,751	-	(97,751)
Business Funds					
Ritz Theatre Fund	50,200	-	50,200	9,687	(40,513)
Water and Light Fund	2,187,104	-	2,187,104	1,560,967	(626,137)
Sewer Service Fund	139,530	-	139,530	96,577	(42,953)
Trash Fund	172,451	-	172,451	151,542	(20,909)

CITY OF STAFFORD, KANSAS
General Fund

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2020

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

			Current Year		Variance
	Prior Year Actual		Actual	Budget	Over Under
Receipts					
Taxes and Shared Revenues					
Ad Valorem Property	\$ 246,792		259,241	268,539	(9,298)
Delinquent	18,641		8,404	10,000	(1,596)
Motor Vehicle	49,218		48,496	41,738	6,758
Commercial Motor Vehicle	2,472		2,472	2,676	(204)
Recreational Vehicle	1,254		1,133	1,166	(33)
16/20 M Vehicle	484		491	674	(183)
Local Alcohol Liquor	235		-	243	(243)
County Sales	70,456		70,255	67,000	3,255
Franchise Tax	17,753		15,601	20,000	(4,399)
City Sales Tax	223,957		252,771	260,000	(7,229)
Transient Guest Tax	-		-	2,000	(2,000)
Fines and Forfeitures	3,680		7,611	4,000	3,611
Licenses and Permits	1,675		1,355	1,200	155
Swimming Pool	8,665		6,256	3,000	3,256
Reimbursed Expenses	59,156		36,258	20,000	16,258
Leases and Rentals	7,334		15,574	8,400	7,174
Interest	3,170		2,851	1,200	1,651
Mowing and Other	6,485		3,382	500	2,882
Transfers In	-		95,000	125,000	(30,000)
Neighborhood Revitalization	(21,372)		(21,494)	(21,813)	319
Total Receipts	700,055		805,657	815,523	(9,866)
Expenditures					
General Administrative	56,283		61,307	73,725	(12,418)
Public Safety					
Fire Department	26,446		26,192	33,800	(7,608)
Police Department	221,053		253,137	317,268	(64,131)
Parks and Recreation	15,579		12,711	26,000	(13,289)
Swimming Pool	52,150		38,882	42,000	(3,118)
Public Works	77,130		42,565	88,000	(45,435)
Employee Benefits	41,355		20,392	38,700	(18,308)
Other	26,213		20,533	38,718	(18,185)
Transfers Out	223,957		302,771	260,000	42,771
Total Expenditures	740,166		778,490	918,211	(139,721)
Receipts Over (Under) Expenditures	(40,111)		27,167		
Unencumbered Cash - Beginning	171,676		131,565		
Unencumbered Cash - Ending	\$ 131,565		158,732		

CITY OF STAFFORD, KANSAS
Library Fund

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 17,404	19,768	20,467	(699)
Delinquent	1,443	604	500	104
Motor Vehicle	3,901	3,595	2,944	651
Commercial Motor Vehicle	-	-	189	(189)
Recreational Vehicle	95	80	82	(2)
16/20 M Vehicle	37	37	48	(11)
Cash Reserve	-	-	500	(500)
Neighborhood Revitalization	(1,507)	(1,638)	(1,530)	(108)
Total Receipts	21,373	22,446	<u>23,200</u>	<u>(754)</u>
Expenditures				
Appropriations to Library Board	21,373	22,446	<u>23,200</u>	<u>(754)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

CITY OF STAFFORD, KANSAS
Fire Equipment Reserve Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 4,748	2	-	2
Delinquent	412	176	250	(74)
Motor Vehicle	1,196	981	803	178
Commercial Motor Vehicle	-	-	51	(51)
Recreational Vehicle	29	20	22	(2)
16/20 M Vehicle	16	10	13	(3)
Interest	94	64	50	14
Neighborhood Revitalization	(411)	-	-	-
Total Receipts	6,084	1,253	1,189	64
Expenditures				
Equipment and Maintenance	-	-	74,213	(74,213)
Receipts Over (Under) Expenditures	6,084	1,253		
Unencumbered Cash - Beginning	133,376	139,460		
Unencumbered Cash - Ending	\$ 139,460	140,713		

CITY OF STAFFORD, KANSAS

Airport Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenues				
Delinquent	\$ 14	5	-	5
Sale of Crops and Hangar Rental	4,819	4,754	5,000	(246)
Interest	294	239	50	189
Total Receipts	5,127	4,998	5,050	(52)
Expenditures				
Contractual Services	2,623	2,819	4,000	(1,181)
Commodities	1,462	1,578	2,000	(422)
Capital Outlay	-	-	40,622	(40,622)
Total Expenditures	4,085	4,397	46,622	(42,225)
Receipts Over (Under) Expenditures	1,042	601		
Unencumbered Cash - Beginning	54,896	55,938		
Unencumbered Cash - Ending	\$ 55,938	56,539		

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenues				
Local Alcohol Liquor	\$ 234	-	243	(243)
Expenditures				
Contractual Services	-	-	250	(250)
Commodities	-	-	250	(250)
Capital Outlay	-	-	1,244	(1,244)
Total Expenditures	-	-	1,744	(1,744)
Receipts Over (Under) Expenditures	234	-		
Unencumbered Cash - Beginning	2,219	2,453		
Unencumbered Cash - Ending	\$ 2,453	2,453		

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenues				
State Gasoline Tax	\$ 26,346	24,785	<u>26,400</u>	<u>(1,615)</u>
Expenditures				
Commodities	<u>39,447</u>	<u>2,280</u>	<u>26,400</u>	<u>(24,120)</u>
Receipts Over (Under) Expenditures	(13,101)	22,505		
Unencumbered Cash - Beginning	<u>14,172</u>	<u>1,071</u>		
Unencumbered Cash - Ending	\$ <u>1,071</u>	<u>23,576</u>		

CITY OF STAFFORD, KANSAS
Equipment Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Interest	\$ 1,313	1,224
Transfers In	10,000	-
Total Receipts	11,313	1,224
Expenditures	-	-
Receipts Over (Under) Expenditures	11,313	1,224
Unencumbered Cash - Beginning	41,293	52,606
Unencumbered Cash - Ending	\$ 52,606	53,830

CITY OF STAFFORD, KANSAS
Capital Improvement Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Transfers In	\$ 60,000	50,000	75,000	(25,000)
User Fees	20,271	20,176	22,000	(1,824)
Total Receipts	80,271	70,176	<u>97,000</u>	<u>(26,824)</u>
Expenditures				
Capital Outlay	84,000	-	<u>97,751</u>	<u>(97,751)</u>
Receipts Over (Under) Expenditures	(3,729)	70,176		
Unencumbered Cash - Beginning	4,751	1,022		
Unencumbered Cash - Ending	\$ <u>1,022</u>	<u>71,198</u>		

