

**NOTICE OF BOND SALE**

**\$16,500,000**

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)**

**GENERAL OBLIGATION BONDS  
SERIES 2018**

(GENERAL OBLIGATION BONDS PAYABLE  
FROM UNLIMITED AD VALOREM TAXES)

**Bids.** Facsimile, written, and electronic (as explained below) bids for the purchase of the above-referenced bonds (the “Bonds”) of Unified School District No. 109, Republic County, Kansas (Republic County Schools) (the “Issuer”) herein described will be received on behalf of the undersigned Clerk of the Issuer at the address hereinafter set forth in the case of written and facsimile bids, and via PARITY® in the case of electronic bids, until 11:00 A.M. applicable Central Time (the “Submittal Hour”), on

**TUESDAY, MARCH 27, 2018**

(the “Sale Date”). All bids will be publicly evaluated at said time and place and the award of the Bonds to the successful bidder (the “Successful Bidder”) will be acted upon by the Board of Education of the Issuer (the “Governing Body”) at its meeting to be held at 7:30 P.M. on the Sale Date. No oral or auction bids will be considered. Capitalized terms not otherwise defined herein shall have the meanings set forth in the hereinafter referenced Preliminary Official Statement relating to the Bonds.

**Terms of the Bonds.** The Bonds will consist of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). The Bonds will be dated April 1, 2018 (the “Dated Date”), and will become due in principal installments on September 1 in the years as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2019	\$ 210,000	2032	\$ 670,000
2020	235,000	2033	710,000
2021	265,000	2034	755,000
2022	300,000	2035	800,000
2023	330,000	2036	845,000
2024	365,000	2037	890,000
2025	400,000	2038	945,000
2026	440,000	2039	995,000
2027	480,000	2040	1,050,000
2028	525,000	2041	1,110,000
2029	560,000	2042	1,170,000
2030	590,000	2043	1,230,000
2031	630,000		

The Bonds will bear interest from the Dated Date at rates to be determined when the Bonds are sold as hereinafter provided, which interest will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2019 (the "Interest Payment Dates").

**\*Adjustment of Issue Size.** The Issuer reserves the right to decrease the total principal amount of the Bonds or increase or decrease the schedule of principal payments described above, depending on the purchase price and interest rates bid and the offering prices specified by the Successful Bidder. The Successful Bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount of the Bonds or the schedule of principal payments as described herein. If there is a decrease in the final aggregate principal amount of the Bonds or an increase or decrease in the schedule of principal payments as described above, the Issuer will notify the Successful Bidder by means of telephone or facsimile transmission, subsequently confirmed in writing, no later than 2:00 p.m. applicable Central Time, on the Sale Date. The actual purchase price for the Bonds shall be calculated by applying the percentage of par value bid by the Successful Bidder against the final aggregate principal amount of the Bonds, as adjusted, plus accrued interest from the Dated Date to the Closing Date (as hereinafter defined).

**Place of Payment.** The principal of and interest on the Bonds will be payable in lawful money of the United States of America by check or draft of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"). The principal of each Bond will be payable at maturity or earlier redemption to the owner thereof whose name is on the registration books (the "Bond Register") of the Bond Registrar (the "Registered Owner") upon presentation and surrender at the principal office of the Paying Agent. Interest on each Bond will be payable to the Registered Owner of such Bond as of the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the "Record Date") (a) mailed by the Paying Agent to the address of such Registered Owner as shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Registered 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 wire transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the wire transfer address to which such Registered Owner wishes to have such wire directed.

**Bond Registration.** The Bonds will be registered pursuant to a plan of registration approved by the Issuer and the Attorney General of the State of Kansas (the "State"). The Issuer will pay for the fees of the Bond Registrar for registration and transfer of the Bonds and will also pay for printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, will be the responsibility of the Owners.

**Book-Entry-Only System.** The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will initially be issued exclusively in "book entry" form and shall be initially registered in the name of Cede & Co., as the nominee of DTC and no beneficial owner will receive certificates representing their interests in the Bonds. During the term of the Bonds, so long as the book-entry-only system is continued, the Issuer will make payments of principal of, premium, if any, and interest on the Bonds to DTC or its nominee as the Registered Owner of the Bonds, DTC will make book-entry-only transfers among its participants and receive and transmit payment of principal of, premium, if any, and interest on the Bonds to its participants who shall be responsible for transmitting payments to beneficial owners of the Bonds in accordance with agreements between such participants and the beneficial owners. The Issuer will not be responsible for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Issuer determines that continuation of the book-entry-only form of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the Issuer will discontinue the book-entry-only form of registration with DTC. If the Issuer fails to identify another qualified securities

depository to replace DTC, the Issuer will cause to be authenticated and delivered to the beneficial owners replacement Bonds in the form of fully registered certificates. Reference is made to the Official Statement for further information regarding the book-entry-only system of registration of the Bonds and DTC.

### **Redemption of Bonds Prior to Maturity.**

**General.** Whenever the Issuer is to select Bonds for the purpose of redemption, it will, in the case of Bonds in denominations greater than the minimum Authorized Denomination, if less than all of the Bonds then outstanding are to be called for redemption, treat each minimum Authorized Denomination of face value of each such fully registered Bond as though it were a separate Bond in the minimum Authorized Denomination.

**Optional Redemption.** At the option of the Issuer, Bonds maturing on September 1 in the years 2027, and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2026, 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 date of redemption.

**Mandatory Redemption.** A bidder may elect to have all or a portion of the Bonds scheduled to mature in consecutive years issued as term bonds (the “Term Bonds”) scheduled to mature in the latest of said consecutive years and subject to mandatory redemption requirements consistent with the schedule of serial maturities set forth above, subject to the following conditions: (a) not less than all Bonds of the same serial maturity shall be converted to Term Bonds with mandatory redemption requirements; and (b) a bidder shall make such an election by completing the applicable paragraph on the Official Bid Form or completing the applicable information on PARITY®.

**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 maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar, any provider of municipal bond insurance and the Successful Bidder. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the registered owners of said Bonds. Each of said written notices shall be deposited in United States first class mail not less than 30 days prior to the Redemption Date. All notices of redemption shall state the Redemption Date, the redemption price, the Bonds to be redeemed, the place of surrender of Bonds so called for redemption and a statement of the effect of the redemption. The Issuer shall also give such additional notice as may be required by State law or regulation of the Securities and Exchange Commission in effect as of the date of such notice. If any Bond be called for redemption and payment as aforesaid, all interest on such Bond shall cease from and after the Redemption Date, provided funds are available for its payment at the price hereinbefore specified.

**Authority, Purpose and Security.** The Bonds are being issued pursuant to K.S.A. 25-2018(f), K.S.A. 72-6761, recodified as K.S.A. 72-5457, and K.S.A. 75-2315 *et seq.*, recodified as K.S.A. 72-5458 *et seq.*, as amended, and a resolution adopted by the Governing Body (the “Bond Resolution”) for the purpose of paying the cost to (a) construct, equip and furnish an addition to the District’s existing East Elementary School to create a new south wing with additional classrooms (some of which will be hardened to function also as storm shelters), restrooms, and other support spaces; (b) renovate and make other improvements to the existing East Elementary School to create improved office spaces, a secured entrance, a major upgrade of the building’s electrical system, and other improvements for life safety, security, and improved communications; (c) construct, equip and furnish additions to the District’s existing Republic County Junior-Senior High School to create a new Family and Consumer Science (FACS) room, a new High School Science classroom/lab and other general purpose classrooms, a multi-purpose/auxiliary gym with locker rooms, and a wrestling area to also double as a storm-safe area for the building; (d) renovate

and make other improvements to the District's existing Republic County Junior-Senior High School to create improved office spaces, a secured entrance, a major upgrade of the building's electrical and heating, ventilation and air-conditioning (HVAC) system, roof replacement, and other improvements for life safety, security, and improved communications; (e) make all other necessary improvements appurtenant thereto (collectively, the "Improvements"). The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

**Submission of Bids.** Facsimile and written bids must be made on forms which may be procured from the Clerk or the Financial Advisor and shall be addressed to the undersigned, and marked "Proposal for General Obligation Bonds, Series 2018." Written bids must be submitted in writing in sealed envelopes, by mail or hand delivered. Facsimile bids should not be preceded by a cover sheet and should be sent only once to **(316) 264-9370**. Confirmation of receipt of facsimile bids may be made by contacting the Financial Advisor at the number listed below. Electronic bids via PARITY® must be submitted in accordance with its Rules of Participation, as well as the provisions of this Notice of Bond Sale. ***Any bid submitted shall include the initial offering prices to the public for each maturity of the Bonds.*** If provisions of this Notice of Bond Sale conflict with those of PARITY®, this Notice of Bond Sale shall control. Bids must be received prior to the Submittal Hour on the Sale Date accompanied by the Deposit (as hereinafter defined), which may be submitted separately. The Issuer and Financial Advisor shall not be responsible for failure of transmission of facsimile or delivery by mail or in person of any bid.

**PARITY®.** Information about the electronic bidding services of PARITY® may be obtained from i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Phone No. (212) 849-5023.

**Conditions of Bids.** Proposals will be received on the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: (a) the same rate shall apply to all Bonds of the same maturity year; (b) no interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond published by **THE BOND BUYER**, in New York, New York, on the Monday next preceding the day on which the Bonds are sold, plus 3%; and (c) no supplemental interest payments will be considered. The difference between the highest rate specified and the lowest rate specified cannot exceed 3.0%. No bid for less than **100%** of the principal amount of the Bonds and accrued interest thereon to the date of delivery will be considered. Each bid shall specify the total interest cost (expressed in dollars) during the term of the Bonds on the basis of such bid, the premium, if any, offered by the bidder, the net interest cost (expressed in dollars) on the basis of such bid, and an estimate of the TIC (as hereinafter defined) on the basis of such bid. Each bidder shall certify to the Issuer the correctness of the information contained on the Official Bid Form; the Issuer will be entitled to rely on such certification. Each bidder agrees that, if it is awarded the Bonds, it will provide the certification described under the caption "Establishment of Issue Price" in this Notice.

**Good Faith Deposit.** A good faith deposit (the "Deposit") in the amount of \$330,000 payable to the order of the Issuer is required in order to secure the Issuer from any loss resulting from the failure of the bidder to comply with the terms of its bid.

