

OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

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

\$1,315,000
CITY OF CIMARRON, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2016

Dated: October 13, 2016

Due: September 1, As shown on the inside cover

The General Obligation Refunding Bonds, Series 2016 (the "Bonds") will be issued by the City of Cimarron, Kansas (the "Issuer"), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable annually on September 1, beginning in 2017, and semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2017 (the "Interest Payment Dates"). Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the "Paying Agent" and "Bond Registrar"). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable in part from special assessments levied upon the property benefited by the construction of certain public improvements (as hereinafter described in the section entitled "THE PROJECTS"), and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer, with the balance payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE

At the option of the Issuer, Bonds maturing on September 1, 2020, and thereafter will be subject to redemption and payment prior to maturity on September 1, 2019, or thereafter as described herein. The Term Bonds are also subject to mandatory redemption as described herein. See "THE BONDS - Redemption Provisions" herein.

The Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Curtis Campbell, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 13, 2016.



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

\$1,315,000
CITY OF CIMARRON, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2016

MATURITY SCHEDULE

SERIAL BONDS

<u>Stated Maturity September 1</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Price</u>	CUSIP⁽¹⁾ Base: <u>171826</u>
2017	\$250,000	0.90%	PAR	EJ5
2018	250,000	1.10%	PAR	EK2
2019	150,000	1.20%	PAR	EL0
2020	150,000	1.30%	PAR	EM8

TERM BONDS

<u>Stated Maturity September 1</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Price</u>	CUSIP⁽¹⁾ Base: <u>171826</u>
2023	\$130,000	1.50%	PAR	EN6
2026	135,000	2.00%	PAR	EP1
2029	150,000	2.50%	PAR	EQ9
2031	100,000	3.00%	PAR	ER7

(All plus accrued interest, if any)

⁽¹⁾ CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of S&P Global Inc., and are 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.

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

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

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

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.

CITY OF CIMARRON, KANSAS

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Cimarron, Kansas 67835
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GOVERNING BODY

Gilbert Benton, Mayor

Shawn Harmon, Councilmember
Darrell Dupree, Councilmember
Chris Wilson, Councilmember
Mike Coast, Councilmember
Amie Schilling, Councilmember

ADMINISTRATIVE OFFICERS

CITY ADMINISTRATOR

Jeff Acton

CLERK

Patty Duncan

TREASURER

Kim Kopper

ISSUER'S COUNSEL

Curtis Campbell, Esq.

BOND COUNSEL

Gilmore & Bell, P.C.,
Wichita, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

Kennedy McKee & Company, LLP
Dodge City, Kansas

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.

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OFFICIAL STATEMENT
\$1,315,000
CITY OF CIMARRON, KANSAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2016

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to the City of Cimarron, Kansas (the “Issuer” or the “City”), and the General Obligation Refunding Bonds, Series 2016 (the “Bonds”), of the Issuer, dated October 13, 2016 (the “Dated Date”).

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

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

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. All financial and other information presented herein has been compiled by the Issuer. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Except to the extent described under the section captioned “LEGAL MATTERS,” Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

Definitions

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

Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. The Issuer has adopted an Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented (the “Disclosure Undertaking”) wherein the Issuer covenants to annually provide certain Financial Information and Operating Data 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 financial information and operating data (collectively the “Annual Report”) with the national repository (“EMMA”) on or before October 1 after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended in 2016. 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 Beneficial Owners of the Bonds.

In certain prior years, the Issuer has failed to file its Annual Report within the time period prescribed by the Disclosure Undertaking and continuing disclosure undertakings entered into in connection with previously issued obligations. In 2016 the Issuer hired a third-party firm to assist the Issuer in meeting its continuing disclosure obligations. The Issuer's filings for such years are set forth on the table below.

<u>Fiscal Year Ending December 31</u>	<u>Filing Time Period (Days)</u>	<u>Financial Information Filing Date¹</u>	<u>Operating Data Filing Date¹</u>
2011	210	07-05-12	04-21-16
2012	210	10-08-13	04-21-16 / 09-19-16
2013	210	08-20-14	04-21-16 / 09-19-16
2014	210	04-21-16 / 09-19-16	04-21-16 / 09-19-16
2015	210	09-12-16 / 09-19-16	09-12-16 / 09-19-16

¹ Represents the dates on which the Issuer filed its Annual Report for its G.O. Refunding and Improvement Bonds, Series 2011. The Issuer is also an obligated person for the City of Cimarron, Kansas Public Building Commission Revenue Bonds, Series 2012. On September 19, 2016 the Issuer separately filed substantially all of the information described as operating data in the continuing disclosure undertaking for the Series 2012 Bonds and incorporated by reference its financial information for the fiscal years ending December 31, 2014 and December 31, 2015.

While the Issuer had the filing deficiencies referred to above, it issued general obligation bonds in 2011 and 2013 payable from the same source of revenue as the Bonds. The official statements for such general obligation bonds were filed with and publicly available on EMMA.

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

For more information regarding the Issuer's Disclosure Undertaking, see "**APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE DISCLOSURE UNDERTAKING.**"

Additional Information

Additional information regarding the Issuer or the Bonds may be obtained from the Clerk of the Issuer at the address set forth in the preface to this Official Statement.

THE BONDS

Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.* and K.S.A. 10-620 *et seq.*, as amended and supplemented from time to time (collectively, the "Act"), an ordinance to be passed by the governing body of the Issuer and a resolution to be adopted by the governing body of the Issuer on October 3, 2016 (collectively the "Bond Resolution").

Security for the Bonds

The Bonds shall be general obligations of the Issuer payable as to both principal and interest in part from special assessments levied upon the property benefitted by the construction of certain public improvements (as hereinafter described in the section entitled "THE PROJECTS"), and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

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

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes and/or assessments shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all

other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Description of the Bonds

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

Designation of Paying Agent and Bond Registrar

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

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

Method and Place of Payment of the Bonds

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

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

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

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

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same

force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Book-Entry Bonds; Securities Depository

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

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

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

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

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

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

Registration, Transfer and Exchange of Bonds

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

and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Nonpresentation of Bonds

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

Redemption Provisions

Optional Redemption. At the option of the Issuer, Bonds maturing on September 1 in the years 2020, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on September 1, 2019, and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the Redemption Date.

Mandatory Redemption. (a) *2023 Term Bonds.* The 2023 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 2023 Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$40,000	2021
45,000	2022
45,000	2023*

*Final Maturity

(b) *2026 Term Bonds.* The 2026 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 2026 Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$45,000	2024
45,000	2025
45,000	2026*

*Final Maturity

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

<u>Principal Amount</u>	<u>Year</u>
\$50,000	2027
50,000	2028
50,000	2029*

*Final Maturity

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

<u>Principal Amount</u>	<u>Year</u>
\$50,000	2030
50,000	2031*

*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 the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

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

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

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

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

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

THE DEPOSITORY TRUST COMPANY

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

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

THE REFUNDING PLAN

Proceeds of the Bonds will be applied to retire the following general obligation bonds of the Issuer (the “Refunded Bonds”):

General Obligation Refunding and Improvement Bonds, Series 2011, Dated December 28, 2011

<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$115,000	03/01/2017	2.00%	10/13/2016	100%
120,000	09/01/2017	2.00%	10/13/2016	100%
120,000	03/01/2018	2.25%	10/13/2016	100%
120,000	09/01/2018	2.25%	10/13/2016	100%
65,000	03/01/2019	2.50%	10/13/2016	100%
70,000	09/01/2019	2.50%	10/13/2016	100%
70,000	03/01/2020	2.80%	10/13/2016	100%
70,000	09/01/2020	2.80%	10/13/2016	100%
15,000	03/01/2021	3.00%	10/13/2016	100%
20,000	09/01/2021	3.00%	10/13/2016	100%
20,000	03/01/2022	3.30%	10/13/2016	100%
20,000	09/01/2022	3.30%	10/13/2016	100%
205,000	09/01/2027	3.90%	10/13/2016	100%
240,000	09/01/2032	4.30%	10/13/2016	100%

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of the Bonds	\$1,315,000.00
Underwriter’s Discount	<u>-18,410.00</u>
Total	<u>\$1,296,590.00</u>

Uses of Funds:

Deposit to Redemption Fund	\$1,274,442.67
Deposit to Compliance Account	2,000.00
Costs of Issuance	20,147.33
Total	<u>\$1,296,590.00</u>

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER.

Legal Matters

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

Limitations on Remedies Available to Owners of Bonds

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

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, Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS’ Valuation Report, dated as of December 31, 2014, the Local Group had an UAAL of \$1.488 billion and KP&F had an UAAL of \$726 million.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

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

Premium on Bonds

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

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

Suitability of Investment

The tax exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each

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

Market for the Bonds

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

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. It is the present practice of the Underwriter, however, to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Bonds, but is not obligated to do so. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in the Bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

BOND RATINGS

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

ABSENCE OF LITIGATION

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

The Issuer certifies that there is no controversy, suit or other proceeding 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 Issuer or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act or the constitutionality or validity of the indebtedness represented by the Bonds or the validity of said Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas (“Bond Counsel”), bond counsel to the Issuer. 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 Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned “THE BONDS,” “LEGAL MATTERS,” “TAX MATTERS” and “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS.*” Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain legal matters have been passed on for the Issuer by Curtis Campbell, Esq.