CITY OF STAFFORD, KANSAS
Community Education Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 3,216	1,351
Expenditures		
Donations	366	317
Contractual Services	219	3,221
Total Expenditures	585	3,538
Receipts Over (Under) Expenditures	2,631	(2,187)
Unencumbered Cash - Beginning	6,654	9,285
Unencumbered Cash - Ending	\$ 9,285	7,098

CITY OF STAFFORD, KANSAS
City Attorney Diversion Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Interest	\$ 5	2
Diversion Fees	300	1,300
Total Receipts	305	1,302
Expenditures		
Miscellaneous	1,000	1,000
Receipts Over (Under) Expenditures	(695)	302
Unencumbered Cash - Beginning	3,123	2,428
Unencumbered Cash - Ending	\$ 2,428	2,730

CITY OF STAFFORD, KANSAS
Swimming Pool Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 111,978	126,386
Expenditures		
Rent to Stafford Public Building Commission - Swimming Pool	88,900	87,000
Receipts Over (Under) Expenditures	23,078	39,386
Unencumbered Cash - Beginning	113,786	136,864
Unencumbered Cash - Ending	\$ 136,864	176,250

CITY OF STAFFORD, KANSAS
SPARKS Federal Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Federal Aid	\$ -	86,332
Expenditures		
Grant Distributions	-	86,332
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

CITY OF STAFFORD, KANSAS
Land Bank M.I.H. Grant Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Reimbursement	\$ -	84,851
Expenditures		
Miscellaneous	-	104,722
Receipts Over (Under) Expenditures	-	(19,871)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(19,871)

CITY OF STAFFORD, KANSAS
Electrical and Streets Improvement Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 111,979	126,385
Expenditures	-	-
Receipts Over (Under) Expenditures	111,979	126,385
Unencumbered Cash - Beginning	322,983	434,962
Unencumbered Cash - Ending	\$ 434,962	561,347

CITY OF STAFFORD, KANSAS
Equipment Reserve Depreciation Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
	<u> </u>	<u> </u>
Receipts	\$ -	-
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	<u>25,000</u>	<u>25,000</u>
Unencumbered Cash - Ending	\$ <u><u>25,000</u></u>	<u><u>25,000</u></u>

CITY OF STAFFORD, KANSAS
Bond Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
	<u> </u>	<u> </u>
Receipts	\$ -	-
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	<u>128,690</u>	<u>128,690</u>
Unencumbered Cash - Ending	\$ <u><u>128,690</u></u>	<u><u>128,690</u></u>

CITY OF STAFFORD, KANSAS
Water Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts	\$ -	-
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	3,566	3,566
Unencumbered Cash - Ending	\$ 3,566	3,566

CITY OF STAFFORD, KANSAS
Power Plant Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts	\$ -	-
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	81,554	81,554
Unencumbered Cash - Ending	\$ 81,554	81,554

CITY OF STAFFORD, KANSAS
Sewer Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 15,000	5,000
Expenditures	-	-
Receipts Over (Under) Expenditures	15,000	5,000
Unencumbered Cash - Beginning	204,365	219,365
Unencumbered Cash - Ending	\$ 219,365	224,365

CITY OF STAFFORD, KANSAS
Ritz Theatre Fund

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sales	\$ 29,308	5,893	35,000	(29,107)
Donations and Miscellaneous	3,500	426	1,000	(574)
Transfers In	14,500	3,500	12,500	(9,000)
Total Receipts	47,308	9,819	48,500	(38,681)
Expenditures				
Salaries and Benefits	16,595	3,445	17,750	(14,305)
Contractual Services	12,622	980	14,250	(13,270)
Commodities	13,174	4,893	12,000	(7,107)
Capital Outlay	4,942	369	6,200	(5,831)
Total Expenditures	47,333	9,687	50,200	(40,513)
Receipts Over (Under) Expenditures	(25)	132		
Unencumbered Cash - Beginning	25	-		
Unencumbered Cash - Ending	\$ -	132		

CITY OF STAFFORD, KANSAS
Water and Light Fund

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sales and Services	\$ 1,492,555	1,371,762	1,660,000	(288,238)
Penalties	16,987	15,199	18,000	(2,801)
Sales Tax	44,746	40,698	45,000	(4,302)
Interest	11,673	9,784	4,000	5,784
Connection Fees	6,555	5,595	5,000	595
Reimbursed Expenses	3,536	1,848	1,000	848
Total Receipts	<u>1,576,052</u>	<u>1,444,886</u>	<u>1,733,000</u>	<u>(288,114)</u>
Expenditures				
Power Plant Production	873,331	793,343	937,500	(144,157)
Transmission and Distribution				
Electric	88,008	141,403	127,000	14,403
Water	70,084	107,912	88,500	19,412
Combined	69,429	46,373	166,255	(119,882)
General Administrative	265,260	231,014	219,750	11,264
Sales and Use Tax	51,431	40,848	62,500	(21,652)
Water Resource Tax	2,021	1,504	2,750	(1,246)
Community Development and Promotion	8,147	10,266	7,500	2,766
Capital Outlay	18,316	64,049	32,031	32,018
Bond Payment	55,000	60,000	60,000	-
Interest Payment	50,355	49,255	49,255	-
Transfers Out	60,000	15,000	434,063	(419,063)
Total Expenditures	<u>1,611,382</u>	<u>1,560,967</u>	<u>2,187,104</u>	<u>(626,137)</u>
Receipts Over (Under) Expenditures	<u>(35,330)</u>	<u>(116,081)</u>		
Unencumbered Cash - Beginning	<u>474,253</u>	<u>438,923</u>		
Unencumbered Cash - Ending	<u>\$ 438,923</u>	<u>322,842</u>		

CITY OF STAFFORD, KANSAS
Sewer Service Fund

Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
User Fees	\$ 98,556	98,344	100,000	(1,656)
Interest	1,519	1,311	100	1,211
Other	-	50	600	(550)
Total Receipts	100,075	99,705	100,700	(995)
Expenditures				
Contractual Services	3	121	1,000	(879)
Commodities	8,807	16,456	30,000	(13,544)
Capital Outlay	-	-	13,530	(13,530)
Sewer Improvements	-	-	5,000	(5,000)
Transfers Out	37,000	80,000	90,000	(10,000)
Total Expenditures	45,810	96,577	139,530	(42,953)
Receipts Over (Under) Expenditures	54,265	3,128		
Unencumbered Cash - Beginning	56,880	111,145		
Unencumbered Cash - Ending	\$ 111,145	114,273		

CITY OF STAFFORD, KANSAS
Trash Fund

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2020

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Trash Service Collections	\$ 146,367	145,978	150,000	(4,022)
Expenditures				
Contractual Services	133,363	143,042	164,951	(21,909)
Transfers Out	2,500	8,500	7,500	1,000
Total Expenditures	135,863	151,542	172,451	(20,909)
Receipts Over (Under) Expenditures	10,504	(5,564)		
Unencumbered Cash - Beginning	34,951	45,455		
Unencumbered Cash - Ending	\$ 45,455	39,891		

CITY OF STAFFORD, KANSAS
Stafford Public Building Commission - Swimming Pool Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year Actual
Receipts		
Rent from City of Stafford	\$ 88,900	87,000
Expenditures		
Principal and Interest Payment	88,900	87,000
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

CITY OF STAFFORD, KANSAS
Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2020

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Stafford Bucks	\$ -	1,271	1,257	14

APPENDIX D

SUMMARY OF FINANCING DOCUMENTS

APPENDIX D

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions and covenants contained in the Ordinance and Bond Resolution authorizing the Series 2022 Bonds. Such summary does not purport to be complete and is qualified in its entirety by reference to the foregoing documents.