The Deposit may be submitted at the addresses hereinafter set forth in either of the following forms:

(a) ***Certified or Cashier's Check.*** Certified or cashier's check drawn on a bank located in the United States of America received by the Issuer ***prior to the Submittal Hour***; or

(b) ***Wire Transfer.*** Wire transfer submitted by the Successful Bidder in Federal Reserve funds, immediately available for use by the Issuer ***not later than 2:00 p.m. applicable Central Time on the Sale***

**Date** (wire transfer information may be obtained from the Financial Advisor at the addresses set forth below).

Contemporaneously with the submission of a wire transfer Deposit, such bidder shall send an email to the Financial Advisor at the email address set forth below, including the following information: (a) notification that a wire transfer has been made; (b) the amount of the wire transfer; and (c) return wire transfer instructions in the event such bid is unsuccessful. Checks submitted for Deposits by unsuccessful bidders will be returned; wire transfer Deposits submitted by unsuccessful bidders will not be accepted or shall be returned in the same manner received on the next business day following the Sale Date. The Issuer reserves the right to withhold reasonable charges for any fees or expenses incurred in returning a wire transfer Deposit. No interest on the Deposit will be paid by the Issuer. If a bid is accepted, the Deposit, or the proceeds thereof, will be held by the Issuer until the Successful Bidder has complied with all of the terms and conditions of this Notice at which time the amount of said Deposit shall be returned to the Successful Bidder or deducted from the purchase price at the option of the Issuer. If a bid is accepted but the Issuer fails to deliver the Bonds to the Successful Bidder in accordance with the terms and conditions of this Notice, said Deposit, or the proceeds thereof, will be returned to the Successful Bidder. If a bid is accepted but the bidder defaults in the performance of any of the terms and conditions of this Notice, the proceeds of such Deposit will be retained by the Issuer as and for liquidated damages.

**Basis of Award.** Subject to the timely receipt of the Deposit set forth above, the award of the Bonds will be made on the basis of the lowest true interest cost ("TIC"), which will be determined as follows: the TIC is the discount rate (expressed as a per annum percentage rate) which, when used in computing the present value of all payments of principal and interest to be paid on the Bonds, from the payment dates to the Dated Date, produces an amount equal to the price bid, including any adjustments for premium if any. Present value will be computed on the basis of semiannual compounding and a 360-day year of twelve 30-day months. Bidders are requested to provide a calculation of the TIC for the Bonds on the Official Bid Form, computed as specified herein on the basis of their respective bids, which shall be considered as informative only and not binding on either the Issuer or the bidder. The Issuer or its Financial Advisor will verify the TIC based on such bids. If there is any discrepancy between the TIC specified and the bid price and interest rates specified, the specified bid price and interest rates shall govern and the TIC specified in the bid shall be adjusted accordingly. If two or more proper bids providing for identical amounts for the lowest TIC are received, the Governing Body will determine which bid, if any, will be accepted, and its determination is final.

The Issuer reserves the right to reject any and/or all bids and to waive any irregularities in a submitted bid. Any bid received after the Submittal Hour on the Sale Date will be returned to the bidder. Any disputes arising hereunder shall be governed by the laws of the State, and any party submitting a bid agrees to be subject to jurisdiction and venue of the federal and state courts within the State with regard to such dispute.

The Issuer's acceptance, including electronic acceptance through PARITY®, of the Successful Bidder's proposal for the purchase of the Bonds in accordance with this Notice of Bond Sale shall constitute a bond purchase agreement between the Issuer and the Successful Bidder for purposes of the laws of the State and a contract between the Issuer and the Successful Bidder for the purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and Rule G-32 of the Municipal Securities Rulemaking Board ("Rule G-32"). The method of acceptance shall be determined solely by the Governing Body.

**Bond Ratings.** The Issuer has applied to S&P Global Ratings, a division of S&P Global Inc., for a rating on the Bonds herein offered for sale.

**Optional Bond Insurance.** Applications have been submitted to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") for municipal bond insurance

relating to the Bonds. The Bonds may be purchased with or without this insurance at the option of the Successful Bidder. The amount of the municipal bond insurance premium and associated rating agency fees may be obtained from the above-named insurers.

If the Successful Bidder elects to purchase the Bonds with municipal bond insurance, certain rating agencies will assign their ratings to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by such bond insurer. All costs associated with the purchase and issuance of such municipal bond insurance policy and associated ratings and expenses (other than any independent rating requested by the Issuer) shall be paid by the Successful Bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the Successful Bidder to accept delivery of the Bonds.

**CUSIP Numbers.** CUSIP identification numbers will be assigned and printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of this Notice. All expenses in relation to the assignment and printing of CUSIP numbers on the Bonds will be paid by the Issuer.

**Delivery and Payment.** The Issuer will pay for preparation of the Bonds and will deliver the Bonds properly prepared, executed and registered without cost on or about **APRIL 24, 2018** (the “Closing Date”), to DTC for the account of the Successful Bidder or at such bank or trust company in the contiguous United States of America as may be specified by the Successful Bidder, or elsewhere at the expense of the Successful Bidder. The Successful Bidder will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Bonds shall be made in federal reserve funds, immediately available for use by the Issuer. The Issuer will deliver one Bond of each maturity registered in the nominee name of DTC.

#### **Establishment of Issue Price.**

(a) In order to provide the Issuer with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the “Code”), the Successful Bidder will be required to assist the Issuer in establishing the “issue price” of the Bonds and complete, execute and deliver to the Issuer prior to the Closing Date, a written certification in a form acceptable to the Successful Bidder, the Issuer and Bond Counsel (the “Issue Price Certificate”) containing the following for each maturity of the Bonds: (1) the interest rate; (2) the reasonably expected initial offering price to the “public” (as said term is used in Treasury Regulation Section 1.148-1(f) (the “Regulation”)) or the sale price; and (3) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Successful Bidder has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received by the Financial Advisor or Bond Counsel on behalf of the Issuer.

(b) The Issuer intends that the sale of the Bonds pursuant to this Notice shall constitute a “competitive sale” as defined in the Regulation. In support thereof: (1) the Issuer shall cause this Notice to be disseminated to potential bidders in a manner reasonably designed to reach potential bidders; (2) all bidders shall have an equal opportunity to submit a bid; (3) the Issuer reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds

such as the Bonds; and (4) the Issuer anticipates awarding the sale of the Bonds to the bidder that provides a bid with the lowest TIC in accordance with the section hereof entitled “Basis of Award.”

(c) Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Bonds as specified therein. The Successful Bidder shall constitute an “underwriter” as said term is defined in the Regulation. By submitting its bid, the Successful Bidder confirms that it shall require any agreement among underwriters, a selling group agreement or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with provisions of the Code and the Regulation regarding the initial sale of the Bonds.

(d) If all of the requirements of a “competitive sale” are not satisfied, the Issuer shall advise the Successful Bidder of such fact at the time of award of the sale of the Bonds to the Successful Bidder and the following provisions shall apply to the Bonds. ***In such event, any bid submitted will not be subject to cancellation or withdrawal.*** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Successful Bidder shall advise the Issuer if a “substantial amount” (as defined in the Regulation (10%)) of any maturity of the Bonds has been sold to the public and the price at which such substantial amount was sold. The Issuer will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The Issuer will ***not*** require the Successful Bidder to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Successful Bidder may elect such option. If the Successful Bidder exercises such option, the Issuer will apply the initial offering price to the public provided in the bid as the issue price for such maturities. If the Successful Bidder does not exercise that option, it shall thereafter promptly provide the Issuer the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the Issuer notified of such prices not later than three (3) business days prior to the Closing Date. ***Any change in the issue price of any of the Bonds after the Submittal Hour will not affect the purchase price for the Bonds submitted in the bid of the Successful Bidder.***

(e) This agreement by the Successful Bidder to provide such information will continue to apply after the Closing Time if: (a) the Issuer requests the information in connection with an audit or inquiry by the Internal Revenue Service (the “IRS”) or the Securities and Exchange Commission (the “SEC”) or (b) the information is required to be retained by the Issuer pursuant to future regulation or similar guidance from the IRS, the SEC or other federal or state regulatory authority.

**Preliminary Official Statement and Official Statement.** The Issuer has prepared a Preliminary Official Statement dated March 13, 2018, “deemed final” by the Issuer except for the omission of certain information as provided in the Rule, copies of which may be obtained from the Clerk or from the Financial Advisor. Upon the sale of the Bonds, the Issuer will adopt the final Official Statement and will furnish the Successful Bidder, without cost, within seven business days of the acceptance of the Successful Bidder’s proposal, with a sufficient number of copies thereof, which may be in electronic format, in order for the Successful Bidder to comply with the requirements of the Rule and Rule G-32. Additional copies may be ordered by the Successful Bidder at its expense.

**Continuing Disclosure.** In the Bond Resolution, the Issuer has covenanted to provide annually certain financial information and operating data and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board. This covenant is for the benefit of and is enforceable by any Registered Owner of the Bonds. For further information, reference is made to the caption “CONTINUING DISCLOSURE” in the Preliminary Official Statement.

**Assessed Valuation and Indebtedness.** The total assessed valuation of the taxable tangible property within the Issuer for the year 2017 is as follows:

Equalized Assessed Valuation of	
Taxable Tangible Property .....	\$55,114,285
Tangible Valuation of Motor Vehicles.....	<u>4,289,602</u>
Equalized Assessed Tangible Valuation	
for Computation of Bonded Debt Limitations .....	\$59,403,887

The total general obligation indebtedness of the Issuer as of the Dated Date, including the Bonds being sold, is \$16,500,000.

**Legal Opinion.** The Bonds will be sold subject to the approving legal opinion of GILMORE & BELL, P.C., WICHITA, KANSAS, Bond Counsel to the Issuer, which opinion will be furnished and paid for by the Issuer, will be printed on the Bonds, if the Bonds are printed, and will be delivered to the Successful Bidder when the Bonds are delivered. Said opinion will also include the opinion of Bond Counsel relating to the interest on the Bonds being excludable from gross income for federal income tax purposes and exempt from income taxation by the State. Reference is made to the Preliminary Official Statement for further discussion of federal and State income tax matters relating to the interest on the Bonds.