TAX MATTERS

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

other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

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

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

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

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

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

Other Tax Consequences

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

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

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

UNDERWRITING

The Bonds are being purchased for reoffering by Central States Capital Markets, LLC, Prairie Village, Kansas (the "Underwriter") at a price equal to the principal amount of the Bonds, less an underwriting discount of \$18,410. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement.

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

AUTHORIZATION OF OFFICIAL STATEMENT

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

CITY OF CIMARRON, KANSAS

By: _____
Gilbert Benton, Mayor

By: _____
Patty Duncan, Clerk

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APPENDIX A

INFORMATION CONCERNING THE ISSUER

GENERAL

Size and Location

The City of Cimarron is the county seat of Gray County, Kansas, and is located approximately 15 miles Dodge City, Kansas on U.S. Highway 50. The City encompasses approximately 1.139 square miles and has a current estimated population of 2,262 persons.

Government and Organization of the Issuer

The City was incorporated in 1878 and is a city of the third class.

The City operates under the Mayor-Council form of government. The five (5) Council members elected at large, serve four (4) year terms. The Mayor, elected at large, for four (4) year terms, presides over Council meetings and appoints certain City officials, subject to Council approval. The City Administrator is appointed by the Mayor, subject to Council approval and is charged with the efficient and effective administration of the City.

Municipal Services and Utilities

The City owns and operates its own water, sewer, and electric distribution utility systems. Black Hills Energy supplies natural gas and Victory supplies electricity to the City. Telephone, cable and internet service is provided by United Wireless.

The City has no sworn police officers. Law enforcement is provided by the Gray County Sheriff's Department. The City is served by volunteer firefighters and volunteer paramedic and emergency ambulance service.

Transportation and Communication Facilities

The City is located on U.S. Highway 50. Commercial air transportation is provided at Wichita's Mid-Continent Airport. General aviation services are provided by the Cimarron Airport located adjacent to the City, the Dodge City Airport located approximately 15 miles to the east of the City and the Garden City Regional Airport located approximately 24 miles northwest of the City.

Educational Institutions and Facilities

Unified School District No. 102 operates one elementary schools, one junior/senior high school in the City. As of September 20, 2015, the district had a total enrollment of approximately 663 students. Dodge City Community College is located approximately 15 miles east of the City and Garden City Community College located approximately 30 miles west of the City each provide a two-year curriculum and vocational and technical courses of study. Fort Hays State University in Hays, Kansas is located within 125 miles of the City, and Wichita State University in Wichita, Kansas is located within 185 miles of the City. Both Universities offer a four-year curriculum and post-graduate degrees.

Medical and Health Facilities

Western Plains Primary Care is located in the City and is operated by Western Plains Medical Center. Major medical service is available at Western Plains Medical Center, located within 15 miles of the City, and St. Catherine Hospital in Garden City, Kansas located within 35 miles of the City.

Recreational, Cultural and Religious Facilities

There is recreation available in the area including a park with baseball diamonds, swimming pool, country club with golf course and the Gray County Recreation Center with exercise programs and basketball and racquetball courts. Additionally, cultural opportunities such as a community theater, movie theaters and museums are located in Dodge City and Garden City. Five churches serve the community.

ECONOMIC INFORMATION

Agriculture and the cattle industry form the economic foundation of the area with cattle feeding and beef processing as the primary industry in nearby Dodge City, Kansas.

Major Employers

Listed below are the major employers located in City and the number employed by each:

<u>Major Employers</u>	<u>Product/Service</u>	<u>Number of Full- & Part-time Employees</u>
1. USD 102 Gray County, Kansas (Cimarron)	School	112
2. Gray County, Kansas	Government	110
3. Irsik & Doll	Business Off/Elevator	85
4. SONIC	Fast Food	40
5. Davis Electric	Electric	34
6. Whites Foodliner	Grocery Store	30
7. First National Bank	Banking	26
8. City of Cimarron	Government	18
9. Clark Pharmacy	Pharmacy	13
10. Benton Accounting	Accounting	12

Source: City Clerk

Labor Force

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

GRAY COUNTY

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2011	3,585	3,466	119	3.3%
2012	3,558	3,447	111	3.1%
2013	3,487	3,382	105	3.0%
2014	3,500	3,405	95	2.7%
2015	3,589	3,505	84	2.3%

STATE OF KANSAS

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2011	1,491,087	1,394,082	97,005	6.5%
2012	1,483,574	1,398,474	85,100	5.7%
2013	1,485,405	1,406,374	79,031	5.3%
2014	1,494,188	1,425,970	68,218	4.6%
2015	1,499,009	1,435,884	63,125	4.2%

Source: Kansas Department of Labor

Retail Sales Tax Collections

The following table lists State of Kansas sales tax collections for the years indicated for sales occurring in Gray County, Kansas:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2011	\$3,187,522.70	\$498.05
2012	4,061,399.36	576.76
2013	3,313,793.64	639.30
2014	3,297,742.91	543.66
2015	2,971,550.19	526.96

The statewide sales and use tax was increased from 4.25% to 4.90% effective July 1, 1992. It was subsequently increased to 6.3%, effective July 1, 2010, and decreased to 6.15%, effective July 1, 2013. Effective July 1, 2015, the statewide sales and use tax was increased to 6.50%.

Source: Kansas Statistical Abstract

Local Option Sales Tax

In 1985 the County voters approved a sales tax on retail sales within the County limits. The County shares a portion of its sales tax collections with the City. In 2012, the City approved a 1.25% General Retailers Sales Tax. The Sales Tax was implemented in July of 2012.

The following table provides the amount of local sales tax collected and received by the City during the years indicated.

<u>Year</u>	<u>Receipts</u>
2012	\$ 87,079.61
2013	245,356.44
2014	238,388.45
2015	249,706.89

Source: Kansas Department of Revenue

Oil Production

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

<u>Year</u>	<u>Oil Production</u>
2011	90,190
2012	214,865
2013	279,751
2014	236,751
2015	208,474

Source: Kansas Geological Survey

Financial and Banking Institutions

There are currently three (3) banks located in Gray County. For the years listed, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits</u>
2011	\$172,000,000
2012	178,000,000
2013	178,000,000
2014	171,000,000
2015	163,000,000

Source: Kansas Statistical Abstract, FDIC - 2015

Building Permits

The following table indicates the number of building permits and total valuation of these permits issued within the City for the years indicated. These numbers reflect permits issued either for new construction or for major renovation.

<u>Year</u>	<u>Number of Permits Issued</u>	
	<u>Residential</u>	<u>Non-Residential</u>
2012	14	0
2013	6	1
2014	6	0
2015	2	4
2016	3	1

Source: City Clerk

Population Trends

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

<u>Year</u>	<u>City Population</u>	<u>Gray County Population</u>
1980	1,491	5,138
1990	1,626	5,396
2000	1,934	5,904
2010	2,184	6,006
2011	2,222	6,113
2012	2,204	6,030
2013	2,236	6,009
2014	2,240	6,082
2015	2,262	6,133

The median age of persons in Gray County and the State of Kansas is 34.7 and 36, respectively, per the 2010 Census.

Source: 1980, 1990, 2000 and 2010 data: U.S. Census Bureau; 2011 – 2014 data: Kansas Division of Budget

Personal Income Trends

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

<u>Year</u>	<u>Gray County Personal Income</u>	<u>Gray County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
2010	\$290,808	\$48,259	\$39,235
2011	363,129	59,471	42,403
2012	350,706	58,510	43,725
2013	430,407	71,651	44,311
2014	425,276	69,924	44,891

Source: U.S. Department of Commerce – Bureau of Economic Analysis

FINANCIAL INFORMATION

Accounting, Budgeting and Auditing Procedures

The City follows a modified accrual basis of accounting for all tax supported funds of the City, including the General Fund. The City follows a cash receipts and disbursement basis of accounting which is adjusted for the issuing of statements, to the accrual or modified accrual basis, as appropriate.

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

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The Kansas Legislature passed legislation in 2015 and 2016 that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the "Tax Lid"). The Tax Lid is effective on January 1, 2017, and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. The Tax Lid does not require an election in the following situations:

- “(1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:
 - (A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;
 - (B) increased personal property valuation;
 - (C) real property located within added jurisdictional territory;
 - (D) real property which has changed in use;
 - (E) expiration of any abatement of property from property tax; or
 - (F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.
- (2) Increased property tax revenues that will be spent on:
 - (A) Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;
 - (B) payment of special assessments not exceeding the amount of ad valorem property taxes levied in support of such payments;
 - (C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;
 - (D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2017, where the city or county is contractually obligated to provide a service;
 - (E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or
 - (F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.
- (3) Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.
- (4) The property tax revenues levied by the city or county have declined:
 - (A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or
 - (B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals.”

The Tax Lid also provides that “[w]henever a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county.”