THE BOND RESOLUTION

DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the following meanings:

“Act” means the Constitution and statutes of the State including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 10-427 *et seq.*, and K.S.A. 10-1211, all as amended and supplemented from time to time.

“Additional Bonds” means any bonds secured by the Revenues hereafter issued pursuant to the Bond Resolution.

“Additional Obligations” means any leases or other obligations of the Issuer payable from the Revenues, other than the Bonds.

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

“Balloon Indebtedness” means Long-Term Indebtedness, 25% or more of the original principal amount of which becomes due (either by maturity or mandatory redemption) during any consecutive twelve-month period, if such principal amount becoming due is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period.

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

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

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

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

“Bond Registrar” means: (a) with respect to the Series 2022 Bonds, the State Treasurer, and its successors and assigns; and (b) with respect to Additional Bonds, the entity designated as Bond Registrar in the supplemental resolution authorizing such Additional Bonds.

“Bond Resolution” means collectively the Series 2022 Resolution and any Supplemental Resolution authorizing any Additional Bonds.

“Bonds” means collectively the Series 2022 Bonds and any Additional Bonds.

“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 Stafford, 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 by the United States Department of the Treasury or applicable thereto.

“Consultant” means the Consulting Engineer, the Independent Accountant selected by the City for the purpose of carrying out the duties imposed on the Consultant by the Bond Resolution.

“Consulting Engineer” means an independent engineer or engineering firm or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public utilities, 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 any series of Bonds, including 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 financial ratings on any series of Bonds, and any premiums or expenses incurred in obtaining any credit enhancement.

“Costs of Issuance Account” means the Costs of Issuance Account for General Obligation Electric and Water Utility System Refunding Revenue Bonds, Series 2022.

“Debt Service Account” means the Debt Service Account for General Obligation Electric and Water Utility System Refunding Revenue Bonds, Series 2022.

“Debt Service Coverage Ratio” means, for any Fiscal Year: (a) with respect to the rate covenants, the ratio determined by dividing (i) a numerator equal to the Net Revenues for such Fiscal Year by (ii) a denominator equal to the Debt Service Requirements for such Fiscal Year; and (b) with respect to Additional Bonds and Additional Obligations, the ratio determined by dividing (i) a numerator equal to the Net Revenues for such Fiscal Year by (ii) a denominator equal to the average annual Debt Service Requirements on all System Indebtedness that does not constitute Subordinate Lien Bonds.

“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.

“Debt Service Reserve Account” means the Debt Service Reserve Account for Electric and Water Utility System Parity Bonds

“Debt Service Reserve Requirement” means the amount equal to the least of: (a) the aggregate of 10% of the original stated principal amount of each Series of Parity Bonds, (b) the Maximum Annual Debt Service Requirements for all Parity Bonds during any Fiscal Year, or (c) 125% of the average annual Debt Service Requirements for all Parity Bonds over the term of the Bonds and all Parity Bonds. If the aggregate initial offering price of any series of Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in clause (a) in lieu of the stated principal amount. When calculating the Debt Service Reserve Requirement in conjunction with the issuance of the Bonds issued to refund Parity Bonds, the principal amount of the refunded bonds shall be deducted from said calculations.

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

“Defeasance Obligations” means any of the following obligations:

- (a) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or
- (b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

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

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

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

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

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

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

“Depreciation and Replacement Account” means the Electric and Water Utility System Depreciation and Replacement Account.

“Depreciation and Replacement Requirement” means an amount equal to \$25,000.

“Disclosure Undertaking” means the Continuing Disclosure Undertaking dated as of the Issue Date of any series of Bonds relating to certain obligations contained in the SEC Rule.

“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.

“Discount Indebtedness” means Long-Term Indebtedness that is originally sold at a price (excluding accrued interest, but without deduction of any underwriters' discount) of less than 75% of the maturity amount including the amount of principal and interest to accrete at maturity of such Long-Term Indebtedness.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns, including any successor securities depository duly appointed.

“Escrow Instruction Letter” means the Escrow Instruction Letter, dated as of «F_Dated_Date_», between the Issuer and the State Treasurer.

“Escrowed Securities” means the direct, noncallable obligations of the United States of America, as described in the Escrow Instruction Letter.

“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; or

(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 for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) Any substantial part of the System shall be destroyed or damaged to the extent of impairing its efficient operation or adversely affecting its Net Revenues and the Issuer shall not within a reasonable time commence the repair, replacement or reconstruction thereof and proceed thereafter to complete with reasonable dispatch the repair, replacement or reconstruction thereof; or

(e) Final judgment for the payment of money shall be rendered against the Issuer as a result of the ownership, control or operation of the System and any such judgment shall not be discharged within one hundred twenty (120) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(f) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the System or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Issuer, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(g) Any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Net Revenues; or

(h) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure) 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; or

(i) A monetary default shall have occurred on any System Indebtedness.

“Expenses” means all reasonable and necessary expenses of operation, maintenance and repair of the System and keeping the System in good repair and working order (other than interest paid on System Indebtedness and depreciation and amortization charges during the period of determination), determined in accordance with generally accepted accounting principles, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, paying agent fees and expenses, annual audits, periodic Consultant's reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, for System operation, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular Fiscal Year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the System, but shall exclude all general administrative expenses of the Issuer not related to the operation of the System and transfers into the Debt Service Reserve Account and Depreciation and Replacement Account provided for in the Bond Resolution.

“Federal Tax Certificate” means the Issuer's Federal Tax Certificate 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 pursuant to 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.

“Index Rate” means the rate of interest set forth in *The Bond Buyer* Revenue Bond Index (or, in the event that *The Bond Buyer* does not compile such index or ceases publication, another comparable publication recognized in the municipal bond market) published for the week immediately preceding the date of determination.