**Additional Information.** Additional information regarding the Bonds may be obtained from the undersigned or from the Financial Advisor at the addresses set forth below:

**DATED: February 22, 2018.**

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS  
(REPUBLIC COUNTY SCHOOLS)**

By: Darice Wilkinson, Clerk

***Issuer – Written Bid and Good Faith Deposit Delivery Address:***

1205 19th Street  
Belleville, Kansas 66935  
Attn: Darice Wilkinson, Clerk  
Phone No.: (785) 527-5621  
Fax No.: (785) 527-5375  
Email: [dwilkinson@usd109.org](mailto:dwilkinson@usd109.org)

***Financial Advisor – Facsimile Bid Delivery Address:***

George K. Baum & Company  
100 N. Main, Suite 810  
Wichita, Kansas 67202  
Attn: Bret Shogren  
Phone No.: (316) 264-9351  
Fax No.: (316) 264-9370  
Email: [shogrenb@gkbaum.com](mailto:shogrenb@gkbaum.com)

**SUPPLEMENT TO NOTICE OF BOND SALE**

**\$16,500,000\***

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)  
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2018**

***Good Faith Deposit – Wire Transfer Instructions.*** Any bidder may provide a Good Faith Deposit in the form of a wire transfer in Federal Reserve funds, immediately available for use by the Issuer to the following financial institution for benefit of the Issuer:

Bankers Bank of Kansas, Wichita, Kansas  
ABA #1011-0480-5  
For the Account of: Astra Bank, Scandia, Kansas  
Account # 110234  
For further credit to: USD 109  
Account # 5067839  
Attn: Nancy Millington  
(785) 527-2268  
[nancy.millington@astra.bank](mailto:nancy.millington@astra.bank)

Each bidder shall notify the Financial Advisor at [shogren@gkbaum.com](mailto:shogren@gkbaum.com) of the submission of the wire transfer and provide return wire transfer instructions in the event such bid is unsuccessful.

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS  
(REPUBLIC COUNTY SCHOOLS)**  
By: Darice Wilkinson, Clerk

# OFFICIAL BID FORM

PROPOSAL FOR THE PURCHASE OF UNIFIED SCHOOL DISTRICT NO. 109, REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)  
GENERAL OBLIGATION BONDS, SERIES 2018

TO: Darice Wilkinson, Clerk  
Unified School District No. 109, Republic County, Kansas (Republic County Schools)

March 27, 2018

For \$16,500,000\* principal amount of General Obligation Bonds, Series 2018, of Unified School District No. 109, Republic County, Kansas (Republic County Schools), to be dated April 1, 2018, as described in the Notice of Bond Sale dated February 22, 2018 (the "Notice"), said Bonds to bear interest as follows:

<u>Stated Maturity September 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Initial Offering Price</u>	<u>Stated Maturity September 1</u>	<u>Principal Amount*</u>	<u>Annual Rate of Interest</u>	<u>Initial Offering Price</u>
2019	\$210,000	_____ %	_____ %	2032	\$670,000	_____ %	_____ %
2020	235,000	_____ %	_____ %	2033	710,000	_____ %	_____ %
2021	265,000	_____ %	_____ %	2034	755,000	_____ %	_____ %
2022	300,000	_____ %	_____ %	2035	800,000	_____ %	_____ %
2023	330,000	_____ %	_____ %	2036	845,000	_____ %	_____ %
2024	365,000	_____ %	_____ %	2037	890,000	_____ %	_____ %
2025	400,000	_____ %	_____ %	2038	945,000	_____ %	_____ %
2026	440,000	_____ %	_____ %	2039	995,000	_____ %	_____ %
2027	480,000	_____ %	_____ %	2040	1,050,000	_____ %	_____ %
2028	525,000	_____ %	_____ %	2041	1,110,000	_____ %	_____ %
2029	560,000	_____ %	_____ %	2042	1,170,000	_____ %	_____ %
2030	590,000	_____ %	_____ %	2043	1,230,000	_____ %	_____ %
2031	630,000	_____ %	_____ %				

\* Subject to change, see the Notice

the undersigned will pay the purchase price for the Bonds set forth below, plus accrued interest to the date of delivery.

Principal Amount .....\$16,500,000\*00  
Plus Premium (if any) .....  
Total Purchase Price ..... \$ .....  
Total interest cost to maturity at the rates specified ..... \$ .....  
Net interest cost (adjusted for Discount and/or Premium) ..... \$ .....  
True Interest Cost ..... %

- ☐ The Bidder elects to purchase Municipal Bond Insurance from: [Assured] [AGM] [BAM] [\_\_\_\_\_]. Circle one or complete blank.  
☐ The Bidder elects to have the following Term Bonds:

<u>Maturity Date</u>	<u>Years</u>	<u>Amount*</u>
September 1, _____	_____ to _____	\$ _____
September 1, _____	_____ to _____	\$ _____

\*subject to mandatory redemption requirements in the amounts and at the times shown above.

This proposal is subject to all terms and conditions contained in the Notice, and if the undersigned is the Successful Bidder, the undersigned will comply with all of the provisions contained in the Notice. A cashier's or certified check or a wire transfer in the amount of \$330,000 payable to the order of the Issuer, submitted in the manner set forth in the Notice accompanies this proposal as an evidence of good faith. The acceptance of this proposal by the Issuer by execution below shall constitute a contract between the Issuer and the Successful Bidder for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission and a bond purchase agreement for purposes of the laws of the State of Kansas.

Submitted by: \_\_\_\_\_

(LIST ACCOUNT MEMBERS ON REVERSE)

By: \_\_\_\_\_  
Telephone No. (\_\_\_\_) \_\_\_\_\_

## ACCEPTANCE

Pursuant to action duly taken by the Governing Body of Unified School District No. 109, Republic County, Kansas (Republic County Schools), the above proposal is hereby accepted on March 27, 2018.

Attest:

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
President

**NOTE:** No additions or alterations in the above proposal form shall be made, and any erasures may cause rejection of any bid. Sealed bids may be filed with the Clerk, 1205 19th Street, Belleville, Kansas 66935, facsimile bids may be filed with George K. Baum & Company, Fax No. (316) 264-9370 or electronic bids may be submitted via **PARITY**®, at or prior to 11:00 A.M. applicable Central Time, on March 27, 2018. Any bid received after such time will not be accepted or shall be returned to the bidder.

## PRELIMINARY OFFICIAL STATEMENT

### NEW ISSUE – BOOK-ENTRY ONLY

**RATINGS:** Applied For  
See “Bond Ratings” herein

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; (2) the interest on the Bonds is exempt from income taxation by the State of Kansas; and (3) the Bonds have **not** been designated as “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). See “TAX MATTERS – Opinion of Bond Counsel” in this Official Statement.*

**\$16,500,000\***

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2018**

**Dated: April 1, 2018**

**Due: September 1, As shown on the inside cover**

The General Obligation School Building Bonds, Series 2018 (the “Bonds”) will be issued by Unified School District No. 109, Republic County, Kansas (Republic County Schools) (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 2019, and semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2019 (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 from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. See “THE BONDS-Security for the Bonds” herein.

### MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE

At the option of the Issuer, Bonds maturing on September 1, 2027, and thereafter will be subject to redemption and payment prior to maturity on September 1, 2026, 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 Marlea J. James, Esq., Belleville, Kansas, 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 April 24, 2018.

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**BIDS WILL BE RECEIVED ON  
MARCH 27, 2018  
UNTIL 11:00 A.M. (CT)**

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

The date of this Preliminary Official Statement is March 13, 2018.

\*Preliminary, subject to change

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

**\$16,500,000\***  
**UNIFIED SCHOOL DISTRICT NO. 109,**  
**REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)**  
**GENERAL OBLIGATION SCHOOL BUILDING BONDS**  
**SERIES 2018**

**MATURITY SCHEDULE**

**SERIAL BONDS**

<b>Stated Maturity September 1</b>	<b>Principal Amount*</b>	<b>Annual Rate of Interest</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP <sup>(1)</sup> Base [ ]:</b>
2019	\$ 210,000	___%	___%	___%	
2020	235,000	___%	___%	___%	
2021	265,000	___%	___%	___%	
2022	300,000	___%	___%	___%	
2023	330,000	___%	___%	___%	
2024	365,000	___%	___%	___%	
2025	400,000	___%	___%	___%	
2026	440,000	___%	___%	___%	
2027	480,000	___%	___%	___%	
2028	525,000	___%	___%	___%	
2029	560,000	___%	___%	___%	
2030	590,000	___%	___%	___%	
2031	630,000	___%	___%	___%	
2032	670,000	___%	___%	___%	
2033	710,000	___%	___%	___%	
2034	755,000	___%	___%	___%	
2035	800,000	___%	___%	___%	
2036	845,000	___%	___%	___%	
2037	890,000	___%	___%	___%	
2038	945,000	___%	___%	___%	
2039	995,000	___%	___%	___%	
2040	1,050,000	___%	___%	___%	
2041	1,110,000	___%	___%	___%	
2042	1,170,000	___%	___%	___%	
2043	1,230,000	___%	___%	___%	

**[TERM BONDS]**

<b>Stated Maturity September 1</b>	<b>Principal Amount*</b>	<b>Annual Rate of Interest</b>	<b>Yield</b>	<b>CUSIP<sup>(1)</sup> Base [ ]</b>
	\$	___%	___%	
2043		___%	___%	]

(All plus accrued interest, if any)

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

\*Preliminary, subject to change

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

**THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.**

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

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**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)**

1205 19<sup>th</sup> Street  
Belleville, Kansas 66935  
(785) 527-5621

**ELECTED OFFICIALS**

Clay Siemsen, President & Board Member

Brian McCartney, Vice President & Board Member

Clay Aurand, Board Member  
Loisann Brown, Board Member  
Kevin Milner, Board Member  
Chris Pacht, Board Member  
Daryl Rieke, Board Member

**ADMINISTRATIVE OFFICERS**

**SUPERINTENDENT OF SCHOOLS**

Michael Couch

**CLERK**

Darice Wilkinson

**TREASURER**

Teresa Valek

**ISSUER'S COUNSEL**

Marlea J. James, Esq.  
Belleville, Kansas

**FINANCIAL ADVISOR**

George K. Baum & Company,  
Wichita, Kansas

**BOND COUNSEL**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

Bruna Auditing Services, LLC,  
Certified Public Accountant  
Washington, 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

**\$16,500,000\***

**UNIFIED SCHOOL DISTRICT NO. 109,  
REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2018**

### INTRODUCTION

#### General Matters

The purpose of this Official Statement is to furnish information relating to Unified School District No. 109, Republic County, Kansas (Republic County Schools) (the “Issuer” or the “District”), and the General Obligation School Building Bonds, Series 2018 (the “Bonds”), of the Issuer, dated April 1, 2018 (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 unified school district 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 George K. Baum & Company, financial advisor to the Issuer (the “Financial Advisor”). Except for the information expressly attributed to other sources deemed to be reliable, all information has been provided by the Issuer. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has not assisted in the preparation nor reviewed this Official Statement, except to the extent described under the section captioned “LEGAL MATTERS,” and accordingly Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

#### Definitions

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

#### Continuing Disclosure

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. The Issuer adopted in 2018 an Omnibus Continuing Disclosure Undertaking (the “Disclosure Undertaking”) wherein the Issuer covenants to provide annually certain Financial Information and Operating Data and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board. 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. This is the Issuer’s initial undertaking under the Rule. The Issuer was formed by the consolidation in 2006 of two previously existing unified school district. Neither of the previously existing district had any undertakings under the Rule.