Because of ambiguities in the Tax Lid, it is unclear how the various exceptions will be interpreted and how the provisions will be implemented. As a result, is unclear how the Tax Lid will impact the City.

However, as described above, the Tax Lid provides a specific exception for “[b]ond, temporary notes, no fund warrants, state infrastructure loans, and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments” as well as certain lease payments. Therefore, the City is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on the Bonds, as required by the Bond Resolution.

The City cannot predict the impact of the Tax Lid on the ratings on the Bonds, or the general rating of the City. A change in the rating on the Bonds or a change in the general rating of the City may adversely impact the market price of the Bonds in the secondary market.

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

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Kennedy, McKee & Company LLP, Dodge City, 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 ending 2015 is attached hereto as *APPENDIX B*.

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

Sources of Revenue

The City finances its general operations through the local property tax levy, a variety of license and permit fees and other miscellaneous sources as indicated below for the current Fiscal Year:

<u>Source</u>	<u>Amount</u>
Local property tax	36.0%
Franchise fees	1.0%
Sales Tax	4.0%
License and permits	0.0%
Fines and penalties	2.0%
Payments made by utility enterprises	53.0%
Federal and State grants	3.0%
Miscellaneous	1.0%
<i>Total</i>	<i>100.00%</i>

Source: Clerk

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

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

Fair Market Value

The following table shows the fair market value of the taxable property within the City for the following years:

<u>Year</u>	<u>Fair Market Value</u>
2012	\$101,064,320
2013	104,622,610
2014	113,923,560
2015	122,506,580
2016	120,753,210

Source: County Clerk
2016: Preliminary numbers

Assessed Valuation

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

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
2012	\$10,984,754	\$629,557	\$463,566	\$864,819	\$12,942,696
2013	11,421,694	586,023	489,782	889,110	13,386,609
2014	12,373,732	409,132	446,346	877,550	14,106,760
2015	12,725,075	397,900	401,316	911,100	14,435,391
2016	12,869,352	404,347	344,995	911,100*	14,529,794

Source: County Clerk
*2016: Estimated Numbers

Property Tax Levies and Collections

Tax Collections:

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

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

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

Tax Rates:

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

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

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Bond & Interest</u>	<u>Total Levy</u>
2011/12	43.306	10.001	2.984	56.291
2012/13	43.293	10.000	2.818	56.111
2013/14	41.808	9.959	4.114	55.881
2014/15	40.473	10.024	5.517	56.014
2015/16	42.279	10.015	3.786	56.080

Source: Kansas Department of Administration - County Tax Levy Sheets

Aggregate Tax Levies:

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

<u>Year</u>	<u>City</u>	<u>Gray County</u>	<u>USD 102</u>	<u>State</u>	<u>Total Levy</u>
2011/12	56.291	74.129	43.390	1.5	175.310
2012/13	56.111	71.680	45.272	1.5	174.563
2013/14	55.881	58.062	45.124	1.5	160.567
2014/15	56.014	56.502	45.153	1.5	159.169
2015/16	56.080	56.486	43.834	1.5	157.900

Source: Kansas Department of Administration - County Tax Levy Sheets

Tax Collection Record:

The following table sets forth tax collection information for the City for the years indicated:

<u>Year</u>	<u>Total Levy</u>	<u>Total Taxes Levied</u>	<u>Current Taxes Collected</u>	
			<u>Amount</u>	<u>Percentage</u>
2011/12	56.291	647,241.29	638,722.67	98.68%
2012/13	56.111	683,285.12	669,898.57	98.04%
2013/14	55.881	703,722.62	694,757.78	98.73%
2014/15	56.014	745,426.48	735,901.37	98.72%
2015/16	56.080	761,723.78	751,572.73	98.67%

Source: County Treasurer

Major Taxpayers:

The following table sets forth the ten largest taxpayers in the City for taxes levied in the most recent tax collection period:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. Cimarron Estates	\$581,437	\$152,521.70
2. Individual	275,606	75,343.02
3. United Suppliers, Fertilizer Division	346,900	55,677.46
4. Individual	172,024	37,007.06
5. Individual	202,327	32,473.54
6. Individual	179,469	31,218.94
7. Individual	1,470	28,302.88
8. First National Bank	172,793	27,733.32
9. Individual	149,362	23,926.60
10. United Telephone	146,470	23,508.44

Source: County Clerk

Risk Management

The City is insured against the risks arising from general liability by EMC. The City also offers employee medical insurance coverage through Blue Cross / Blue Shield of Kansas.

The Cimarron Firemen’s Relief Association was established for the benefit of the members of the Association or their designate beneficiary. The Association purchases life and disability insurance on the firemen with 85% of the premiums paid by the Association and 15% by the City of Cimarron on behalf of the volunteer firemen. Additional information on the finances of the Association are contained in *Appendix B* hereto.

History of Employment

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

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2011	13	9	22
2012	15	7	22
2013	17	8	25
2014	12	7	19
2015	13	7	20

Source: City Clerk

Employee Relations

The City has 18 employees as of September 9, 2016. The working conditions are characterized as good.

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

As of December 31, 2014, KPERS serves over 295,000 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 more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

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

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the Local Group.

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

In 2012, the Legislature created a new KPERS Tier 3 category (covered employment on or after January 1, 2015) based on a cash balance plan. Each Tier 3 member shall have a retirement annuity account to which such participant shall contribute 6% of their gross salary to the plan. The employer or State contribution varies based on longevity of participant service: (a) 3% for less than 5 years; (b) 4% for at least 5 years but less than 12 years; (c) 5% for at least 12 years but less than 24 years; and (d) 6% for 24 or more years. Such account shall receive an interest credit of 5.25% per annum, and under certain circumstances, shall receive additional interest credits. Subject to certain exceptions, a Tier 3 member, upon retirement, shall receive a single life annuity benefit.

Also in 2012, the Legislature adopted a number of other changes to KPERS including: (a) increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014, 1.0% in 2015, 1.1% in 2016 and 1.2% per year in 2017 and thereafter, (b) eliminating COLA adjustments for Tier 2 member with corresponding benefit adjustments (effective January 1, 2014), (c) providing additional flexibility for alternative investments for the plan, and (d) providing additional contribution flexibility for Tier 1 members with corresponding benefit adjustments effective January 1, 2014, subject to approval by the IRS (the IRS issued a private letter ruling stating the election granted to

Tier 1 members was impermissible; therefore, employee contributions for Tier 1 members increased to 5% of compensation effective January 1, 2014, and to 6% of compensation effective January 1, 2015).

In 2015, the Legislature authorized, subject to certain conditions, the issuance of revenue bonds in an amount not to exceed \$1 billion (plus associated costs of issuance) (the "Revenue Bonds"), the proceeds of which must be applied to the unfunded actuarial pension liability as directed by KPERS. 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. Additionally, the statutory maximum annual increases to employer contributions for State/School Group and certain employees of the State department of corrections were modified as follows: (a) if the Revenue Bonds are issued and finance capitalized interest, an increase of 1.1% in 2015 and 1.2% in 2016 and thereafter; or (b) if such Revenue Bonds are not issued to finance capitalized interest, such rate of contribution shall be 10.91% in 2015 and 10.81% in 2016. The Revenue Bonds in the aggregate principal amount of \$1,005,180,000 were issued on August 20, 2015, to finance a portion of the unfunded actuarial pension liability and costs of issuance, but did not finance capitalized interest.

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 9.18% of the employee's gross salary for calendar year 2016. In addition, the Issuer contributes 0% of the employee's gross salary for Death and Disability Insurance for covered employees for the period beginning April 1, 2016, through June 30, 2017, and 1% of the employee's gross salary for Death and Disability Insurance for covered employees for the period beginning July 1, 2017.

According to the Valuation Report as of December 31, 2014 (the "2014 Valuation Report") the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability ("UAAL") of \$1.487 billion at the end of 2014. The 2014 Valuation Report 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, and is available on the KPERS website at kpers.org/about/reports.html. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2014 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 2014 Valuation Report sets the employer contribution rate for the period beginning January 1, 2017, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.46% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by 2033, the end of the actuarial period. The statutory contribution rate of employers currently equals the 2014 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. KPERS' actuaries project the required employer contribution rate to increase by the maximum statutorily allowed rate, which went from 0.9% in fiscal year 2014, to 1.0% in fiscal year 2015, 1.1% in fiscal year 2016 and 1.2% in fiscal year 2017 and thereafter.

DEBT STRUCTURE

Debt Summary

The following table summarizes certain key statistics with respect to the Issuer's general obligation debt, including the Bonds and excluding the Refunded Bonds:

Debt Summary (As of October 13, 2016)	<u>City Debt</u>
Fair Market Value of Taxable Property ¹	\$120,753,210
Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations ²	\$14,529,794
Legal limitation of Bonded Debt ³	\$4,358,938
Outstanding General Obligation Debt.....	\$1,860,000
Statutory Exempt Debt.....	\$1,412,500
Net Debt against Debt Limit Capacity	\$447,500
Additional Debt Capacity.....	\$3,911,438
Direct Debt Per Capita (Population = 2,262)	\$822.28
Direct and Overlapping Debt Per Capita.....	1,717.47
Direct Debt as a Percentage of Assessed Valuation	12.80%
Direct and Overlapping Debt as a Percentage of Assessed Valuation	26.74%
Statutory Direct Debt as a Percentage of Assessed Valuation	3.08%
Direct Debt as a Percentage of Actual Fair Market Value	1.54%
Direct and Overlapping Debt as a Percentage of Actual Fair Market Value	3.22%

¹ See "Property Valuations" *infra*.