“Interest Payment Date(s)” means: (a) with respect to the Series 2022 Bonds, the Stated Maturity of an installment of interest on the Series 2022 Bonds which shall be March 1 and September 1 of each year, commencing September 1, 2023; and (b) with respect to Additional Bonds, the Stated Maturity of an installment of interest on such Additional Bonds, as set forth in the supplemental resolution authorizing such Additional Bonds.

“Interim Indebtedness” means System Indebtedness having a term not less than one year, and not in excess of five years, incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

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

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

“Junior Lien Obligations” means any Additional Bonds or Additional Obligations payable from, and secured by a lien on the Revenues, which lien is junior to that of any Parity Bonds, but senior to that of the Subordinate Lien Bonds.

“Long-Term Indebtedness” means System Indebtedness having an original stated maturity or term greater than one year, or renewable or extendible at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof.

“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 herein provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Maximum Annual Debt Service” means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year; provided that the Debt Service Requirements in the final Stated Maturity of any series of Bonds shall be reduced by the value of cash and Permitted Investments on deposit in the Debt Service Reserve Account, so long as the Debt Service Reserve Account is maintained at the Debt Service Reserve Requirement.

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

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

“Net Revenues” means, for the period of determination, all Revenues less all Expenses.

“Official Statement” means Issuer's Official Statement relating to the Series 2022 Bonds.

“Operation and Maintenance Account” means the Electric and Water Utility System Operation and Maintenance Account.

“Ordinance” means the Ordinance of the Issuer authorizing the issuance of the Series 2022 Bonds, as amended from time to time.

“Outstanding” means, when used with reference to 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 pursuant to the Bond Resolution;
- (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 under the Bond Resolution.

“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.

“Parity Bonds” means any Additional Bonds hereafter issued pursuant to the Bond Resolution which constitute Parity Bonds.

“Parity Obligations” means any Additional Obligations hereafter issued or incurred pursuant to the Bond Resolution and standing on a parity and equality with the Parity Bonds with respect to the lien on the Net Revenues.

“Parity Resolution” means the ordinances and/or resolutions under which any Additional Bonds which constitute Parity Bonds are hereafter issued.

“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: (a) with respect to the Series 2022 Bonds, the State Treasurer, and its successors and assigns; and (b) with respect to Additional Bonds, the entity designated as Paying Agent in the supplemental resolution authorizing such Additional Bonds.

“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; (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); or (m) other investment obligations authorized by the laws of the State, 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 any series of Bonds.

“Put Indebtedness” means Long-Term Indebtedness which is (a) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, at the option of the holder thereof, prior to its stated maturity date, or (b) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, other than at the option of the holder, prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, or other than by reason of acceleration upon the occurrence of an Event of Default under the Bond Resolution.

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

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

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

“Redemption Fund” means the Redemption Fund for Refunded Bonds.

“Redemption Price” when used with respect to any Bond to be redeemed means 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 2014 Bonds maturing in the years 2023 to 2037, inclusive, in the aggregate principal amount of \$1,165,000.

“Refunded Bonds Paying Agent” means the respective 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 for any of the Refunded Bonds.

“Refunded Bonds Redemption Date” means September 1, 2022

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

“Refunding Bonds” means System Indebtedness issued for the purpose of refunding any Outstanding System Indebtedness.

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

“Revenue Fund” means the Electric and Water Utility System Revenue Fund.

“Revenues” means all income and revenues derived and collected by the Issuer from the operation and ownership of the System, including investment and rental income, net proceeds from business interruption insurance, transfers from the Surplus Account to the Revenue Fund of Net Revenues derived in a prior Fiscal Year and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on System Indebtedness, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

“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.

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

“Series 2014 Bonds” means the Issuer's Electric and Water Utility System Revenue Bonds, Series 2014, Dated March 1, 2014.

“Series 2022 Bonds” means the Issuer's General Obligation Electric and Water Utility System Refunding Revenue Bonds, Series 2022, authorized and issued by the Issuer pursuant to the Ordinance and the Bond Resolution

[**“Series 2022 Term Bonds”** means collectively the Series 2022 - ____ Term Bonds, The Series 2022 - ____ Term Bonds, the Series 2022 - ____ Term Bonds and the Series 2022 - ____ Term Bonds.]

“Series 2022 Resolution” means jointly the Issuer's Ordinance and Resolution authorizing the Series 2022 Bonds.

“Short-Term Indebtedness” means System Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.

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

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

“State” means the state of Kansas.

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

“Stated Maturity” when used with respect to any 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.

“Subordinate Lien Bonds” means the Series 2022 Bonds and any Additional Bonds or Additional Obligations payable from the Revenues on a subordinate lien basis to any Parity Bonds Junior Lien Obligations which constitute general obligations of the Issuer.

“Supplemental Resolution” means any resolution adopted by the governing body of the Issuer pursuant to the terms of the Bond Resolution that authorizes Additional Bonds.

“Surplus Account” means the Electric and Water Utility System Surplus Account created pursuant to the Bond Resolution.

“System” means collectively: (a) the electric generating plants and all appurtenances thereto, the electric distribution system, and the electric street lighting system, now serving the Issuer and its inhabitants and others, together with all extensions and improvements thereto hereafter made or acquired by the Issuer; and (b) the entire combined waterworks plant and system and sewerage plant and system owned and operated by the Issuer for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the Issuer and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the Issuer.

“System Indebtedness” means collectively the Bonds and any Additional Obligations which are payable out of, or secured by an interest in, the income and Revenues derived from the operation of the System.

“Term Bonds” means any Bonds designated as Term Bonds in the Bond Resolution or in any supplemental resolution authorizing the issuance of Additional Bonds.

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

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

“Variable Rate Indebtedness” means any System Indebtedness which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such System Indebtedness.

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

Creation of Funds and Accounts. The Bond Resolution establishes or ratifies within the treasury of the City the following Funds and Accounts:

- (a) Redemption Fund for Refunded Bonds
- (b) Costs of Issuance Account for Series 2022 Bonds
- (c) Debt Service Account for Series 2022 Bonds
- (d) Electric and Water Utility System Revenue Fund.
- (e) Electric and Water Utility System Surplus Account.
- (f) Electric and Water Utility System Operation and Maintenance Account.
- (g) Electric and Water Utility System Depreciation and Replacement Account.
- (h) Debt Service Reserve Account for Electric and Water Utility System Parity Bonds.

The above Funds and Accounts established herein shall be administered in accordance with the provisions of the Bond Resolution so long as the Series 2022 Bonds are Outstanding.

Deposit of Series 2022 Bond Proceeds and Other Moneys. The net proceeds received from the sale of the Series 2022 Bonds and certain other moneys shall be deposited simultaneously with the delivery of the Series 2022 Bonds as follows:

- (a) A sum sufficient to pay Costs of Issuance shall be deposited in the Costs of Issuance Account.

(b) The remaining balance of the proceeds derived from the sale of the Series 2022 Bonds, together with moneys provided by the Issuer in accordance with subsection (c) hereof, shall be transferred to the Redemption Fund.