For more information regarding the 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, or from George K. Baum & Company, 100 N. Main, Suite 810, Wichita, Kansas 67202, Attention: Bret Shogren (316) 264-9351 or via e-mail at shogrenb@gkbaum.com.

## **THE BONDS**

### **Authority for the Bonds**

The Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 25-2018(f), K.S.A. 72-5457 (formerly K.S.A. 72-6761) and K.S.A. 72-5458 *et seq.* (formerly K.S.A. 75-2315 *et seq.*), all as amended and supplemented from time to time (the "Act") and a resolution adopted by the governing body of the Issuer (the "Bond Resolution").

### **Security for the Bonds**

The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are hereby 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 upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the 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 [and shall be approved by the Bond Insurer].

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 or at the Redemption Date to the Person in whose name such Bond is registered on the Bond Register at the Maturity or at the Redemption Date thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by

such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

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

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

### **Payments Due on Saturdays, Sundays and Holidays**

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

### **Book-Entry Bonds; Securities Depository**

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

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

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

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

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar

shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

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

### **Registration, Transfer and Exchange of Bonds**

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

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

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

### **Mutilated, Lost, Stolen or Destroyed Bonds**

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

### **Nonpresentment of Bonds**

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

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

## Redemption Provisions

**Optional Redemption.** At the option of the Issuer, Bonds maturing on September 1 in the years 2027, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on September 1, 2026, 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) *2043 Term Bonds.* ]The 2043 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 2043 Term Bonds:

<b><u>Principal Amount</u></b>	<b><u>Year</u></b>
\$	2043*

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\*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](http://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 PROJECT**

A majority of the voters in the District who participated in a February 20, 2018 election approved the following proposition:

Shall Unified School District No. 109, Republic County, Kansas (Republic County Schools) (the "District"), issue general obligation bonds in an amount not to exceed \$16,500,000, to pay the costs to (a) construct, equip and furnish an addition to the District's existing East Elementary School to create a new south wing with additional classrooms (some of which will be hardened to function also as storm shelters), restrooms, and other support spaces; (b) renovate and make other improvements to the existing East Elementary School to create improved office spaces, a secured entrance, a major upgrade of the building's electrical system, and other improvements for life safety, security, and improved communications; (c) construct, equip and furnish additions to the District's existing Republic County Junior-Senior High School to create a new Family and Consumer Science (FACS) room, a new High School Science classroom/lab and other general purpose classrooms, a multi-purpose/auxiliary gym with locker rooms, and a wrestling area to also double as a storm-safe area for the building; (d) renovate and make other improvements to the District's existing Republic County Junior-Senior High School to create improved office spaces, a secured entrance, a major upgrade of the building's electrical and heating, ventilation and air-conditioning (HVAC) system, roof replacement, and other improvements for life safety, security, and improved communications; (e) make all other necessary improvements appurtenant thereto; all pursuant to the provisions of K.S.A. 10-101 *et seq.*; K.S.A. 25-2018(f); K.S.A. 72-6761, recodified as K.S.A. 72-5457, and K.S.A. 75-2315 *et seq.*, recodified as K.S.A. 72-5458 *et seq.*?

The Bonds are being issued to finance the costs of the project approved at the election.

## **SOURCES AND USES OF FUNDS**

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds (exclusive of accrued interest):

### **Sources of Funds:**

Principal Amount of the Bonds	\$ 16,500,000.00*
[Original Issue Premium]	
[Original Issue Discount]	

### ***Total***

### **Uses of Funds:**

Deposit to Improvement Fund
Deposit to Costs of Issuance Account
Underwriter's Compensation
Deposit to Compliance Account

### ***Total***

\*Preliminary, subject to change

## **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.

### **State Aid**

As described in “**APPENDIX A – FINANCIAL INFORMATION – Property Tax Levies and Collections – School District Funding Formula**” and the sections following in **APPENDIX A**, the State provides a substantial portion of the money

for the operation of school districts in the State. As with other states, declining State revenues have resulted in reductions in the amount of State aid to school districts for operating purposes. However, the District is obligated to levy unlimited ad valorem taxes to provide for debt service payments on the Bonds regardless of the amount of State aid received.

### **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 – State/School Group (the “Plan”). Under existing law, employees make contributions and the State makes all employer contributions to the Plan; the Issuer is not responsible for supplemental contributions or any unfunded accrued actuarial liability (“UAAL”). According to KPERs’ Valuation Report, dated as of December 31, 2016, the State/School Group had an UAAL of \$6.690 billion. No assurance can be given by the Issuer that future legislative action may require Issuer contributions to the Plan or mandated Issuer responsibility for a portion of the UAAL.

### **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**

[The initial offering prices of certain maturities of the Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof. ]Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under “**THE BONDS – Redemption 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 includable in gross income for Kansas income tax purposes.

### **Suitability of Investment**

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

### **Market for the Bonds**

**Bond Rating.** The Bonds have been assigned the financial rating set forth in the section hereof entitled “**BOND RATINGS**.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not

be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Bonds as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

#### **[Bond Insurance and Ratings of the Bond Insurer]**

If the Issuer fails to make payment of the principal of and interest on the Bonds when the same become due, any Owner of Bonds will have recourse against the Bond Insurer for such payments. The Bond Insurance Policy does not, however, insure payment of the principal of or interest on the Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), nor does it insure the payment of any redemption premium payable upon the redemption of the Bonds. Under no circumstances, including the situation in which interest on the Bonds becomes subject to federal taxation for any reason, can the maturities of the Bonds be accelerated except with the consent of the Bond Insurer. Furthermore, so long as the Bond Insurer performs its obligations under the Bond Insurance Policy, the Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken under the Bond Resolution. If the Bond Insurer is unable to make payments of principal and interest on the Bonds as those payments become due, the Bonds are payable solely from sources pledged by the Issuer pursuant to the Bond Resolution. See “BOND INSURANCE” for further information concerning the Bond Insurer, the Bond Insurance Policy and any financial ratings assigned to bonds insured by the Bond Insurer.

Moody's, Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency have issued press releases concerning their analyses of the effect on financial guarantors (including the Bond Insurer) of the ongoing deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations with exposure to residential mortgage-backed securities. All three rating agencies have re-assessed and are continuing to re-assess their required capital adequacy ratios for bond insurers, and also have revised the stress tests they apply in their ratings analyses of bond insurers to reflect higher potential losses for exposures to residential mortgage-backed securities and certain collateralized debt obligations.]

A rating downgrade of the Bond Insurer by any rating agency may result in a rating downgrade of the Bonds. A rating downgrade of the Bonds could lower the price of the Bonds in the secondary market, and could affect the liquidity for the Bonds in the secondary market. Prospective purchasers of the Bonds are urged to check the websites of the rating agencies and the public announcements by the Bond Insurer for any future developments relating to the ratings of the Bond Insurer and the Bonds.]

### **[BOND INSURANCE]**

#### **BOND RATINGS**

The Issuer has applied to S&P Global Ratings, a division of S&P Global, Inc., for a rating on the Bonds. If the successful bidder elects to purchase the Bonds with municipal bond insurance, the rating agencies will assign their ratings to this issue with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer.

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

[ Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings have issued press releases concerning their analyses of the effect on financial guarantors (including the Bond Insurer) of the ongoing deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations with exposure to residential mortgage-backed securities. All three rating agencies have re-assessed and are continuing to re-assess their required capital adequacy ratios for bond insurers, and also have revised the stress tests they apply in their ratings analyses of bond insurers to reflect higher potential losses for exposures to residential mortgage-backed securities and certain collateralized debt obligations. See “Bond Insurance and Ratings of the Bond Insurer” under “RISK FACTORS” for additional information regarding the potential impact of these developments on the ratings of the Bond Insurer and the Bonds.]

## **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 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 Marlea J. James, Esq.

## **TAX MATTERS**

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

### **Opinion of Bond Counsel**

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

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

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

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

**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 such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

### **Other Tax Consequences**

[ **Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

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

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

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

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

## **FINANCIAL ADVISOR**

George K. Baum & Company, Wichita, Kansas, has acted as Financial Advisor to the Issuer in connection with the sale of the Bonds. The Financial Advisor has assisted the Issuer in the preparation of this Official Statement and in other matters relating to the issuance of the Bonds. The Financial Advisor will not be a manager or a member of any underwriting group submitting a proposal for the purchase of the Bonds. The fees of the Financial Advisor are contingent upon the issuance of the Bonds.

## **UNDERWRITING**

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

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

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## **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.

### **UNIFIED SCHOOL DISTRICT NO. 109, REPUBLIC COUNTY, KANSAS (REPUBLIC COUNTY SCHOOLS)**

By           /s/ Clay Siemsen            
Clay Siemsen, President

By:           /s/ Darice Wilkinson            
Darice Wilkinson, Clerk

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## **APPENDIX A**

### **INFORMATION CONCERNING THE ISSUER**

#### **GENERAL**

##### **Size and Location**

Unified School District No. 109, Republic County, Kansas (Republic County Schools) (the “Issuer” or the “District”) is approximately 70 miles north of Salina, Kansas and is in north central Kansas. The District encompasses approximately 560 square miles and has a current estimated population of 3,373 persons and a current student population of 519. The District office is located in Belleville, Kansas.

##### **Government and Organization of the District**

The Issuer is a unified school district organized and existing under and pursuant to the Constitution and laws of the State of Kansas. The District became unified in the year 2006, upon consolidation of two previously existing unified school districts, and is governed by a seven-member Board of Education which sets policy governing educational and administrative operations. The District has three voting districts with two Board Members elected from each district and one member at large.

##### **District Facilities**

The District presently operates two (2) attendance centers consisting of the following:

<u>Facility</u>	<u>Grades</u>
East Elementary School	Pre-K-5
Republic County Junior/Senior High School	6-12

The following table lists the history of enrollment in the District's schools for the years indicated.

<u>Year</u>	<u>Total</u>
2013/14	488
2014/15	491
2015/16	486
2016/17	515
2017/18	519

**Source:** District Clerk

##### **Municipal Services and Utilities**

The City of Belleville supplies water, sewer, natural gas and electric service to District residents. Local and long distance telephone service to District residents is provided by Cunningham Cable and AT&T.

##### **Transportation and Communication Facilities**

The City of Belleville is located along U.S. Highways 36 and 81. Package delivery service to District residents is provided by United Parcel Service, Federal Express, and the United States Postal Service. District residents have access to internet service through Cunningham Cable and AT&T. There is a public access airport available in Belleville, Kansas which provides a paved and lighted runway for use by District residents. There is a weekly newspaper publication available to District residents.