² The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Also includes the taxable value of motor vehicles within the City. 2016 motor vehicle valuation not yet available; 2015 data used for estimation purposes only. See K.S.A. 10-301 *et seq.*

³ See K.S.A. 10-301 *et seq.*

Current Indebtedness of the Issuer

The following table sets forth as of the date of issuance of the Bonds all of the outstanding obligations of the Issuer including the Bonds and excluding the Refunded Bonds:

GENERAL OBLIGATION BONDS

Description of <u>Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Exempt From Debt Limit</u>
Taxable General Obligation Bonds, Series 2007	12/11/07	09/01/23	\$366,709	\$25,000	\$1,500
General Obligation Bonds, Series 2011 ¹	12/28/11	09//01/32	2,295,000	0	0
General Obligation Bonds, Series 2013	09/26/13	09/01/34	525,000	510,000	510,000
General Obligation Refunding Bonds, Series 2016 (this issue)	10/13/16	09/01/31	1,315,000	<u>1,315,000</u>	<u>901,000</u>
	Total			<u>\$1,860,000</u>	<u>1,412,500</u>

¹ Excludes Refunded Bonds

PUBLIC BUILDING COMMISSION REVENUE BONDS

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Swimming Pool, Series 2012	05/10/12	12/01/32	\$2,500,000	\$2,255,000

Total

Source: Clerk

With respect to the Public Building Commission bonds, the Issuer and the County have entered into a Lease obligating the County to make rental payments sufficient to meet principal and interest requirements on such Bonds. The County's obligations under the Lease are not subject to annual appropriation by the County and are exempt from the provision of the Kansas cash basis, budget and tax lid (if applicable) laws.

History of General Obligation Indebtedness

The following table sets forth general obligation debt information pertaining to the Issuer as of the end of each of the years indicated:

<u>Year</u>	<u>Total Debt</u>	<u>Debt As Percentage of Assessed Value</u>	<u>Debt Per Capita</u>
2012	\$5,483,411	42.37%	\$2,447.95
2013	5,662,926	42.30%	2,528.09
2014	5,248,257	37.21%	2,342.97
2015	4,752,564	32.92%	2,121.68
2016	4,360,000	32.01%	1,927.49

Source: Clerk

The Issuer has never in its history defaulted on the payment of any of its debt obligations.

Lease Obligations

In addition to the foregoing debt obligations, the City has entered into the following lease obligations. Lease obligations of the City constitute valid and binding obligations of the City in accordance with their terms subject to funds budgeted and appropriated for that purpose during the City's current budget year or funds made available from any lawfully operated revenue producing source as per K.S.A. 10-1116b.

<u>Purpose of Indebtedness</u>	<u>Dated Date</u>	<u>Final Payment Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
NONE				

Source: Clerk

State Loans

The City has entered into the following Loan Agreements (collectively the "Loan") with the Kansas Department of Health and Environment to finance improvements in the City. The terms of each Loan are set forth below, and each Loan provides for approximately level annual debt service payments. The final principal amount of the Loans were calculated upon completion and the Loan repayment terms were amortized over the remainder of the term.

<u>Purpose of Indebtedness</u>	<u>Dated Date</u>	<u>Final Payment Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u> ¹
Sewer Loan	09/15/95	03/01/17	\$899,093	\$ 91,143
Highway Loan	03/15/10	08/01/29	220,000	141,421

¹ Current principal advanced.

Source: Clerk

*as of 12/31/15

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of October 13, 2016, and the percent attributable (on the basis of assessed valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Amount Applicable to Issuer</u>
Gray County	\$92,739,216	\$ 0	0.00%	\$ 0
U.S.D. No. 102	39,357,759	5,485,000	36.92%	2,024,910
		<i>Total</i>		<i>\$2,024,910</i>

Source: County Clerk

Future Indebtedness

The Issuer has no current plans to issue further debt.

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APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
(FOR THE FISCAL YEAR ENDED 12/31/2015)**

CITY OF CIMARRON, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Cimarron, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Cimarron, Kansas and its related municipal entity, the Cimarron City Library (collectively referred to as the Municipal Financial Reporting Entity), as of and for the year ended December 31, 2015, 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 A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note A, the financial statement is prepared by the Municipal Financial Reporting Entity 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 A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Municipal Financial Reporting Entity as of December 31, 2015, 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 balances of the Municipal Financial Reporting Entity as of December 31, 2015, 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 A.

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 (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures (Schedules 1 and 2 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 A.

The 2014 column presented in the individual fund schedules of regulatory basis receipts and expenditures (Schedule 2 as listed in the table of contents) upon which we rendered an unmodified opinion dated August 18, 2015, is also presented for comparative analysis and is not a required part of the 2015 basic financial statement. The 2014 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/municipal-audits>. Such 2014 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 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 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 2014 basic financial statement or to the 2014 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 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

August 31, 2016

CITY OF CIMARRON, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2015

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>	<u>Receipts</u>
General fund:			
General	<u>\$ 640,383</u>	<u>\$ -</u>	<u>\$ 1,159,774</u>
Special purpose funds:			
Library	1,291	-	161,701
Special park and recreation	1,527	-	-
Special highway	43,663	-	58,792
Transient guest tax	14,067	-	6,272
PBC sales tax	310,344	-	311,440
Special park donation	3,216	-	-
Recreation committee	20,880	-	500
Equipment reserve	218,787	-	116,225
Capital improvement	<u>393,426</u>	<u>-</u>	<u>295,411</u>
Total special purpose funds	<u>1,007,201</u>	<u>-</u>	<u>950,341</u>
Bond and interest fund:			
Bond and interest	<u>88,754</u>	<u>-</u>	<u>372,904</u>
Trust fund:			
Pearl Luther endowment	<u>21,154</u>	<u>-</u>	<u>20</u>
Business funds:			
Light enterprise	418,509	-	1,694,042
Water enterprise	377,153	-	439,560
Trash enterprise	94,791	-	225,709
Sewer enterprise	86,380	-	208,945
Sewer plant replacement	<u>41,076</u>	<u>-</u>	<u>63,600</u>
Total business funds	<u>1,017,909</u>	<u>-</u>	<u>2,631,856</u>
Total City of Cimarron	<u>2,775,401</u>	<u>-</u>	<u>5,114,895</u>
Related municipal entity:			
Cimarron City Library:			
General	107,305	-	196,729
Special purpose funds:			
State aid	9	-	1,312
Learn and play	<u>21</u>	<u>-</u>	<u>25,000</u>
Total Cimarron City Library	<u>107,335</u>	<u>-</u>	<u>223,041</u>
Total municipal financial reporting entity	<u>\$ 2,882,736</u>	<u>\$ -</u>	<u>\$ 5,337,936</u>

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
<u>\$ 1,120,131</u>	<u>\$ 680,026</u>	<u>\$ 11,097</u>	<u>\$ 691,123</u>
152,198	10,794	-	10,794
-	1,527	-	1,527
46,210	56,245	-	56,245
-	20,339	-	20,339
197,114	424,670	-	424,670
-	3,216	-	3,216
1,575	19,805	-	19,805
73,872	261,140	-	261,140
<u>147,002</u>	<u>541,835</u>	<u>8,060</u>	<u>549,895</u>
<u>617,971</u>	<u>1,339,571</u>	<u>8,060</u>	<u>1,347,631</u>
<u>333,224</u>	<u>128,434</u>	<u>-</u>	<u>128,434</u>
<u>-</u>	<u>21,174</u>	<u>-</u>	<u>21,174</u>
1,603,785	508,766	10,667	519,433
389,871	426,842	3,605	430,447
177,490	143,010	-	143,010
144,557	150,768	2,148	152,916
<u>62,938</u>	<u>41,738</u>	<u>-</u>	<u>41,738</u>
<u>2,378,641</u>	<u>1,271,124</u>	<u>16,420</u>	<u>1,287,544</u>
<u>4,449,967</u>	<u>3,440,329</u>	<u>35,577</u>	<u>3,475,906</u>
200,474	103,560	84	103,644
1,273	48	-	48
<u>25,021</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>226,768</u>	<u>103,608</u>	<u>84</u>	<u>103,692</u>
<u>\$ 4,676,735</u>	<u>\$ 3,543,937</u>	<u>\$ 35,661</u>	<u>\$ 3,579,598</u>

CITY OF CIMARRON, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2015

Composition of cash:

Petty cash	\$	80
Clerk's petty cash checking		4,605
Operating checking		2,639,045
Money market checking		237,176
Certificates of deposit		<u>595,000</u>
Total City of Cimarron		3,475,906
Related municipal entity		<u>103,692</u>
Total municipal financial reporting entity	\$	<u><u>3,579,598</u></u>

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

CITY OF CIMARRON, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement, schedules, and notes are representations of the City's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

The City of Cimarron is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Cimarron (the Municipality) and its related municipal entity. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

Cimarron City Library. The Library provides library services to the community. The Library operates as a separate governing body, but the City levies taxes for the Library and pays most employees' salaries. The City Council approves appointments to the Library Board.