(c) Simultaneously with the issuance of the Series 2022 Bonds, the Issuer shall transfer available funds from the Debt Service Reserve Account to the Redemption Fund.

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 Series 2022 Bonds, shall be transferred to the Debt Service Account for the Series 2022 Bonds.

Application of Moneys in the Redemption Fund. Moneys and Escrowed Securities 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 in accordance with the provisions of the Escrow Instruction Letter. The Mayor and Clerk are authorized to execute the Escrow Instruction Letter on behalf of the Issuer. 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.

COLLECTION AND APPLICATION OF REVENUES

Revenue Fund. The Issuer covenants and agrees that from and after the delivery of the Series 2022 Bonds, and continuing as long as any of the Bonds remain Outstanding, all of the Revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, Funds and Accounts of the Issuer and shall not be commingled with any other moneys, revenues, Funds and Accounts of the Issuer. On the first day of each month the Issuer shall administer and allocate all of the moneys then held in the Revenue Fund as follows:

(a) ***Operation and Maintenance Account.*** There shall first be paid and credited to the Operation and Maintenance Account an amount sufficient to pay the estimated cost of operating and maintaining the System during the ensuing month. All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the Issuer solely for the purpose of paying the Expenses of the System.

Parity Resolutions. The following transfers shall be made on a parity of lien basis with the transfers and requirements of the Parity Resolutions.

(b) ***Debt Service Accounts-Parity Bonds and Parity Obligations.*** There shall next be paid and credited monthly to the debt service account(s) for any Parity Bonds or Parity Obligations, to the extent necessary to meet on each Bond Payment Date an amount equal to the payment of all interest on and principal of any Parity Bonds or Parity Obligations. The amounts required to be paid and credited to the debt service account(s) for any Parity Bonds or Parity Obligations shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Parity Bonds and Parity Obligations under the provisions of the Parity Resolution(s).

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the debt service accounts established to pay the principal of and interest on any Parity Bonds or Parity Obligations, the available moneys in the Revenue Fund shall be divided among such debt service accounts in proportion to the respective principal amounts of said series of Parity Bonds and Parity Obligations at the time Outstanding which are payable from the moneys in said debt service accounts.

(c) ***Debt Service Reserve Account.*** The Debt Service Reserve Account shall be applicable only to the Parity Bonds. Except as hereinafter provided, all amounts paid and credited to the Debt Service Reserve Account shall be expended and used by the Issuer solely to prevent any default in the payment of interest on or principal of the Parity Bonds on any Maturity date or Interest Payment Date if the moneys in the respective debt service accounts are insufficient to pay the Debt Service Requirements of said Parity Bonds as they become due. So long as the Debt Service Reserve Account aggregates the Debt Service Reserve Requirement, no further payments into said Account shall be required, but if the Issuer is ever required to expend and use a part of the moneys in said Account for the purpose herein authorized and such expenditure reduces the amount of the Debt Service Reserve Account below the Debt Service Reserve Requirement, or if the valuation of the Debt Service Reserve Account establishes that the value of the Debt

Service Reserve Account is below the Debt Service Reserve Requirement, the Issuer shall transfer all available Revenues after providing for the transfers set forth above into the Debt Service Reserve Account until the Debt Service Reserve Account shall again aggregate the Debt Service Reserve Requirement.

Moneys in the Debt Service Reserve Account may be used to call the Parity Bonds for redemption and payment prior to their Stated Maturity or may be used to pay and retire the Parity Bonds and interest thereon; provided that after such redemption or payment there shall remain in the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Any amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred to the Debt Service Account.

(d) ***Debt Service Accounts-Junior Lien Obligations.*** There shall next be paid and credited monthly to the debt service account(s) for any Junior Lien Obligations, to the extent necessary to meet on each Bond Payment Date an amount equal to the payment of all interest on and principal of any Junior Lien Obligations. The amounts required to be paid and credited to the debt service account(s) for any Junior Lien Obligations shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Junior Lien Obligations.

(e) ***Debt Service Accounts-Subordinate Lien Bonds.*** There shall next be paid and credited monthly to the debt service account(s) for any Subordinate Lien Bonds, to the extent necessary to meet on each Bond Payment Date an amount equal to the payment of all interest on and principal of any Subordinate Lien Bonds. The amounts required to be paid and credited to the debt service account(s) for any Subordinate Lien Bonds shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Subordinate Lien Bonds.

(f) ***Depreciation and Replacement Account.*** So long as any Parity Bonds are outstanding, the Issuer shall provide that the Depreciation and Replacement Account shall contain an amount equal to the Depreciation and Replacement Requirement. Except as hereinafter provided, moneys in the Depreciation and Replacement Account shall be expended and used by the Issuer, if no other funds are available therefor, solely for the purpose of making emergency replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof. After the Depreciation and Replacement Account aggregates the Depreciation and Replacement Requirement, no further payments into the Depreciation and Replacement Account shall be required, but if the Issuer is ever required to expend a part of the moneys in the Depreciation and Replacement Account for its authorized purposes and such expenditure reduces the amount of the Depreciation and Replacement Account below the Depreciation and Replacement Requirement, then the Issuer shall make not less than equal monthly payments into the Depreciation and Replacement Account until the Depreciation and Replacement Account again aggregates the Depreciation and Replacement Requirement within 36 months. Any amounts in the Depreciation and Replacement Account in excess of the Depreciation and Replacement Requirement may remain in the Depreciation and Replacement Account or be transferred by the Issuer to any other Funds and Accounts.

(g) ***Surplus Account.*** After all payments and credits required at the time to be made under the provisions of the preceding subsections have been made, all moneys remaining in the Revenue Fund shall be paid and credited to the Surplus Account. Moneys in the Surplus Account may be expended and used for the following purposes as determined by the governing body of the Issuer:

- (1) Paying the cost of the operation, maintenance and repair of the System to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Account under the provisions of paragraph (a) of this Section.
- (2) Paying the cost of extending, enlarging or improving the System.
- (3) Preventing default in, anticipating payments into or increasing the amounts in the Debt Service Account, any debt service account for Parity Bonds or Parity Obligations, or the Depreciation and Replacement Account referred to in this Section, or any one of them, or establishing or increasing the amount of any debt service account or debt service reserve account created by the Issuer for the payment of any Parity Bonds or Parity Obligations.
- (4) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the Issuer, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), any Bonds, including principal, interest and redemption premium, if any.

- (5) Any other lawful purpose in connection with the operation of the System and benefiting the System.
- (6) To make transfers to the Revenue Fund.
- (7) To make lawful transfers to any fund of the Issuer.