## Medical and Health Facilities

Republic County Hospital is located in Belleville, Kansas and available to the community and surrounding areas. The Hospital is a 25-bed critical access facility. Services include diagnostic treatment and wellness services as well as a 24-hour emergency room. Belleville Medical Clinic and Republic County Family Physicians also provides medical care for all ages to the area. There is also an adult assisted-living facility in Belleville that provides long-term care for District residents. There is a pharmacy located in Belleville for the convenience of District residents. Also available in Belleville are numerous additional specialty healthcare providers; an optometrist, dentist, chiropractor, and a nursing home.

## Higher Education Facilities

Post-secondary education is available to District residents through North Central Kansas Technical College, Beloit, Kansas; Cloud County Community College, Concordia, Kansas; and Kansas State University Continuing Education, in Manhattan, Kansas.

## Recreational, Cultural and Religious Facilities

There is recreation available in the area including fishing, parks, a movie theater, swimming pool, golf course, library and the Belleville High Banks dirt track.. There are three museums in Bellville for tourists to visit. Twenty-five churches serve the community.

## ECONOMIC INFORMATION

### Major Employers

Listed below are the major employers located in District:

<u>Major Employers</u>		<u>Product/Service</u>	<u>Number of Full- &amp; Part-time Employees</u>
1.	Republic County Hospital	Health Services	150
2.	Republic County	Government Municipality	120
3.	Republic County USD 109	Public Education	91
4.	Reinke Manufacturing	Irrigation Systems	82
5.	Lambert Pet Supply	Pet Food/Medicine	81
6.	Scott Specialties	Medical Supplies	58
7.	Belleville Healthcare Center	Long Term Care	49
8.	City of Belleville	Government Municipality	30
9.	Love's Truck Stop	Fuel – Convenience Store	26
10.	Haarslev	Manufacturers-Farm Machinery, Etc.	23

*Source:* District Clerk

### Labor Force

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

#### REPUBLIC COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2012	2,611	2,511	100	3.8%
2013	2,651	2,561	90	3.4%
2014	2,572	2,493	79	3.1%
2015	2,583	2,512	71	2.7%
2016	2,552	2,478	74	2.9%

**JEWELL COUNTY**

<b><u>Average For Year</u></b>	<b><u>Total Labor Force</u></b>	<b><u>Employed</u></b>	<b><u>Unemployed</u></b>	<b><u>Unemployed Rate</u></b>
2012	1,449	1,387	62	4.3%
2013	1,423	1,371	52	3.7%
2014	1,382	1,328	54	3.9%
2015	1,371	1,311	60	4.4%
2016	1,347	1,284	63	4.7%

**WASHINGTON COUNTY**

<b><u>Average For Year</u></b>	<b><u>Total Labor Force</u></b>	<b><u>Employed</u></b>	<b><u>Unemployed</u></b>	<b><u>Unemployed Rate</u></b>
2012	3,248	3,113	135	4.2%
2013	3,128	3,012	116	3.7%
2014	3,108	3,008	100	3.2%
2015	3,120	3,022	98	3.1%
2016	3,085	2,976	109	3.5%

**CLOUD COUNTY**

<b><u>Average For Year</u></b>	<b><u>Total Labor Force</u></b>	<b><u>Employed</u></b>	<b><u>Unemployed</u></b>	<b><u>Unemployed Rate</u></b>
2012	4,573	4,345	228	5.0%
2013	4,455	4,261	194	4.4%
2014	4,396	4,211	185	4.2%
2015	4,301	4,136	165	3.8%
2016	4,121	3,935	186	4.5%

**STATE OF KANSAS**

<b><u>Average For Year</u></b>	<b><u>Total Labor Force</u></b>	<b><u>Employed</u></b>	<b><u>Unemployed</u></b>	<b><u>Unemployed Rate</u></b>
2012	1,485,220	1,400,122	85,098	5.7%
2013	1,486,910	1,407,987	78,923	5.3%
2014	1,493,986	1,426,194	67,792	4.5%
2015	1,489,165	1,426,764	62,401	4.2%
2016	1,484,001	1,422,122	61,879	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 Republic, Jewell, Washington and Cloud Counties:

<b><u>Year</u></b>	<b><u>Republic County</u></b>	<b><u>Jewell County</u></b>	<b><u>Washington County</u></b>	<b><u>Cloud County</u></b>
2012	\$ 2,891,273	\$ 1,087,878	\$ 2,612,081	\$ 8,111,431
2013	2,936,592	1,211,746	2,605,883	7,785,745
2014	3,048,734	1,084,557	2,556,282	7,726,659
2015	3,046,839	1,138,536	2,730,716	8,008,096
2016	3,083,535	1,155,070	2,860,104	8,538,408
2017*	2,579,590	920,326	2,455,101	7,123,194

\* Through November 2017

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 Department of Revenue

## Bank Deposits

The following table lists bank deposits in Republic County, Jewell County, Washington County, and Cloud County for the years indicated:

<u>Year</u>	<u>Republic County</u>	<u>Jewell County</u>	<u>Washington County</u>	<u>Cloud County</u>
2013	\$ 178,511,000	\$ 88,477,000	\$ 191,928,000	\$ 239,496,000
2014	182,685,000	87,785,000	196,580,000	232,584,000
2015	186,577,000	89,554,000	202,584,000	245,386,000
2016	189,932,000	86,076,000	207,671,000	249,073,000
2017	189,610,000	87,327,000	204,176,000	257,280,000

*Source:* FDIC

## Population Trends

The following table shows the approximate population of Republic, Jewell, Washington and Cloud Counties in the years indicated:

<u>Year</u>	<u>Republic County</u>	<u>Jewell County</u>	<u>Washington County</u>	<u>Cloud County</u>
2012	4,965	3,085	5,806	9,479
2013	4,919	3,061	5,763	9,419
2014	4,868	3,060	5,717	9,414
2015	4,806	3,038	5,686	9,339
2016	4,768	3,003	5,613	9,302

The median age of persons in Republic, Jewell, Washington and Cloud Counties and the State of Kansas is 50.6, 52.5, 46.4, 42.2 and 36.0, respectively, per the 2010 Census.

*Source:* U.S. Census Bureau

## Personal Income Trends

Republic County 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>Republic County</u>	<u>Jewell County</u>	<u>Washington County</u>	<u>Cloud County</u>	<u>Kansas</u>
2012	\$ 41,707	\$ 43,901	\$ 41,617	\$ 33,085	\$ 44,811
2013	49,202	51,589	48,928	36,172	45,867
2014	44,672	43,385	44,034	35,030	46,568
2015	47,109	45,771	44,400	36,009	46,994
2016	49,012	46,983	44,950	36,640	47,228

*\*Thousands of dollars*

*Source:* Bureau of Economic Analysis

## FINANCIAL INFORMATION

### Accounting, Budgeting and Auditing Procedures

The District follows a statutory basis of accounting other than GAAP which demonstrates compliance with the State's "cash-basis" and "budget" laws. The District has received a waiver from GAAP accounting from the State.

The District's fiscal year is mandated to run from July 1 to June 30. An annual budget for the coming eighteen months is required to be prepared by the District, for all funds not exempt from the budget requirement. A computation of estimated receipts and disbursements is prepared and presented to the governing body of the District 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 District prior to August 25 of each year.

The District may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the District 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 as of January 1, 2017.

The Tax Lid provides that, subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than an average of the consumer price index without a majority vote of electors. The Tax Lid only applies to cities and counties, and therefore the provisions of the Tax Lid are not applicable to the District.

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 District 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 Bruna Auditing Services, LLC, Certified Public Accountants, Washington, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended June 30, 2017 is attached hereto as **APPENDIX B**.

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

## **Property Valuations**

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Republic, Jewell, Washington and Cloud County Appraiser's office determines the fair market value of all taxable property within the counties 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 District for the following years:

<u>Year</u>	<u>Republic County</u>	<u>Jewell County</u>	<u>Washington County</u>	<u>Cloud County</u>	<u>Total</u>
2013	\$204,249,545	\$ 2,582,646	\$ 1,301,961	\$ 599,077	\$ 208,733,229
2014	211,486,929	4,179,306	1,260,054	561,571	217,487,860
2015	226,658,194	5,221,795	1,343,959	543,111	233,767,059
2016	241,131,222	5,387,966	1,447,365	509,480	248,476,033
2017	259,692,652	6,220,426	1,604,156	573,012	268,090,246

*Source:* Republic, Jewell, Washington & Cloud County Clerks

## Assessed Valuation

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

### Republic County

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total</u>
2013	\$ 33,294,510	\$ 1,630,429	\$ 3,820,193	\$ 1,708,163	\$40,453,295
2014	36,084,375	1,239,780	3,046,094	4,155,776	44,526,025
2015	39,958,657	1,225,628	3,185,549	4,190,432	48,560,266
2016	43,869,567	1,238,639	2,924,291	4,189,183	52,221,680
2017	48,861,679	1,173,896	3,010,940	4,157,349	57,203,864

### Jewell County

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total</u>
2013	\$ 632,111	\$ 14,713	\$ 19,323	\$ 96,851	\$ 762,998
2014	927,180	17,306	20,101	103,257	1,067,844
2015	1,189,579	15,672	20,267	109,262	1,334,780
2016	1,213,125	12,517	16,856	105,057	1,347,555
2017	1,438,581	11,551	17,812	124,709	1,592,653

### Washington County

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total</u>
2013	\$ 246,990	\$ 0	\$ 110,727	\$ 0	\$ 357,717
2014	269,544	0	72,847	6,320	348,711
2015	299,649	0	70,935	5,347	375,931
2016	335,660	0	64,748	10,361	410,769
2017	381,039	0	66,077	6,682	453,798

### Cloud County

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total</u>
2013	\$ 80,261	\$ 1,162	\$ 71,086	\$ 2,299	\$ 154,808
2014	80,732	1,162	47,944	3,849	133,687
2015	92,018	1,162	46,149	3,427	142,756
2016	99,740	1,162	41,698	0	142,600
2017	109,545	540	42,625	862	153,572

<u>Total</u>					
<u>Year</u>	<u>Republic County</u>	<u>Jewell County</u>	<u>Washington County</u>	<u>Cloud County</u>	<u>Total</u>
2013	\$40,453,295	\$ 762,998	\$357,717	\$ 154,808	\$ 41,728,818
2014	44,526,025	1,067,844	348,711	133,687	46,076,267
2015	48,560,266	1,334,780	375,931	142,756	50,413,733
2016	52,221,680	1,347,555	410,769	142,600	54,122,604
2017	57,203,864	1,592,653	453,798	153,572	59,403,887

**Source:** Republic, Jewell, Washington & Cloud County Clerks

## Property Tax Levies and Collections

### School District Funding Formula

**Overview.** Effective July 1, 2017, the Kansas Legislature adopted the Kansas School Equity and Enhancement Act (“KSEEA”) which implemented a revised method of funding primary and secondary public education in the State of Kansas (the “State”). This overall funding formula, together with other existing legislation relating to education funding (collectively the “Plan”), contains many foundational characteristics of the funding plan employed by the State from 1992 to 2015, with certain modifications made in recent years in response to lawsuits challenging the constitutionality of the State’s school funding plans and the court decisions rendered. The following is a high-level summary of the Plan and certain funds and accounts created thereunder. This summary does not purport to be comprehensive.