2. 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, 2015.

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 regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation – Fund Accounting (Continued)

Trust fund – used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Business fund – funds financed in whole or in part by fees charged to users for goods or services (i.e. enterprise and internal service funds, etc.).

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

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

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

4. 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 ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison 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 receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for trust funds and the following special purpose and business funds:

- Special Park Donation
- Recreation Committee
- Equipment Reserve
- Capital Improvement
- Sewer Plant Replacement

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.

5. Special Assessments

Projects financed in part by special assessments are financed through issuance of general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as receipts in the Bond and Interest Fund.

B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds to 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.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2015.

At December 31, 2015, the City's carrying amount of deposits was \$3,475,826 and the bank balance was \$3,695,562. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,445,562 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the municipal financial reporting entity for the year ended December 31, 2015, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Public service improvements issued November 26, 2007 in the amount of \$366,709 at interest rates of 4.80% to 5.75% maturing September 1, 2023	\$ 270,000	\$ -	\$ 25,000	\$ 245,000	\$ 15,013
Refunding and improvements issued December 28, 2011 in the amount of \$2,295,000 at interest rates of 0.75% to 4.30% maturing September 1, 2032	1,730,000	-	230,000	1,500,000	44,606
Sewer improvements issued September 26, 2013 in the amount of \$525,000 at interest rates of 0.90% to 4.40% maturing September 1, 2034	<u>525,000</u>	<u>-</u>	<u>5,000</u>	<u>520,000</u>	<u>19,040</u>
Total general obligation bonds	<u>2,525,000</u>	<u>-</u>	<u>260,000</u>	<u>2,265,000</u>	<u>78,659</u>
Revenue bonds:					
Public Building Commission – new swimming pool issued April 19, 2012 in the amount of \$2,500,000 at interest rates of 1.00% to 4.50% maturing December 1, 2032	<u>2,355,000</u>	<u>-</u>	<u>100,000</u>	<u>2,255,000</u>	<u>87,075</u>

C. LONG-TERM DEBT (CONTINUED)

Issue	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
Loans:					
KDHE – Sewer system issued September 15, 1995 in the amount of \$899,093 at interest rate of 3.56% maturing March 1, 2017	\$ 149,279	\$ -	\$ 58,136	\$ 91,143	\$ 4,801
KDOT – Highway improvement issued March 1, 2010 in the amount of \$184,940 at interest rate of 3.68% maturing August 1, 2029	<u>149,071</u>	<u>-</u>	<u>7,650</u>	<u>141,421</u>	<u>5,486</u>
Total loans	<u>298,350</u>	<u>-</u>	<u>65,786</u>	<u>232,564</u>	<u>10,287</u>
Capital lease:					
FNB – Bucket truck issued October 23, 2012 in the amount of \$119,135 at interest rate of 3.50% maturing October 27, 2017	<u>69,907</u>	<u>-</u>	<u>69,907</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$5,248,257</u>	<u>\$ -</u>	<u>\$ 495,693</u>	<u>\$4,752,564</u>	<u>\$ 176,021</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2016	\$ 265,000	\$ 73,731	\$ 338,731
2017	275,000	68,248	343,248
2018	290,000	61,883	351,883
2019	185,000	54,915	239,915
2020	190,000	49,207	239,207
2021-2025	440,000	180,415	620,415
2026-2030	380,000	101,365	481,365
2031-2034	<u>240,000</u>	<u>21,850</u>	<u>261,850</u>
Total	<u>\$ 2,265,000</u>	<u>\$ 611,614</u>	<u>\$ 2,876,614</u>

Current maturities of revenue bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2016	\$ 100,000	\$ 85,575	\$ 185,575
2017	105,000	83,825	188,825
2018	105,000	81,725	186,725
2019	110,000	79,363	189,363
2020	110,000	76,612	186,612
2021-2025	620,000	323,075	943,075
2026-2030	755,000	182,300	937,300
2031-2032	<u>350,000</u>	<u>23,850</u>	<u>373,850</u>
Total	<u>\$ 2,255,000</u>	<u>\$ 936,325</u>	<u>\$ 3,191,325</u>

C. LONG-TERM DEBT (CONTINUED)

Current maturities of utility loans and interest for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2016	\$ 68,133	\$ 7,921	\$ 76,054
2017	39,119	5,466	44,585
2018	8,502	4,615	13,117
2019	8,815	4,302	13,117
2020	9,139	3,977	13,116
2021-2025	50,994	14,587	65,581
2026-2029	<u>47,862</u>	<u>4,489</u>	<u>52,351</u>
Total	<u>\$ 232,564</u>	<u>\$ 45,357</u>	<u>\$ 277,921</u>

D. INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory authority</u>
Water enterprise	Bond and interest	\$ 102,331	K.S.A. 12-825d
Sewer enterprise	Sewer plant replacement	63,600	K.S.A. 12-825d
Light enterprise	Equipment reserve	50,000	K.S.A. 12-825d
General	Capital improvement	125,000	K.S.A. 12-1,118
General	Equipment reserve	50,000	K.S.A. 12-1,117
Light enterprise	Capital improvement	<u>100,000</u>	K.S.A. 12-825d
		<u>\$ 490,931</u>	

Transfers to the related municipal entity were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Library	Cimarron City Library	\$ 144,773
General	Cimarron City Library	<u>7,424</u>
		<u>\$ 152,197</u>

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other post employment benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the 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. There is no cost to the City under this program.

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONTINUED)

Section 125 plan. The City offers a Section 125 flexible benefit plan to all eligible employees. It is used for medical insurance premiums, unreimbursed medical expenses and for child care expenses. The plan is administered by the health insurance provider. The City withholds the amounts from the employee's paychecks and remits the withholding to the plan administrator.

Compensated absences. Full-time employees accumulate sick leave at the rate of one day per month beginning at the end of the first month of employment. Sick leave that is unused at year-end may be carried over to the next year up to a limit of sixty days. Full-time employees who have worked at least one year receive two weeks of vacation, and those who have worked five years or more receive three weeks. After 15 years of service, employees receive four weeks of vacation. Employees are allowed to carry over five days of unused vacation to the following year.

F. DEFINED BENEFIT PENSION PLAN

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 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 July 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 the City 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 contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.48% for KPERS for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City were \$63,260 for the year ended December 31, 2015.

Net Pension Liability. At December 31, 2015, the City's proportionate share of the collective net pension liability reported by KPERS was \$465,080. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. 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. The complete actuarial report including all actuarial assumptions and methods, and the report on the allocation of the KPERS net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described above.

G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

H. COMMITMENT

At the December 7, 2015 meeting, the City approved the contract that was approved by the State of Kansas for project 50-35 KA-3553-01 (Ash to Cedar). The bid was for \$642,914 with the City's portion of the bid estimated at \$58,669.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2016, the date on which the financial statement was available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF CIMARRON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 1,339,248	\$ 15,000	\$ 1,354,248	\$ 1,120,131	\$ 234,117
Special purpose funds:					
Library	152,198	-	152,198	152,198	-
Special park and recreation	1,527	-	1,527	-	1,527
Special highway	85,457	-	85,457	46,210	39,247
Transient guest tax	10,705	-	10,705	-	10,705
PBC sales tax	218,075	-	218,075	197,114	20,961
Bond and interest fund:					
Bond and interest	367,510	-	367,510	333,224	34,286
Business funds:					
Light enterprise	2,028,517	-	2,028,517	1,603,785	424,732
Water enterprise	600,331	-	600,331	389,871	210,460
Trash enterprise	220,000	-	220,000	177,490	42,510
Sewer enterprise	258,000	-	258,000	144,557	113,443
Total	<u>\$ 5,281,568</u>	<u>\$ 15,000</u>	<u>\$ 5,296,568</u>	<u>\$ 4,164,580</u>	<u>\$ 1,131,988</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Taxes:				
Ad valorem tax	\$ 516,909	\$ 528,390	\$ 509,933	\$ 18,457
Delinquent tax	5,548	6,982	5,500	1,482
Vehicle tax	126,328	123,643	93,182	30,461
Shared revenue:				
Local sales tax	210,497	211,479	175,000	36,479
State of Kansas - connecting link	23,490	23,490	15,000	8,490
Licenses, permits and fees:				
Franchise fees	53,932	49,058	45,000	4,058
Other licenses, permits and fees	12,995	8,428	9,000	(572)
Fines, forfeitures and penalties:				
Fines - police	74,281	96,181	60,000	36,181
Charges for services:				
Swimming pool	53,456	57,660	35,000	22,660
Interest on idle funds	1,969	1,864	1,000	864
Other:				
Rent	7,382	4,382	4,500	(118)
Recreation sponsor fees	3,700	5,053	3,000	2,053
Grant proceeds	226,428	15,000	-	15,000
Miscellaneous	19,503	28,164	15,000	13,164
Total receipts	1,336,418	1,159,774	\$ 971,115	\$ 188,659
Expenditures:				
General government:				
General administration:				
Personal services	54,470	61,338	\$ 59,000	\$ (2,338)
Contractual services	55,063	77,133	120,000	42,867
Commodities	44,504	36,199	10,000	(26,199)
Capital outlay	-	5,808	-	(5,808)
Subtotal	154,037	180,478	189,000	8,522
Employee benefits:				
Health and life insurance	23,086	22,748	40,000	17,252
Payroll taxes and benefits	32,256	41,899	45,000	3,101
Subtotal	55,342	64,647	85,000	20,353
Total general government	209,379	245,125	274,000	28,875