(h) **Deficiency of Payments into Funds and Accounts.** If at any time the Revenues are insufficient to make any payment on the date or dates hereinbefore specified, the Issuer will make good the amount of such deficiency by making additional payments or credits out of the first available Revenues, such payments and credits being made and applied in the order hereinbefore specified in this Section.

Transfer of Funds to Paying Agent. The Treasurer of the Issuer shall withdraw from the Debt Service Account, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any Bond Payment Date, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date.

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.

Nonpresentment of Bonds. If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within six 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.

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank or banks or federal or state chartered savings and loan association(s) with offices located in the county or counties in which the Issuer is located, which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law. All such deposits shall be invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

Investments. Moneys held in any Fund or Account may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account. All earnings on investments held in the Debt Service Reserve Account shall accrue to and become a part of the Debt Service Reserve Account until the amount on deposit in the Debt Service Reserve Account shall aggregate the Debt Service Reserve Requirement; thereafter, all such earnings shall be credited to the Debt Service Account and any debt service account for Parity Bonds or Parity Obligations on a prorata basis. All earnings on investments held in the Depreciation and Replacement Account shall accrue to and become a part of the Depreciation and Replacement Account until the amount on deposit in the Depreciation and Replacement Account shall aggregate the Depreciation and Replacement Requirement; thereafter, all such earnings may be credited to the Revenue Fund.

Valuation of Investments. The Value of any Fund or Account shall be determined as of the final Stated Maturity of each Fiscal Year that the Bonds remain Outstanding. In determining the amount held in any Fund or Account, Permitted Investments shall be valued at their market value. Such valuation shall be made as of the final Stated Maturity of principal of any Fiscal Year that the Bonds remain Outstanding and may be made in conjunction with redemption of any Bonds.

GENERAL COVENANTS AND PROVISIONS

Efficient and Economical Operation. The Issuer will continuously own and will operate the System as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order.

Rate Covenant. The Issuer, in accordance with and subject to applicable legal requirements, will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce Revenues sufficient to: (a) pay the Expenses; (b) pay the Debt Service Requirements on the Bonds as and when the same become due at the Maturity thereof or on any Interest Payment Date; (c) enable the Issuer to have in each Fiscal Year, a Debt Service Coverage Ratio of not less than 1.25 on all Parity Bonds and Parity Obligations at the time Outstanding; 1.10 on any Junior Lien Obligations at the time Outstanding; and 1.00 on all Subordinate Lien Bonds at the time Outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in the Bond Resolution. The Issuer will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. The Issuer will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues will be sufficient to cover the obligations under the provisions of the Bond Resolution. If in any Fiscal Year, Net Revenues are an amount less than as hereinbefore provided, the Issuer will immediately employ a Consultant to make recommendations with respect to such rates and charges. The Issuer shall, to the extent feasible, follow the recommendations of the Consultant.

Restrictions on Mortgage or Sale of System. The Issuer will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the Issuer may dispose of certain assets in accordance with the Bond Resolution.

Insurance. The Issuer will carry and maintain insurance with respect to the System and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated; provided the amount of such liability insurance shall be in amounts not less than the then maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the State's tort claims act or other similar future law (currently \$500,000 per occurrence). The Issuer may elect to be self-insured for all or any part of the foregoing requirements if (a) the Issuer annually obtains a written evaluation with respect to such self-insurance program from an Insurance Consultant, (b) the evaluation is to the effect that the self-insurance program is actuarially sound, (c) unless the evaluation states that such reserves are not necessary, the Issuer deposits and maintains adequate reserves for the self-insurance program with a corporate trustee, who may also be the Paying Agent, and (d) in the case of workers' compensation, adequate reserves created by the Issuer for such self-insurance program are deposited and maintained in such amount and manner as are acceptable to the State.

Books, Records and Accounts. The Issuer will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the Issuer) in which complete and correct entries will be made of all dealings and transactions of or in relation to the System. Such accounts shall show the amount of Revenues received from the System, the application of such Revenues, and all financial transactions in connection therewith.

Annual Budget. Prior to the commencement of each Fiscal Year, the Issuer will cause to be prepared and filed with the Clerk a budget setting forth the estimated receipts and expenditures of the System for the next succeeding Fiscal Year. Said annual budget shall be prepared in accordance with the requirements of the laws of the State and shall contain all information that is required by such laws.

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements System for the preceding Fiscal Year by an Independent Accountant to be employed for that purpose and paid from the Revenues. Said annual audit shall cover in reasonable detail the operation of the System during such Fiscal Year. As soon as possible after the completion of the annual audit, the governing body of the Issuer shall review the report of such audit, and if the audit report discloses that proper provision has not been made for all of the requirements of the Bond Resolution and the Act, the Issuer will promptly cure such deficiency and will promptly proceed to modify the rates and charges to be charged for the use and services furnished by the System or take such other action as may be necessary to adequately provide for such requirements.

Right of Inspection. The Purchaser of the Bonds and any Owner or Owners of 10% of the principal amount of the Bonds then Outstanding shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto, and shall

be furnished all such information concerning the System and the operation thereof which the Purchaser or such Owner or Owners may reasonably request.

Report on System Condition. The Issuer shall annually cause a qualified employee of the Issuer to make an examination of and report on the condition and operations of the System. Upon request of the Purchaser, but in no event more often than every five years such examination and report shall be made by the Consulting Engineer.

ADDITIONAL BONDS AND OBLIGATIONS

Senior Lien Bonds. So long as any of the Parity Bonds remain Outstanding, the Issuer will not issue any System Indebtedness payable out of the Revenues of the System or any part thereof which are superior to the Parity Bonds.

Parity Bonds and Parity Obligations. The Issuer will not issue any System Indebtedness which stands on a parity or equality of lien against the Net Revenues with the Parity Bonds unless the following conditions are met:

(a) The Issuer shall not be in default in the payment of principal of or interest on any Parity Bonds or Parity Obligations at the time Outstanding or in making any payment at the time required to be made into the respective Funds and Accounts created by and referred to in the Bond Resolution or any Parity Resolution (unless such System Indebtedness is being issued to provide funds to cure such default) nor shall any other Event of Default have occurred and be continuing;

(b) The Issuer shall deliver the following:

(1) *Long-Term Indebtedness.* A certificate signed by the Issuer evidencing *either* of the following:

(i) The Debt Service Coverage Ratio for the Fiscal Year immediately preceding the issuance of such System Indebtedness, as reflected by information provided by the Independent Accountant, shall be not less than 1.25, including the System Indebtedness proposed to be issued. In the event that the Issuer has instituted any increase in rates for the use and services of the System and such increase shall not have been in effect during the full Fiscal Year immediately preceding the issuance of such proposed System Indebtedness, the additional Net Revenues which would have resulted from the operation of the System during said preceding Fiscal Year had such rate increase been in effect for the entire period may be added to the stated Net Revenues for the calculation of the Debt Service Coverage Ratio, provided that such estimated additional Net Revenues shall be determined by a Consultant.