**Funding for the Plan.** In general, funding for the Plan is provided by a State-mandated 20-mill property tax, motor vehicle tax collections, grants, certain federal impact aid and remaining fund balances (the “School Financing Sources”). School districts are also allowed to levy certain ad valorem taxes to fund operations. The District’s Bond and Interest Fund, from which principal and interest payments on general obligation bonds are financed, is a separate, unrestricted levy of ad valorem taxes.

**General Fund.** Revenue to support general fund operations is provided to districts through the State’s total foundation aid (“TFA”). TFA is determined by a formula which provides a fixed amount of funding per student, titled base aid for student excellence (“BASE”). TFA is calculated each year by multiplying BASE by the adjusted enrollment of a district. Adjusted enrollment means the district’s full-time enrollment adjusted by certain weighting factors related to the estimated cost of educating certain students. The amount of TFA that a district actually receives each year from the State is determined each school year by the State Board of Education (the “State Board”) and is a function of the district’s School Financing Sources and TFA.

A district's general state aid entitlement is paid monthly from the State school district finance fund during July through May according to the amount needed to meet operating expenses, with the balance paid in June. Any amount not so paid in June is paid on July 1 or as soon thereafter as funds are available for such payment. State law permits such funds to be recorded and accounted by the district as received on June 30.

**Supplemental General Fund.** In order to provide additional funding for operations, the Plan also allows districts to create a supplemental general fund that can be used for the same purposes as the general fund. The supplemental general fund is financed through a local option budget (“LOB”) which must be approved by a district’s governing body and may, under certain circumstances, be subject to notice and protest and/or referendum. A LOB represents an ad valorem tax within the district and may equal up to 33% of the district’s TFA. A district that has adopted a LOB is eligible for supplemental general state aid determined by a formula that takes into account the district’s assessed value per pupil (“AVPP”) and other factors.

The District has a LOB in an amount of 30% of its TFA which generates approximately \$1,067,440 of revenues annually.

**Capital Outlay Funds.** The Plan authorizes any district to initiate a capital outlay levy in an amount not to exceed 8 mills upon all taxable tangible property within the district. Prior to instituting a capital outlay levy, the district’s governing body must adopt a resolution declaring an intent to institute the levy, and the resolution must be published and is subject to protest petition. Funds generated by a district’s capital outlay levy may be expended for certain capital improvements, equipment and expenses provided by the Plan. A district may also issue general obligation capital outlay bonds, in an amount determined by formula, that are expected to be repaid from funds derived from the capital outlay levy. The District has a current capital outlay levy of 8 mills, which generates approximately \$440,953 of revenues annually.

Any district that levies a capital outlay levy is eligible to receive moneys from the school district capital outlay state aid fund based on a state aid percentage factor determined on a formula inversely related to the AVPP as compared to the median AVPP of all districts in the State.

*Capital Improvement Fund.* There is established in the State Treasury the school district Capital Improvement Fund (“CIF”). The CIF is intended to assist districts in making principal and interest payments on voted general obligation bond issues. Subject to an annual cap on total State CIF expenditures, each district may apply to the State Board to receive CIF State aid in an amount inversely related to its AVPP. Determination of CIF funding was not modified by KSEEA.

It is anticipated that the CIF will pay approximately 0% of the District’s debt service on the Bonds for the following school year. No assurance can be given that State CIF assistance will continue in future years. The District is obligated to levy unlimited ad valorem taxes to provide for debt service payments on the Bonds, regardless of any amounts received from the CIF.

*Other State Funding.* The Plan also provides additional State aid to school districts with extraordinary declining enrollment (subject to Kansas State Board of Education approval and appropriations from the State legislature) and to districts who operate virtual schools.

*Ongoing Litigation.* The methods employed by the State for funding primary and secondary education, including the Plan, have been regularly subject to lawsuits challenging the constitutionality of such methods. Certain lawsuits have successfully asserted that various components of State funding are constitutionally inadequate and/or inequitable, and the resulting court decisions have mandated that the Legislature address such deficiencies within provided deadlines. In response, the Legislature has actively amended and revised components the State funding formula.

The KSEEA is currently subject to ongoing litigation. Most recently, the Kansas Supreme Court (the “Court”) held in an October 2, 2017, decision that the KSEEA was unconstitutional because it was inadequately funded and certain components of the KSEEA (primarily, the calculation of State aid related to capital outlay and LOB) were inequitable. Among other items, the Court’s ruling: (1) mandated that the Legislature remedy these shortcomings; (2) stayed such mandate until June 30, 2018, to provide the Legislature a chance to address the Court’s ruling (the “Stay”); (3) and retained jurisdiction over the State’s appeal with briefing due to the Court by April 30, 2018.

The impact on the District and the Plan of the ongoing and any future litigation is not able to be determined at this time. There can be no assurance that the Plan or any components thereof will continue in their current form. Additionally, as stated by the Court in previous decisions regarding the Plan, the implementation of an unconstitutional system of school funding system may be enjoined. Therefore, if the Stay were lifted, it is possible that funds could not be raised, distributed or spent for the operation of public primary and secondary schools in the State.

#### ***Tax Collections:***

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

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

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

***Tax Rates:***

The District may levy taxes in accordance with the requirements of its adopted budget and within the restrictions of the State school finance formula. Property tax levies are based on the adopted budget of the District and the assessed valuations provided by the county appraiser.

The following table shows the District's mill levies by fund (per \$1,000 of assessed valuation) for each of the years indicated and the current year:

<u>Year</u>	<u>General Fund</u>	<u>LOB Levy</u>	<u>Capital Outlay</u>	<u>Bond &amp; Interest</u>	<u>Total Levy</u>
2013/14	20.000	22.184	7.994	1.002	51.180
2014/15	20.000	19.807	7.999	0.000	47.806
2015/16	20.000	22.729	6.998	0.000	49.727
2016/17	20.000	19.381	7.999	0.000	47.380
2017/18	20.000	19.372	8.000	0.000	47.372

**Source:** Republic County Clerk

***Aggregate Tax Levies:***

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

<u>Year</u>	<u>City of Belleville</u>	<u>Republic County</u>	<u>School District</u>	<u>State</u>	<u>Total Levy</u>
2013/14	78.647	103.577	51.180	1.5	234.904
2014/15	78.456	108.776	47.806	1.5	236.538
2015/16	80.214	104.828	49.727	1.5	236.269
2016/17	76.688	98.152	47.380	1.5	223.720
2017/18	75.099	92.661	47.372	1.5	216.632

**Source:** Republic County Clerk

***Tax Collection Record:***

The following table sets forth tax collection information for the District 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>
2013/14	51.180	\$1,753,558	\$1,814,010	103.45%
2014/15	47.806	2,033,794	2,083,352	102.44%
2015/16	49.727	2,007,444	2,042,297	101.74%
2016/17	47.380	2,299,655	2,327,095	101.19%
2017/18	47.372	2,380,551	2,346,407	98.57%

**Source:** Republic, Jewell, Washington & Cloud County Treasurers

### **Major Taxpayers:**

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

	<b><u>Taxpayer</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Taxes Levied</u></b>
1.	Nustar Pipeline	\$1,142,600	\$171,272
2.	Burlington Northern Santa Fe	1,000,717	157,263
3.	Rolling Hills Electric	852,660	138,843
4.	Farmway Coop Inc.	728,770	136,724
5.	Prairie Land Electric Company	665,440	114,943
6.	Love's Travel Stops & Country Stores, Inc.	399,653	86,579
7.	Kyle Railroad	438,342	69,220
8.	Individual	404,689	63,600
9.	Dejmal Farms Co.	365,708	54,810
10.	Individual	344,576	53,578

**Source:** Republic County Clerk

### **Employee Relations**

Employee relations 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 each of whom serve four-year terms. The board of trustees appoints an executive director to serve as the managing officer of KPERS and manage a staff to carry out daily operations of the system.

As of December 31, 2016, KPERS serves approximately 305,000 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, the majority of which comes from the State General Fund.

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

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

In 2015, the Legislature authorized, and there were issued, revenue bonds in the aggregate principal amount of \$1,005,180,000 to finance a portion of the unfunded actuarial pension liability as directed by KPERS and costs of issuance, but did not finance capitalized interest on such bonds. The repayment of the revenue bonds is subject to legislative annual appropriation, is not an obligation of the KPERS system, and the full faith and credit or taxing power of the State is not pledged to the repayment of the revenue bonds.

The State's contribution for school employees varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The State's contribution is 12.01% of the employee's gross salary for the period beginning July 1, 2017, through June 30, 2018, and will be 13.21% for the period beginning July 1, 2018, through June 30, 2019. In addition, the Issuer contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees for the period beginning October 1, 2017.

According to the Valuation Report as of December 31, 2016 (the "2016 Valuation Report") the KPERS School Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability ("UAAL") of approximately \$5.768 billion at the end of 2016. The authors of the 2016 Valuation Report note that the UAAL increased due to multiple factors, the most significant of which was the increase in the actuarial liability due to assumption and methodology changes adopted since the release of the prior valuation report. The 2016 Valuation Report discusses these assumption and methodology changes, and includes additional information relating to the funded status of the KPERS School Group, including recent trends in the funded status of the KPERS School Group, and is available on the KPERS website at [kpers.org/about/reports.html](http://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 2016 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS School Group. The 2016 Valuation Report sets the employer contribution rate for the period beginning July 1, 2019, for the KPERS School Group, and KPERS' actuaries identified that an employer contribution rate of 16.15% of covered payroll would be necessary, in addition to additional employer contributions of 0.69% for the period beginning July 1, 2019 (related to contribution reductions for the KPERS School Group approved by the 2017 Legislature), and statutory contributions by covered employees to eliminate the UAAL by the end of the actuarial periods set forth in the 2016 Valuation Report. Because the annual growth in employer contribution rates is limited by State law, the actual contribution rate permitted at the time of calculation was only 14.41%. As a result, members of the School Group are underfunding their projected actuarial liabilities and the UAAL can be expected to grow over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter, until such time as the permitted rate equals the actuarial rate.