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Public safety:				
Police department:				
Personal services	\$ 2,400	\$ 2,985	\$ -	\$ (2,985)
Contractual services	185,172	195,813	190,000	(5,813)
Commodities	794	32	-	(32)
Subtotal	<u>188,366</u>	<u>198,830</u>	<u>190,000</u>	<u>(8,830)</u>
Fire department:				
Personal services	3,492	12,664	7,000	(5,664)
Contractual services	4,615	700	500	(200)
Commodities	7,131	909	2,000	1,091
Capital outlay	-	-	500	500
Reimbursed expenditures	(7,091)	(8,250)	-	8,250
Subtotal	<u>8,147</u>	<u>6,023</u>	<u>10,000</u>	<u>3,977</u>
Total public safety	<u>196,513</u>	<u>204,853</u>	<u>200,000</u>	<u>(4,853)</u>
Public works:				
Street and alley:				
Contractual services	89,234	77,574	125,000	47,426
Commodities	52,396	39,611	75,000	35,389
Capital outlay	4,765	67	10,000	9,933
Subtotal	<u>146,395</u>	<u>117,252</u>	<u>210,000</u>	<u>92,748</u>
Airport:				
Contractual services	149,634	2,976	28,000	25,024
Commodities	101	10	1,000	990
Capital outlay	-	-	1,000	1,000
Subtotal	<u>149,735</u>	<u>2,986</u>	<u>30,000</u>	<u>27,014</u>
Total public works	<u>296,130</u>	<u>120,238</u>	<u>240,000</u>	<u>119,762</u>
Culture and recreation:				
Park department:				
Personal services	39,724	46,201	45,000	(1,201)
Contractual services	4,886	13,275	15,000	1,725
Commodities	14,985	12,867	12,000	(867)
Capital outlay	99,229	-	8,000	8,000
Subtotal	<u>158,824</u>	<u>72,343</u>	<u>80,000</u>	<u>7,657</u>

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Recreation department:				
Personal services	\$ 2,556	\$ 2,662	\$ 20,000	\$ 17,338
Contractual services	2,278	5,628	7,500	1,872
Commodities	17,575	9,234	10,000	766
Capital outlay	7,205	10,673	12,500	1,827
Appropriation to recreation	5,000	5,000	5,000	-
Subtotal	<u>34,614</u>	<u>33,197</u>	<u>55,000</u>	<u>21,803</u>
Golf course:				
Appropriation to Cimarron Golf Club	<u>159,000</u>	<u>167,000</u>	<u>167,000</u>	<u>-</u>
Swimming pool:				
Personal services	39,571	44,098	67,425	23,327
Contractual services	6,976	7,223	6,000	(1,223)
Commodities	<u>38,210</u>	<u>13,654</u>	<u>21,575</u>	<u>7,921</u>
Subtotal	<u>84,757</u>	<u>64,975</u>	<u>95,000</u>	<u>30,025</u>
Total culture and recreation	<u>437,195</u>	<u>337,515</u>	<u>397,000</u>	<u>59,485</u>
Transfers:				
Capital improvement	75,000	125,000	100,000	(25,000)
Equipment reserve	50,000	50,000	100,000	50,000
Cimarron City Library	<u>6,965</u>	<u>7,424</u>	-	<u>(7,424)</u>
Total transfers	<u>131,965</u>	<u>182,424</u>	<u>200,000</u>	<u>17,576</u>
Neighborhood revitalization rebate	<u>21,742</u>	<u>29,976</u>	<u>28,248</u>	<u>(1,728)</u>
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Total expenditures	<u>1,292,924</u>	<u>1,120,131</u>	<u>\$ 1,354,248</u>	<u>\$ 234,117</u>
Receipts over (under) expenditures	43,494	39,643		
Unencumbered cash, beginning of year	<u>596,889</u>	<u>640,383</u>	<u>\$ 368,133</u>	<u>\$ 272,250</u>
Unencumbered cash, end of year	<u>\$ 640,383</u>	<u>\$ 680,026</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	Actual	2015 Budget	Variance favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem tax	\$ 123,107	\$ 130,834	\$ 128,751	\$ 2,083
Delinquent tax	1,165	1,593	1,250	343
Vehicle tax	29,178	29,274	22,196	7,078
Total receipts	153,450	161,701	\$ 152,197	\$ 9,504
Expenditures:				
Transfer to related municipal entity	146,945	144,773	\$ 145,194	\$ 421
Neighborhood revitalization rebate	5,215	7,425	7,004	(421)
Total expenditures	152,160	152,198	\$ 152,198	\$ -
Receipts over (under) expenditures	1,290	9,503		
Unencumbered cash, beginning of year	1	1,291	\$ 1	\$ 1,290
Unencumbered cash, end of year	\$ 1,291	\$ 10,794		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SPECIAL PARK AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>		<u>Variance favorable (unfavorable)</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Culture and recreation:				
Commodities	-	-	\$ 1,527	\$ 1,527
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>1,527</u>	<u>1,527</u>	<u>\$ 1,527</u>	<u>\$ -</u>
Unencumbered cash, end of year	<u>\$ 1,527</u>	<u>\$ 1,527</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
State of Kansas - gas tax	\$ 57,473	\$ 58,792	\$ 56,680	\$ 2,112
Miscellaneous	1,290	-	-	-
Total receipts	<u>58,763</u>	<u>58,792</u>	<u>\$ 56,680</u>	<u>\$ 2,112</u>
Expenditures:				
Public works:				
Contractual services	14,679	33,074	\$ 341	\$ (32,733)
Commodities	26,052	-	25,000	25,000
Debt service:				
Principal	7,379	7,650	7,628	(22)
Interest and commissions	2,879	5,486	5,488	2
Transfer to capital improvement	-	-	47,000	47,000
Total expenditures	<u>50,989</u>	<u>46,210</u>	<u>\$ 85,457</u>	<u>\$ 39,247</u>
Receipts over (under) expenditures	7,774	12,582		
Unencumbered cash, beginning of year	<u>35,889</u>	<u>43,663</u>	<u>\$ 28,777</u>	<u>\$ 14,886</u>
Unencumbered cash, end of year	<u>\$ 43,663</u>	<u>\$ 56,245</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRANSIENT GUEST TAX

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	Actual	2015 Budget	Variance favorable (unfavorable)
Receipts:				
Transient guest tax	\$ 7,562	\$ 6,272	<u>\$ 7,000</u>	<u>\$ (728)</u>
Expenditures:				
Community services:				
Contractual services	<u>-</u>	<u>-</u>	<u>\$ 10,705</u>	<u>\$ 10,705</u>
Receipts over (under) expenditures	7,562	6,272		
Unencumbered cash, beginning of year	<u>6,505</u>	<u>14,067</u>	<u>\$ 3,705</u>	<u>\$ 10,362</u>
Unencumbered cash, end of year	<u>\$ 14,067</u>	<u>\$ 20,339</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

PBC SALES TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Shared receipts:				
Sales tax	\$ 291,429	\$ 311,440	\$ 220,000	\$ 91,440
Expenditures:				
Culture and recreation:				
Swimming pool:				
Capital outlay	4,580	10,039	\$ 30,000	\$ 19,961
Debt service:				
Principal	100,000	100,000	100,000	-
Interest and commissions	88,325	87,075	88,075	1,000
Total expenditures	192,905	197,114	\$ 218,075	\$ 20,961
Receipts over (under) expenditures	98,524	114,326		
Unencumbered cash, beginning of year	211,820	310,344	\$ 242,495	\$ 67,849
Unencumbered cash, end of year	\$ 310,344	\$ 424,670	\$ 244,420	\$ 180,250

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2015

	<u>Special park donation</u>	<u>Recreation committee</u>
Receipts:		
Fees	\$ -	\$ 500
State aid	-	-
Grant proceeds	-	-
Miscellaneous	-	-
Transfers in	-	-
	<hr/>	<hr/>
Total receipts	-	500
	<hr/>	<hr/>
Expenditures:		
Contractual services	-	1,195
Commodities	-	380
Capital outlay	-	-
Debt service:		
Principal	-	-
	<hr/>	<hr/>
Total expenditures	-	1,575
	<hr/>	<hr/>
Receipts over (under) expenditures	-	(1,075)
Unencumbered cash, beginning of year	<u>3,216</u>	<u>20,880</u>
Unencumbered cash, end of year	<u>\$ 3,216</u>	<u>\$ 19,805</u>

See Independent Auditor's Report.