(ii) The estimated Debt Service Coverage Ratio (as determined by a Consultant), for the Fiscal Year immediately following the Fiscal Year in which the project, the cost of which is being financed by such System Indebtedness, is to be in commercial operation, shall be not less than 1.25, including the System Indebtedness proposed to be issued. In the event that the Issuer anticipates additional Revenues as a result of expansion or modification of the System by such System Indebtedness, the Issuer may adjust the estimated Net Revenues in determining the Debt Service Coverage Ratio, by adding thereto any estimated increase in Net Revenues resulting from any increase in Revenues for the use and services of the System, which, in the opinion of the Consultant, are reasonable based on projected operations of the System for such Fiscal Year.

(2) *Short-Term Indebtedness.* A certificate signed by the Issuer evidencing *any one* of the following:

(i) The principal amount of all Outstanding Short-Term Indebtedness does not exceed 15% of the Revenues for the most recently ended Fiscal Year for which financial information is available from the Independent Accountant;

(ii) The Short-Term Indebtedness could be incurred assuming it was Long-Term Indebtedness.

(iii) There is delivered to the Issuer a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Issuer will be able to refinance such Short-Term Indebtedness prior to its Stated Maturity and the conditions are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Short-Term Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual

debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(3) *Interim Indebtedness.* A certificate signed by the Issuer evidencing any *either* of the following:

(i) The Interim Indebtedness could be incurred assuming it was Long-Term Indebtedness.

(ii) There is delivered to the Issuer a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Issuer will be able to refinance such Interim Indebtedness prior to its Stated Maturity and the conditions are met with respect to such Interim Indebtedness when it is assumed that such Interim Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Interim Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(c) When the issuance of System Indebtedness of equal stature and priority is permitted by the Statutes of the State.

(d) With respect to the issuance of Additional Bonds, an additional deposit to the Debt Service Reserve Account shall be made to bring the Debt Service Reserve Account to an amount equal to the Debt Service Reserve Requirement.

(e) The ordinance and/or resolution authorizing such System Indebtedness shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in the Bond Resolution.

Notwithstanding the foregoing restrictions, additional System Indebtedness may be issued if it is necessary: (1) in the opinion of the Consulting Engineer to do so to repair the System if damaged or destroyed by disaster to such extent necessary to keep it in good operating condition; or (2) in the opinion of the Issuer's legal counsel to remedy any deficiency of the System relating to environmental pollution matters or to comply with the requirements of any governmental agency having jurisdiction over the Issuer with respect thereto.

Additional System Indebtedness issued under the conditions hereinbefore set forth shall stand on a parity with the Parity Bonds and Parity Obligations and shall enjoy complete equality or lien on and claim against the Net Revenues, and the Issuer may make equal provision for paying the Debt Service Requirements on such System Indebtedness out of the Revenue Fund and may likewise provide for the creation of reasonable debt service accounts and debt service reserve accounts for the payment of the Debt Service Requirements on such System Indebtedness and the interest thereon out of moneys in the Revenue Fund.

Junior Lien Obligations. Nothing shall prohibit or restrict the right of the Issuer to issue Junior Lien Obligations for any lawful purpose in connection with the operation of and benefiting the System and to provide that the Debt Service Requirements on such Junior Lien Obligations shall be payable out of the Net Revenues, provided at the time of the issuance of such Junior Lien Obligations the Issuer is not in default in the performance of any covenant or agreement contained in the Bond Resolution (unless such System Indebtedness shall be issued to cure such default and shall be junior and subordinate to the Parity Bonds and Parity Obligations) so that if at any time the Issuer shall be in default in paying either interest on or principal of the Parity Bonds or Parity Obligations, or of the Issuer is in default in making debt service, operation and maintenance or debt service reserve deposits or payments required to be made by it under the Bond Resolution, the Issuer shall make no payments of either principal of or interest on said Junior Lien Obligations until said default or defaults be cured.

Subordinate Lien Bonds. Nothing shall prohibit or restrict the right of the Issuer to issue Subordinate Lien Bonds for any lawful purpose in connection with the operation of and benefiting the System and to provide that the Debt Service Requirements on such Subordinate Lien Bonds shall be payable out of the Net Revenues, provided at the time of the issuance of such Subordinate Lien Bonds the Issuer is not in default in the performance of any covenant or agreement contained in the Bond Resolution (unless such System Indebtedness shall be issued to cure such default and shall be junior and subordinate to the Parity Bonds, Parity Obligations and Junior Lien Obligations) so that if at any time the Issuer shall be in default in paying either interest on or principal of the Parity Bonds, Parity Obligations and Junior Lien Bonds, or of the Issuer is in default in making debt service, operation and maintenance or debt service reserve deposits or payments required to be made by it under the Bond Resolution, the Issuer shall make no payments of either principal of or interest on said Subordinate Lien Bonds until said default or defaults be cured. Such Subordinate Lien Bonds may also constitute general obligations of the Issuer.

Refunding Bonds. The Issuer shall have the right, without complying with the provisions relating to Parity Bonds above, to refund any System Indebtedness under the provisions of any law then available, and the Refunding Bonds so issued shall enjoy complete equality of pledge as did the System Indebtedness being refunded; provided, however, that if only a portion of any series of System Indebtedness is refunded and if said System Indebtedness is refunded in such manner that the Refunding Bonds bear a higher average rate of interest or become due on a date earlier than that of the System Indebtedness which is refunded, then said System Indebtedness may be refunded without complying with the provisions relating to Parity Bonds and Parity Obligations above only by and with the written consent of the Owners of a majority in principal amount of the System Indebtedness that is not refunded; provided that such consent is not needed from Owners of Junior Lien Obligations or Subordinate Lien Bonds, nor is such consent needed if the System Indebtedness to be refunded constitutes Junior Lien Obligations or Subordinate Lien Bonds.

CALCULATION OF DEBT SERVICE REQUIREMENTS

(a) *Debt Service Requirements on Balloon, Put, Short-Term and Interim Indebtedness.*

(1) The principal of Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness, or Interim Indebtedness shall be deemed due and payable at its Stated Maturity; provided, however, that at the election of the Authority for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal deemed payable on Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness, or Interim Indebtedness, shall be deemed to be payable as set forth below:

(A) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(B) If the Issuer has entered into a binding agreement providing for the deposit by the Issuer with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, when due from the sums so deposited and investment earnings realized thereon, then the principal amount of the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(C) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, other than those referred to in subsections (A) and (B) above, which a Consultant in a certificate filed with the Issuer determines, taking into account the interests of the Owners of System Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(D) Such Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness may be deemed to be System Indebtedness which, at the date of its original incurrence, was payable over a term not to exceed twenty (20) years in equal annual installments of principal and interest at the Index Rate.