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

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## DEBT STRUCTURE

### Debt Summary

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

<b>Debt Summary (As of April 24, 2018)</b>	<b><u>District Debt</u></b>
Fair Market Value of Taxable Property <sup>1</sup> .....	\$ 268,090,246
Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations <sup>2</sup> .....	\$ 59,403,887
Legal limitation of Bonded Debt <sup>3</sup> .....	\$ 8,316,544
Outstanding General Obligation Debt .....	\$ 16,500,000 *
Direct Debt Per Capita (Population = 3,373) .....	\$ 4,892 *
Overlapping Debt .....	\$ 1,895,000
Direct and Overlapping Debt .....	\$ 18,395,000 *
Direct and Overlapping Debt Per Capita .....	\$ 5,454 *
Direct Debt as a Percentage of Assessed Valuation .....	27.78% *
Direct and Overlapping Debt as a Percentage of Assessed Valuation .....	30.97 % *
Direct Debt as a Percentage of Actual Fair Market Value .....	6.16% *
Direct and Overlapping Debt as a Percentage of Actual Fair Market Value .....	6.86% *

<sup>1</sup> See “**Property Valuations**” *infra*.

<sup>2</sup> The assessed valuation of taxable tangible property within the District, including the taxable value of motor vehicles.

<sup>3</sup> On December 13, 2017 the Kansas State Board of Education issued an order granting authority for the District to exceed the general obligation debt limitation for school districts.

\*Preliminary, subject to change

### 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:

<b>GENERAL OBLIGATION BONDS</b>				
<b><u>Category of Indebtedness</u></b>	<b><u>Date of Indebtedness</u></b>	<b><u>Final Maturity</u></b>	<b><u>Original Principal Amount</u></b>	<b><u>Amount Outstanding</u></b>
General Obligation School Building Bonds, Series 2018	04/01/18	09/01/43	\$ 16,500,000*	\$ 16,500,000*

\*Preliminary, subject to change

**Source:** District Clerk

### History of General Obligation Indebtedness

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

### Lease Obligations

The District does not have any lease obligations at this time.

### Overlapping and Underlying Indebtedness

The following table sets forth overlapping and underlying indebtedness as of January 1, 2018, and the percent attributable (on the basis of assessed valuation) to the District:

<b><u>Taxing Jurisdiction</u></b>	<b><u>2017 Assessed Valuation</u></b>	<b><u>Outstanding General Obligation Indebtedness</u></b>	<b><u>Percent Applicable to Issuer</u></b>	<b><u>Amount Applicable to Issuer</u></b>
City of Belleville	\$ 9,189,979	\$ 1,685,000	100%	\$ 1,685,000
City of Cuba	472,076	210,000	100%	210,000
<b><i>Total</i></b>				<b><i><u>\$ 1,895,000</u></i></b>

**Source:** Republic, Jewell, Washington & Cloud County Clerks

### Future Indebtedness

The Issuer does not plan to issue any bonds in the near future.

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***APPENDIX B***

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
(FOR THE FISCAL YEAR ENDED 06/30/2017)**

**UNIFIED SCHOOL DISTRICT NO. 109**  
**BELLEVILLE, KANSAS**

**INDEPENDENT AUDITOR'S REPORT**  
**REGULATORY BASIS FINANCIAL STATEMENTS**

JUNE 30, 2017

BRUNA AUDITING SERVICES LLC  
DEREK BRUNA  
CERTIFIED PUBLIC ACCOUNTANT  
WASHINGTON, KANSAS

Unified School District No. 109  
Belleville, Kansas

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**BAS LLC**  
Bruna Auditing Services LLC  
Derek Bruna, CPA

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201 C Street  
Washington, KS 66968  
Phone: (785)-325-2061  
Fax: (785)-325-2194

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Unified School District No. 109  
Belleville, Kansas 66935

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 109, as of and for the year ended June 30, 2017 and the related notes to the financial statement.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my 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 I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

As described in Note A of the financial statement, the financial statement is prepared by the Unified School District No. 109 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 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 my 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 Unified School District No. 109 as of June 30, 2017, or changes in financial position and cash flows thereof for the year then ended.

*Opinion on Regulatory Basis of Accounting*


In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 109 as of June 30, 2017, 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.

*Report on Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds, and schedules of regulatory basis receipts, expenditures, and unencumbered cash – district activity funds, (Statements 2, 3, and 4 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 my 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 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Statement 3 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2017 basic financial statement upon which I rendered an unmodified opinion dated October 10, 2016. The 2016 basic financial statement and my 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://da.ks.gov/ar/muniserv/>. Such 2016 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC

  
Derek Bruna, CPA  
Washington, Kansas  
September 11, 2017

UNIFIED SCHOOL DISTRICT NO. 109  
Belleville, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
Regulatory Basis  
For The Year Ended June 30, 2017

									STATEMENT 1
	Statement	Beginning	Prior Year	Cash		Ending	Add Outstanding	Ending	
Fund	Number	Unencumbered	Cancelled	Receipts	Expenditures	Unencumbered	Encumbrances &	Cash	
		Cash Balance	Encumbrances			Cash Balance	A/P	Balance	
General Funds:									
General Fund	3-1	\$ 0	\$ 0	\$ 3,859,779	\$ 3,859,779	\$ 0	\$ 10,523	\$ 10,523	
Supplemental General	3-2	84,801	0	1,294,611	1,302,588	76,824	83,343	160,167	
Special Purpose Funds:									
At Risk-(K 12) Fund	3-3	185,000	0	310,141	310,141	185,000	0	185,000	
Capital Outlay Fund	3-4	977,405	0	714,610	323,398	1,368,617	169,328	1,537,945	
Driver Training	3-5	18,553	0	6,744	9,744	15,553	0	15,553	
Food Service Fund	3-6	58,136	0	331,744	312,938	76,942	0	76,942	
Professional Development Fund	3-7	16,042	0	2,685	6,077	12,650	0	12,650	
Parent Education Fund	3-8	0	0	7,700	7,700	0	0	0	
Special Education Fund	3-9	348,906	0	764,689	744,048	369,547	0	369,547	
Vocational Education Fund	3-10	74,821	0	88,963	88,484	75,300	644	75,944	
Gifts and Grants Fund	3-11	13,800	0	49,764	45,267	18,297	0	18,297	
Health Care Reserve Fund	3-12	11,671	0	0	0	11,671	0	11,671	
Kpers Retirement Fund	3-13	0	0	223,528	223,528	0	0	0	
Contingency Reserve Fund	3-14	361,271	0	0	0	361,271	0	361,271	
Clearing Accounts Fund	3-15	0	0	27,655	27,655	0	0	0	
Textbook Rental Fund	3-16	89,691	0	19,829	39,187	70,333	18,986	89,319	
Title I Fund-Current	3-17	0	0	80,450	80,450	0	0	0	
Title I Fund-Carryover	3-18	0	0	13,937	13,937	0	0	0	
Teacher Quality Carryover	3-19	0	0	8,227	8,227	0	0	0	
Title II A-Teacher Quality Fund	3-20	0	0	24,260	24,260	0	0	0	
Federal Reap Fund	3-21	0	0	22,139	22,139	0	0	0	
Virtual Education	3-22	0	0	5,000	5,000	0	0	0	
Bond and Interest Funds:									
Bond and Interest Fund	3-23	18,053	0	663	0	18,716	0	18,716	
Total Reporting Entity									
(Excluding Agency Funds)		\$ 2,258,150	\$ 0	\$ 7,857,118	\$ 7,454,547	\$ 2,660,721	\$ 282,824	\$ 2,943,545	

Composition of Cash

Money Market Accounts	\$	1,725,500
Certificate of Deposit		1,250,000
Operating Accounts-District		(35,055)
Operating Accounts-Schools		90,788
Petty Cash		3,100
Total Cash		3,034,333
Agency Funds Statement 4		(90,788)
Total Cash Excluding Agency Funds		2,943,545

**UNIFIED SCHOOL DISTRICT NO. 109**  
**Belleville, Kansas**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Unified School District No. 109 is a municipal Corporation established under Kansas Statute. All USDs in Kansas are required to be audited under K.S.A. 75-1122. The District is governed by an elected seven member board. The financial statements present the financial condition and results of operation of the district. The District's major operations include primary and secondary education for young people. The scope of the entity for financial reporting purposes is designed as those funds for which the District has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

This report is intended solely for the information and use of the Board of Education and management of USD 109, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes.

The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

**Basis of Presentation**

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restricts, or limitations. The following are Regulatory Basis Fund Types:

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

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

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

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

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

Trust fund – funds 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.).

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

**Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)**

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the "municipality" as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as "related municipal entities" as defined by KMAAG.

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The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues 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.

**GAAP Basis Financial Statements - Minimum Requirements.** GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

**Regulatory Basis Financial Statements - Minimum Requirements.** If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which is a summary statement containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplementary information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

**Departure from GAAP**

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The District has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 6/30/17. This waiver is completed annually and allows the District to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown

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**NOTES TO FINANCIAL STATEMENTS**  
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noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

Reimbursed Expenses

The purpose of these expenditures is to repay the district for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

2016 Financial Data

Amounts that are shown for 2016 in the accompanying financial statements are included where practical, only to provide a basis for comparison with 2017, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the District by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the District June 5. The District Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

Budgetary Data

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1<sup>st</sup>. Taxpayers have the option of paying in full or in two installments. The

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delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, Health Care Reserve Fund, Title IIA-Teacher Quality, Title I, and Federal Funds.

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

Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The district had no material inventories.

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of revenues, expenditures, and fund balances. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance With Kansas Statutes and Other Finance Related Legal Matters**

There are no noted violations with such compliance requirements.

**NOTE C- DEPOSITS AND INVESTMENTS**

**Deposits**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch bank in the county in which the District 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 District has no other policies that would further limit interest rate risk. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2016.

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At year-end the carrying amount of the district's deposits, including certificates of deposit and money market accounts was \$3,034,333. The district checking account balance was \$(35,055) and activity operating accounts had a balance of \$90,788. Petty cash accounts were \$3,100. The money market account balance was \$1,725,500. The District had CDs for \$1,250,000 this fiscal year ended. Any differences between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the district's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the district, the pledging bank, and the independent third-party banks holding the securities.

Investment Policy

K.S.A. 12-1675 limits the District'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 District has no investment policy that would further limit investment choices. Funds of the district were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at June 30, 2017.

The cash of each of the funds of the district is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the district. Please refer to Statement 1 to review how the various funds are accruing interest.