<u>Equipment reserve</u>	<u>Capital improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 500
-	12,325	12,325
-	58,086	58,086
16,225	-	16,225
<u>100,000</u>	<u>225,000</u>	<u>325,000</u>
<u>116,225</u>	<u>295,411</u>	<u>412,136</u>
-	-	1,195
-	12,690	13,070
15,630	134,312	149,942
<u>58,242</u>	<u>-</u>	<u>58,242</u>
<u>73,872</u>	<u>147,002</u>	<u>222,449</u>
42,353	148,409	189,687
<u>218,787</u>	<u>393,426</u>	<u>636,309</u>
<u>\$ 261,140</u>	<u>\$ 541,835</u>	<u>\$ 825,996</u>

CITY OF CIMARRON, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Taxes:				
Ad valorem tax	\$ 50,761	\$ 71,897	\$ 69,516	\$ 2,381
Delinquent tax	342	567	250	317
Vehicle tax	8,351	11,336	9,168	2,168
Special assessments	174,319	186,773	120,000	66,773
Transfer from sewer enterprise	9,520	-	24,040	(24,040)
Transfer from water enterprise	103,501	102,331	102,331	-
Total receipts	<u>346,794</u>	<u>372,904</u>	<u>\$ 325,305</u>	<u>\$ 47,599</u>
Expenditures:				
Debt service:				
Principal	230,000	260,000	\$ 260,000	\$ -
Interest and commissions	81,270	69,138	78,659	9,521
Cash basis reserve	-	-	25,000	25,000
Neighborhood revitalization rebate	2,155	4,086	3,851	(235)
Total expenditures	<u>313,425</u>	<u>333,224</u>	<u>\$ 367,510</u>	<u>\$ 34,286</u>
Receipts over (under) expenditures	33,369	39,680		
Unencumbered cash, beginning of year	<u>55,385</u>	<u>88,754</u>	<u>\$ 42,205</u>	<u>\$ 46,549</u>
Unencumbered cash, end of year	<u>\$ 88,754</u>	<u>\$ 128,434</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

PEARL LUTHER ENDOWMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Receipts:		
Interest	\$ 14	\$ 20
Expenditures:		
Commodities	<u>804</u>	<u>-</u>
Receipts over (under) expenditures	(790)	20
Unencumbered cash, beginning of year	<u>21,944</u>	<u>21,154</u>
Unencumbered cash, end of year	<u><u>\$ 21,154</u></u>	<u><u>\$ 21,174</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

LIGHT ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Sales	\$ 1,849,173	\$ 1,693,868	\$ 1,925,000	\$ (231,132)
Interest	-	174	-	174
Total receipts	<u>1,849,173</u>	<u>1,694,042</u>	<u>\$ 1,925,000</u>	<u>\$ (230,958)</u>
Expenditures:				
Public works:				
Personal services	251,402	292,736	\$ 262,500	\$ (30,236)
Contractual services	130,479	121,223	165,000	43,777
Commodities	1,244,621	1,037,583	1,400,000	362,417
Capital outlay	20,075	954	75,000	74,046
Reimbursed expenditures	-	(9,552)	-	9,552
Debt service:				
Principal	21,169	10,841	23,946	13,105
Interest	4,848	-	2,071	2,071
Transfers out:				
Capital improvement	50,000	100,000	50,000	(50,000)
Equipment reserve	50,000	50,000	50,000	-
Total expenditures	<u>1,772,594</u>	<u>1,603,785</u>	<u>\$ 2,028,517</u>	<u>\$ 424,732</u>
Receipts over (under) expenditures	76,579	90,257		
Unencumbered cash, beginning of year	<u>341,930</u>	<u>418,509</u>	<u>\$ 315,913</u>	<u>\$ 102,596</u>
Unencumbered cash, end of year	<u>\$ 418,509</u>	<u>\$ 508,766</u>	<u>\$ 212,396</u>	<u>\$ 296,370</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

WATER ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Sales	\$ 447,894	\$ 439,434	\$ 450,000	\$ (10,566)
Interest	-	126	-	126
Total receipts	<u>447,894</u>	<u>439,560</u>	<u>\$ 450,000</u>	<u>\$ (10,440)</u>
Expenditures:				
Public works:				
Personal services	126,895	163,415	\$ 168,000	\$ 4,585
Contractual services	66,088	62,058	130,000	67,942
Commodities	61,719	61,114	50,000	(11,114)
Capital outlay	956	953	50,000	49,047
Transfer to bond and interest	103,501	102,331	102,331	-
Transfer to equipment reserve	25,000	-	-	-
Transfer to capital improvement fund	25,000	-	100,000	100,000
Total expenditures	<u>409,159</u>	<u>389,871</u>	<u>\$ 600,331</u>	<u>\$ 210,460</u>
Receipts over (under) expenditures	38,735	49,689		
Unencumbered cash, beginning of year	<u>338,418</u>	<u>377,153</u>	<u>\$ 154,917</u>	<u>\$ 222,236</u>
Unencumbered cash, end of year	<u>\$ 377,153</u>	<u>\$ 426,842</u>	<u>\$ 4,586</u>	<u>\$ 422,256</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRASH ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Sales	\$ 211,568	\$ 225,709	\$ 205,000	\$ 20,709
Miscellaneous	3,596	-	-	-
Total receipts	<u>215,164</u>	<u>225,709</u>	<u>\$ 205,000</u>	<u>\$ 20,709</u>
Expenditures:				
Public works:				
Contractual services	181,617	176,617	\$ 210,000	\$ 33,383
Commodities	485	873	-	(873)
Capital outlay	-	-	10,000	10,000
Total expenditures	<u>182,102</u>	<u>177,490</u>	<u>\$ 220,000</u>	<u>\$ 42,510</u>
Receipts over (under) expenditures	33,062	48,219		
Unencumbered cash, beginning of year	<u>61,729</u>	<u>94,791</u>	<u>\$ 66,729</u>	<u>\$ 28,062</u>
Unencumbered cash, end of year	<u>\$ 94,791</u>	<u>\$ 143,010</u>	<u>\$ 51,729</u>	<u>\$ 91,281</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SEWER ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	2014	2015		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Sales	\$ 209,104	\$ 208,945	\$ 210,000	\$ (1,055)
Transfers in	33,635	-	-	-
Total receipts	<u>242,739</u>	<u>208,945</u>	<u>\$ 210,000</u>	<u>\$ (1,055)</u>
Expenditures:				
Public works:				
Personal services	63,020	32,435	\$ 70,360	\$ 37,925
Contractual services	47,370	23,976	50,000	26,024
Commodities	16,257	14,073	20,000	5,927
Capital outlay	16,430	953	30,000	29,047
Debt service:				
Interest and commissions	-	9,520	-	(9,520)
Transfer to sewer plant replacement	63,600	63,600	63,600	-
Transfer to bond and interest	9,520	-	24,040	24,040
Total expenditures	<u>216,197</u>	<u>144,557</u>	<u>\$ 258,000</u>	<u>\$ 113,443</u>
Receipts over (under) expenditures	26,542	64,388		
Unencumbered cash, beginning of year	<u>59,838</u>	<u>86,380</u>	<u>\$ 48,109</u>	<u>\$ 38,271</u>
Unencumbered cash, end of year	<u>\$ 86,380</u>	<u>\$ 150,768</u>	<u>\$ 109</u>	<u>\$ 150,659</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SEWER PLANT REPLACEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

	<u>2014</u>	<u>2015</u>
Receipts:		
Transfer from sewer enterprise	\$ 63,600	\$ 63,600
Expenditures:		
Debt service:		
Principal	56,121	58,136
Interest and commissions	6,817	4,802
Total expenditures	<u>62,938</u>	<u>62,938</u>
Receipts over (under) expenditures	662	662
Unencumbered cash, beginning of year	<u>40,414</u>	<u>41,076</u>
Unencumbered cash, end of year	<u><u>\$ 41,076</u></u>	<u><u>\$ 41,738</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

CIMARRON CITY LIBRARY
(A RELATED MUNICIPAL ENTITY)SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2015

	General	Special purpose		Total
		State aid	Learn and play	
Receipts:				
City of Cimarron	\$ 152,799	\$ -	\$ -	\$ 152,799
Gray County Library Board	19,500	-	-	19,500
State of Kansas	-	1,312	-	1,312
Grants	5,712	-	25,000	30,712
Fines, photocopies and other charges	2,638	-	-	2,638
Donations and memorials	2,564	-	-	2,564
Interest	242	-	-	242
Rent	690	-	-	690
Program income	6,360	-	-	6,360
Other	6,224	-	-	6,224
Total receipts	196,729	1,312	25,000	223,041
Expenditures:				
Salaries and payroll taxes	113,756	-	-	113,756
Books and periodicals	11,848	30	-	11,878
Supplies	4,355	-	-	4,355
Audios and videos	4,148	1,243	-	5,391
Computer software	108	-	-	108
Utilities	4,213	-	-	4,213
Repairs and maintenance	13,774	-	-	13,774
Dues and contracts	10,212	-	-	10,212
Contractual services	4,745	-	18,320	23,065
Capital outlay	12,092	-	-	12,092
Grant/program expense	20,507	-	6,701	27,208
Miscellaneous	716	-	-	716
Total expenditures	200,474	1,273	25,021	226,768
Receipts over (under) expenditures	(3,745)	39	(21)	(3,727)
Unencumbered cash, beginning of year	107,305	9	21	107,335
Unencumbered cash, end of year	\$ 103,560	\$ 48	\$ -	\$ 103,608

See Independent Auditor's Report.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

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

THE BOND RESOLUTION

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

“Bonds” means the General Obligation Refunding Bonds, Series 2016, authorized and issued by the Issuer pursuant to the Bond Resolution.