A Consultant shall deliver to the Issuer a certificate stating that it is reasonable to assume that installment obligations of such term of the Issuer can be incurred and stating the interest rate then applicable to installment obligations of such term of comparable quality. Interim Indebtedness may be deemed to be Indebtedness which, at the date of its original incurrence, would meet the conditions specified in the statement of the Consultant; provided that the Consultant shall for each annual period that the Debt Service Requirement is computed, provide a supplemental statement that at such period, the certifications contained in the statement are reasonable.

(2) Interest that is payable prior to the Stated Maturity of any Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness shall be taken into account for such appropriate period in computation of Debt Service Requirements. Interest payable at maturity or early redemption on Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may either be amortized over the anticipated maturity or such longer period as is permitted or may be treated as principal payable on the principal maturity date of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness.

(3) In measuring compliance with the applicable tests hereunder in connection with incurring Put Indebtedness and generally for purposes of determining the Debt Service Requirements relating thereto, Put Indebtedness shall be deemed to mature based upon the actual amortization requirements for the Put Indebtedness, only to the extent that the Issuer has a commitment to refinance such Put Indebtedness.

(b) **Debt Service Requirements on Discount Indebtedness.** At the election of the Issuer for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal and interest deemed payable on Discount Indebtedness shall be deemed to be payable as set forth below:

(1) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Discount Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Discount Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(2) If the Issuer has entered into a binding agreement providing for the deposit with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Discount Indebtedness, or a portion thereof, and providing for the payment of such principal amount when due from the sums so deposited, and investment earnings realized thereon, then the Discount Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(3) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Discount Indebtedness, other than those referred to in subsections (1) and (2) above, which a Consultant in a certificate filed with the Issuer determines, taking into account the interests of the holders of System Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Discount Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(4) As of any time the maturity amount represented by Discount Indebtedness shall be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

(c) **Debt Service Requirements on Variable Rate Indebtedness.** When calculating interest requirements on Variable Rate Indebtedness which bears a variable rate of interest for periods as to which the rate of interest has not been determined, the rate of interest on Outstanding Variable Rate Indebtedness shall be the average annual rate of interest which was payable on such Variable Rate Indebtedness during the twelve (12) months immediately preceding the date as of which the calculation is made; and the rate of interest on Variable Rate Indebtedness to be incurred (or incurred less than twelve (12) months preceding such date) shall be the average annual rate of interest which would have been payable on such Variable Rate Indebtedness had it been outstanding for a period of twelve (12) months immediately preceding the date as of which the calculation is made, as evidenced in a certificate of a Consultant, delivered to the Issuer.

DEFAULT AND REMEDIES

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

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

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

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

The Issuer directs the Paying Agent to notify the Owners of any Event of Default of which it has actual notice.

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

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. If action or proceedings taken by any Owner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or shall have been determined adversely to such Owner, then, and in every such case, the Issuer and the Owners of the Bonds shall be restored to their former positions and rights, respectively, and all rights, remedies, powers and duties of the Owners shall continue as if no such suit, action or other proceedings had been brought or taken.

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 the pledge of the Revenues hereunder and all other rights granted hereby 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 in compliance with the Bond Resolution. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Issuer, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All money and Defeasance Obligations deposited with the Paying Agent or such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions of the Bond Resolution.

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 Series 2022 Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Series 2022 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 Series 2022 Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Series 2022 Bonds pursuant to the Series 2022 Resolution until such time as is set forth in the Federal Tax Certificate.

CONTINUING DISCLOSURE REQUIREMENTS

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

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

MISCELLANEOUS PROVISIONS

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Series 2022 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 not less than a majority in principal amount of the Bonds then Outstanding. 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;
- (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; or
- (e) permit the creation of a lien on the Revenues of the System prior or equal to the lien of the Parity Bonds or Additional Obligations.

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 herein, 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.

Every amendment or modification of the provisions of the Bonds or of the Bond Resolution, to which the written consent of the Owners is given, as above provided, shall be expressed in a resolution adopted by the governing body of the Issuer amending or supplementing the provisions of the Bond Resolution and shall be deemed to be a part of the Bond Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of the Bond Resolution shall always be kept on file in the office of the Clerk, and shall be made available for inspection by the Owner of any Bond or a prospective purchaser or owner of any Bond authorized by the Bond Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of the Bond Resolution will be sent by the Clerk to any such Owner or prospective Owner.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the Clerk a copy of the resolution of the Issuer hereinabove provided for, duly certified, as well as proof of any required consent to such modification by the Owners of the Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The Issuer shall furnish to the Paying Agent a copy of any amendment to the Bonds or the Bond Resolution which affects the duties or obligations of the Paying Agent under the Bond Resolution.

Notices, Consents and Other Instruments by Owners. Any notice, consent, request, direction, approval or other instrument to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing.

Inconsistent Provisions. In case any one or more of the provisions of the Bond Resolution or of the Bonds issued thereunder shall for any reason be inconsistent with the provisions of the Parity Resolution or the Parity Bonds: (a) the provisions of any Parity Resolution adopted prior to the Bond Resolution shall prevail with respect to Parity Bonds issued prior in time, so long as such Parity Bonds are Outstanding; and (b) the provisions of the Bond Resolution shall prevail with respect to any Parity Resolution adopted subsequent to the Bond Resolution, so long as any Parity Bonds issued under the Bond Resolution are Outstanding.

Electronic Transactions. The issuance of the Series 2022 Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

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

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APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

DATED AS OF JUNE 14, 2022

BY

CITY OF STAFFORD, KANSAS

**CITY OF STAFFORD, KANSAS
GENERAL OBLIGATION
ELECTRIC AND WATER UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2022
DATED JUNE 14, 2022**

CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of JUNE 14, 2022 (the “Continuing Disclosure Undertaking”), is executed and delivered by **THE CITY OF STAFFORD, KANSAS** (the “Issuer”).

RECITALS

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

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

The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

“System” means collectively: (a) the electric generating plants and all appurtenances thereto, the electric distribution system, and the electric street lighting system, now serving the Issuer and its inhabitants and others, together with all extensions and improvements thereto hereafter made or acquired by the Issuer; and (b) the entire combined waterworks plant and system and sewerage plant and system owned and operated by the Issuer for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the Issuer and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the Issuer.

Section 2. Provision of Annual Reports.

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

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

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

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

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

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

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

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

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

Section 4. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment

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

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

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

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

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

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

event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

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

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

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

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

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

CITY OF STAFFORD, KANSAS

(SEAL)

Mayor

Clerk

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

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

- Electric Customers
- System's Financial Summary and Debt Service Coverage
- Ten Largest Customers
- Assessed Valuation
- Tax Rates
- Aggregate Tax Levies
- Tax Collection Record
- Major Taxpayers
- Current Indebtedness of the Issuer*
- Lease Obligations*

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