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

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

“City” means the City of Cimarron, Kansas.

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

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

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

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

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

“Dated Date” means October 13, 2016.

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

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

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

“Defeasance Obligations” means any of the following obligations:

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

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

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

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

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

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

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

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

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

“Disclosure Undertaking” means the Issuer's Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented, relating to certain obligations contained in the SEC Rule.

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

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

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

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

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

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

“Financeable Costs” means the amount of expenditure for an Improvement which has been duly authorized by action of the governing body of the Issuer to be financed by general obligation bonds, less: (a) the amount of any temporary notes or general obligation bonds of the Issuer which are currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

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

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

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

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing March 1, 2017.

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

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

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

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

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

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

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

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

“Owner” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of

the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

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

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

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

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

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

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

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

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

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

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

“Refunded Bonds” means the Series 2011 Bonds maturing in the years 2017 to 2032, inclusive, in the aggregate principal amount of \$1,270,000.

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

“Refunded Bonds Redemption Date” means October 13, 2016.

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

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

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

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

“**Series 2011 Bonds**” means the Issuer's General Obligation Refunding and Improvement Bonds, Series 2011, dated December 28, 2011.

“**Series 2011 Principal and Interest Account**” means the Principal and Interest Account for the Series 2011 Bonds.

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

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

“**State**” means the state of Kansas.

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

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

“**2023 Term Bonds**” means the Bonds scheduled to mature in the year 2023.

“**2026 Term Bonds**” means the Bonds scheduled to mature in the year 2026.

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

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

“**Term Bonds**” means collectively the 2023 Term Bonds, the 2026 Term Bonds, the 2029 Term Bonds and the 2031 Term Bonds.

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

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

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

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

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

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

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

- (a) All accrued interest and premium, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) An amount necessary to pay the costs of compliance shall be deposited in the Compliance Account.
- (d) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Redemption Fund.
- (e) Simultaneously with the issuance of the Bonds, the Issuer shall transfer from the Series 2011 Principal and Interest Account to the Redemption Fund additional funds to provide for payment of the Refunded Bonds.

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

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

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

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

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

DEPOSIT AND INVESTMENT OF MONEYS

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

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

DEFAULT AND REMEDIES

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

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

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

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

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

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

DEFEASANCE

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

TAX COVENANTS

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

order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

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

CONTINUING DISCLOSURE REQUIREMENTS

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

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

MISCELLANEOUS PROVISIONS

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

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

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

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

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

Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

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

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

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

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

THE DISCLOSURE UNDERTAKING

The Issuer has adopted an Omnibus Continuing Disclosure Undertaking, as may be amended and supplemented (the “Disclosure Undertaking”) in which the Issuer covenants to provide certain financial and other information with respect to its outstanding obligations, including the Bonds, in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. In the Bond Resolution, the Issuer covenants to apply the provisions of the Disclosure Undertaking to the Bonds. Such covenants are for the benefit of and enforceable by the Participating Underwriter and the Beneficial Owners. The Issuer is the only “obligated person” with responsibility for continuing disclosure with respect to the Bonds.

DEFINITIONS

In addition to the definitions set forth in this “**APPENDIX C – THE BOND RESOLUTION – Definitions**” unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report filed by the Issuer pursuant to, and as described in the Disclosure Undertaking.

“Beneficial Owner” means, with respect to a series of Bonds, any registered owner of any Bonds of such series 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 of such series (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds of such series for federal income tax purposes.

“Bond Insurer” means the provider of the bond insurance policy, if any, for any series of Bonds.

“Bonds” means all bonds, notes, installment sale agreements, leases or certificates intended to be a debt obligation of the Issuer identified in the Disclosure Undertaking, including the Bonds.

“Designated Agent” means Gilmore & Bell, P.C. or one or more other entities designated in writing by the Issuer to serve as a designated agent of the Issuer for purposes of the Disclosure Undertaking.

“Dissemination Agent” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to the 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.

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.

From and after such time that Section (b)(5) of the SEC Rule applies to any series of Bonds, if the Annual Report is not filed within the time period specified in **subsection (a)** hereof, the Issuer shall send a notice to the Repository in a timely manner. Pursuant to Section (d)(3) of the SEC Rule, filing of an Annual Report shall not apply to any Bonds with a stated maturity of 18 months or less.

REPORTING OF MATERIAL EVENTS

No later than 10 Business Days after the occurrence of any of the following Material Events, the Issuer shall give, or cause to be given, to the Repository notice of the occurrence of any of the following Material Events with respect to the Bonds, with copies to the Bond Insurer:

- (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 Issuer (which shall be deemed to occur as provided in the SEC Rule);
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and
- (14) appointment of a successor or additional paying agent or trustee or the change of name of the paying agent or trustee, if material.

Notwithstanding the foregoing, notice of Material Events described in (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

DISSEMINATION AGENT

General. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as Dissemination Agent 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 the Disclosure Undertaking.

Annual Reports. If a Dissemination Agent shall be appointed, not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository; provided that an Annual Report shall not be required for any series of Bonds that has a stated maturity of 18 months or less. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to the Disclosure Undertaking, stating the date it was filed, or that the Issuer has certified to the Dissemination Agent that the Issuer has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has filed an Annual Report to the Repository, by the date required in the Disclosure Undertaking, the Dissemination Agent shall send a notice to the Repository.

Material Event Notices.

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The Issuer will promptly respond in writing to any such request. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the Issuer shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If the Issuer has determined that knowledge of an event is listed in (2), (7), (10) or (13) of the definition of a Material Event, is not material, the Issuer shall notify the Dissemination Agent in writing not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the Repository within 10 Business Days after the occurrence, with copies to the Issuer and the Bond Insurer. Notwithstanding the foregoing, notice of Material Events described in paragraphs (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Undertaking. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer.

Other Designated Agents. The Issuer may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Undertaking. The Issuer may revoke this designation at any time upon written notice to the Designated Agent.

MISCELLANEOUS PROVISIONS

Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Undertaking for a particular series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of that series of Bonds. If the Issuer's obligations hereunder are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under the 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 assumption occurs prior to the final maturity of such Bonds, the Issuer shall give notice of such termination or assumption in the same manner as for a Material Event.

Amendment; Waiver. In conjunction with the public offering of any series of Bonds, the Issuer and the Dissemination Agent, if any, may amend the categories of Operating Data to be updated to conform to the operating data included in the final Official Statement for such series of Bonds, in conformance with the requirements and interpretations of the SEC Rule as of the date of such final Official Statement, without further amendment to the Disclosure Undertaking. Thereafter, the Operating Data to be filed by the Issuer with the Repository with respect to the Bonds (and all other series of Bonds then subject to the Disclosure Undertaking) shall be deemed to be amended to reflect the requirements of the revised Operating Data for the new series of Bonds.

The Issuer may amend and any other provision of the 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 therein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Undertaking; provided, however, that the Disclosure Undertaking, may be amended for the purpose of (a) extending the coverage of the Disclosure Undertaking to any additional series of Bonds or (b) removing reference to any series of Bonds for which the Issuer's reporting obligations have terminated, each without the provision of a written opinion as otherwise required by this paragraph. If a provision of the Disclosure Undertaking is amended or waived with respect to a series of Bonds pursuant to this paragraph, 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: (a) notice of such change shall be given in the same manner as for a Material Event; and (b) 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.

Additional Information. Nothing shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the 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 which is required by the 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 which is specifically required by the Disclosure Undertaking, the Issuer shall have no obligation under the Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Undertaking with respect to a series of Bonds, 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 or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Undertaking. Noncompliance with the provisions of the Disclosure Undertaking shall not be deemed an Event of Default under the Bond Resolution or the Bonds, and the sole remedy under the Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Undertaking shall be an action to compel performance.

Electronic Transactions. Actions taken under the Disclosure Undertaking and the arrangements described therein may be conducted and related documents may be stored by electronic means.

Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, each Participating Underwriter and Beneficial Owners from time to time with respect to a series of Bonds, and shall create no rights in any other person or entity.

Governing Law. The Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State.

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