Concentration of Credit Risk

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

Custodial Credit Risk – investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D- FRINGE BENEFIT PLAN I.R.C. 125

The District has in place an IRS-IRC Section #125 "Cafeteria" Fringe Benefit Plan. The options under the plan are salary reduction options. In addition, each employee may choose to take the benefit in cash, a taxable option. Employees that are eligible for the plan are all full time employees. The plan year runs from October 1 to September 30 annually. The maximum benefit allowance per employee is \$2500/yr for the year ended June 30, 2017. The maximum for the dependent care reimbursement account is \$5000 annually. Provisions available are:

- Group Health Insurance
- Group Term Life Insurance (\$50,000 maximum) Salary Protection Insurance
- Cancer Insurance
- Medical Reimbursement Accounts
- Dependent Care Reimbursement Accounts

NOTE E- CONTINGENT LIABILITIES

The district has computed the unfunded accumulated sick/personal leave costs as of June 30, 2016 and 2017, to be \$419,745 and \$361,522, respectively. The number of employees for the respective years were 66 and 65. Please Refer to Note F for further information on compensated absences.

NOTE F- COMPENSATED ABSENCES

The district's policy is that each qualified classified employee is allowed to accumulate a maximum of 60 days of sick leave, while certified employees reach their maximum at 80 days. In the case of an absence, the employees are reimbursed what their hourly rate or other rate is. In case of retirement, whether classified or certified, you are allowed payment for half of the maximum days accumulated. For certified employees the rate is \$95/day, and 90% of wage for classified. The administration

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support employees are maxed at \$95/day. Nine and ten month employees receive 9 and 10 sick days annually, while full time employees get 12 days leave time. All classified employees receive 2 other personal days. Employees are not allowed to combine sick or "other days" for a total of more than the maximum allowable. Classified 12 month employees get 5 vacation days after one year of service, 10 days for years of service between two and fifteen years, 15 days after 15 years, and 20 days after 30 years. There is no merit pay provision in the schools negotiated agreement nor is there a good health or absentee benefit.

**NOTE G- DEFINED BENEFIT PENSION PLAN**

*Plan description.* The District 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](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737. *Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate and the statutory contribution rate was 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017. Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091. The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$223,528 for the year ended June 30, 2017.

**Net Pension Liability**

At June 30, 2017, the District's proportionate share of the collective net pension liability reported by KPERS was \$4,203,150. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2016. Since the KMAAG regulatory basis of accounting does not recognize longterm debt, this liability is not reported in these financial statements. The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above. The report FYE 6/30/17 was not available at the time of the audit report.

**NOTE H- RISK FINANCING AND RELATED INSURANCE ISSUES**

The district 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 nature disasters. The district continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**NOTE I- FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these

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instruments. Financial instruments that subject the district to significant concentration and credit risk consist of cash and cash equivalents. The district places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

**NOTE J- FIDUCIARY/TRUST TYPE FUNDS**

The District does not currently have any of these funds in their financial statement FYE 6/30/17.

**NOTE K- OTHER POST-EMPLOYMENT BENEFITS**

As provided by K.S.A 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District 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. Currently, the district has 2 members that are covered under such provision, and they will no longer be covered in August of 2017.

**NOTE L- IN-SUBSTANCE RECEIPT IN TRANSIT**

The District received \$275,863 subsequent to June 30, 2017 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2017.

**NOTE M- LONG-TERM DEBT**

The District is not responsible for any long term debt.

**NOTE N- CAPITAL PROJECT COMPLIANCE**

The District currently has no capital projects being undertaken.

**NOTE O- LITIGATION CONTINGENCIES**

The District currently has no litigation contingencies that it is involved in.

**NOTE P- COMMITMENT AND CONTINGENCIES**

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2017.

**NOTE Q- SUBSEQUENT EVENTS**

These financial statements considered subsequent events through September 11, 2017 the date the financial statements were available to be issued.

**NOTE R- RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the district carries insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

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 June 30, 2017

Note S - INTER-FUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue, to the fund authorized to expend the revenue, have been segregated from normal revenues and expenditures for reporting purposes are are:

<u>FROM</u>	<u>TO</u>	<u>2016</u>	<u>2017</u>
General	Virtual Education	\$ 0	\$ 5,000
General	Supplemental	239,701	0
General	Special Education	414,501	428,810
General	Parent Education	7,700	7,700
General	Capital Outlay	225,158	203,180
General	At Risk K-12	23,064	0
General	KPERS	227,641	223,528
General	Contingency Reserv	30,000	0
General	Vocational Education	33,799	31,875
<b>Totals</b>		<b>1,201,564</b>	<b>900,093</b>
Supplemental General	Food Service	6,000	45,000
Supplemental General	Professional Development	2,500	2,500
Supplemental General	Textbooks	0	0
Supplemental General	Vocational Education	42,302	57,088
Supplemental General	Special Education	310,000	335,880
Supplemental General	At Risk K-12	275,178	310,140
<b>Totals</b>		<b>635,980</b>	<b>750,608</b>
Virtual Reality	General	27	0
Drivers Ed	General	0	5,000
<b>Totals</b>		<b>1,837,571</b>	<b>1,655,701</b>

The above transfers are included in the expenditures of the disbursing fund and included in the revenues of the receiving fund as required by the Cash Basis and Budget Laws of Kansas, and for budget comparison purposes.

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 June 30, 2017

Note T- INTER-GOVERNMENTAL ASSISTANCE-STATE

<u>Type of Aid</u>	<u>2016</u>	<u>2017</u>
General	\$ 2,388,145	\$ 2,304,902
Supplemental	239,701	232,903
Block Grant	257,173	0
State Safety	1,496	2,944
Food Service Aid	3,075	3,191
Special Ed.	414,501	424,499
GSA Transportation Weighting	0	0
Special Ed Transportation Weighting	0	0
Capital Improvement	0	0
KHF Fitness	0	0
School District Capital Improvement	0	0
School District Mill Levy	542,877	888,294
School Wellness	300	0
KPERS Expanded Lottery Act	0	0
KPERS Employer Cont.	227,641	223,528
<b>Totals</b>	<b>4,074,909</b>	<b>4,080,261</b>

Note U- INTER-GOVERNMENTAL ASSISTANCE-FEDERAL

<u>Type of Aid</u>	<u>2016</u>	<u>2017</u>
Title I Fund	\$ 93,019	94,387
Title I Carryover	0	0
Food Service	157,302	181,112
Ed Jobs Fund	0	0
Youth Risk Behavior	150	0
Title II Teacher Quality	30,882	32,487
Nutrition Training Grant	155	250
Reserve Fund	750	0
Fresh Fruits	0	0
<b>Totals</b>	<b>282,258</b>	<b>308,236</b>

Federal programs in which the school district participated have specified for what purpose funds are to be expended.

All funds unexpended at June 30, 2017 are restricted to federal program specified expenditures.

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Note V - BOND ANALYSIS

STATEMENT OF CHANGES IN LONG - TERM DEBT

For the Year Ended June 30, 2017

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds									
Series 2008	4.0 - 5.5%	\$ 0	9/1/2014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL LONG TERM - DEBT</b>				\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>	\$ <u>\$ 0</u>
<b>REMAINING</b>							<u><b>TOTAL</b></u>		
None							\$ 0		
<b>PAID</b>									
General Obligation Bonds							\$ 0		

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

STATEMENT 2

	Statement	Certified	Adjustments	Adjustments For	Total Budget	Expenditures	Variance
	Number	Budget	To Comply	Qualifying	For	Chargeable To	Over
			With Legal Max	Budget Credits	Comparison	Current Year	(Under)
<b>Fund</b>							
<b>General Funds:</b>							
General Fund	3-1	\$ 4,015,778	\$ (156,036)	\$ 300	\$ 3,860,042	\$ 3,859,779	\$ (263)
Supplemental General	3-2	1,302,588	0	0	1,302,588	1,302,588	0
<b>Special Purpose Funds:</b>							
At Risk (K-12)	3-3	348,600	0	0	348,600	310,141	(38,459)
Capital Outlay	3-4	1,000,000	0	0	1,000,000	323,398	(676,602)
Driver Training	3-5	19,000	0	0	19,000	9,744	(9,256)
Food Service	3-6	340,750	0	0	340,750	312,938	(27,812)
Professional Development	3-7	15,500	0	0	15,500	6,077	(9,423)
Parent Education Program	3-8	8,500	0	0	8,500	7,700	(800)
Special Education	3-10	840,873	0	0	840,873	744,048	(96,825)
Vocational Education	3-11	115,000	0	0	115,000	88,484	(26,516)
Gifts and Grants	3-12	18,800	0	0	18,800	45,267	26,467
KPERs Retirement	3-13	323,526	0	0	323,526	223,528	(99,998)
Virtual Education	3-23	5,000	0	0	5,000	5,000	0
<b>Bond and Interest Funds:</b>							
Bond And Interest	3-22	0	0	0	0	0	0
<b>TOTALS</b>		<b>\$ 8,353,915</b>	<b>\$ (156,036)</b>	<b>\$ 300</b>	<b>\$ 8,198,179</b>	<b>\$ 7,238,692</b>	<b>\$ (959,487)</b>

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

## STATEMENT 3-1

	GENERAL FUND			
	Prior Year		Current Year	
	Actual Transactions	Statutory Transactions	Budget	Variance Over (Under)
<b>Statutory Receipts</b>				
Taxes in Process	\$ 0	\$ 0	0	\$ 0
Ad Valorem Property Tax	0	0	0	0
Delinquent Tax	0	0	0	0
General State Aid	3,188,195	3,193,195	3,193,195	0
Supplemental State Aid	239,701	0	0	0
KPERS Aid	227,641	223,528	323,526	(99,998)
Reimbursement	0	300	0	300
Other Revenue	0	5,069	7,500	(2,431)
Transfer	27	5,000	5,000	0
Interest	3,351	8,188	4,500	3,688
Special Education Aid	414,500	424,499	482,057	(57,558)
<b>Total Statutory Receipts</b>	<b>\$ 4,073,415</b>	<b>\$ 3,859,779</b>	<b>4,015,778</b>	<b>\$ (155,999)</b>
<b>Expenditures</b>				
Instruction	\$ 1,586,371	\$ 1,625,934	1,631,620	\$ (5,686)
Student Support Services	111,423	120,057	114,600	5,457
Instructional Support Staff	102,058	106,756	109,285	(2,529)
General Administration	195,486	207,600	197,505	10,095
School Administration	311,114	261,751	269,550	(7,799)
Operations and Maintenance	379,975	440,359	472,427	(32,068)
Transportation	185,424	197,229	215,725	(18,496)
Other Supplemental Service	0	0	0	0
Operating Transfers	1,201,564	900,093	1,005,066	(104,973)
Adjustment to Comply With Legal Max	0	0	(156,036)	156,036
Adjustment For Qualifying Budget Credits	0	0	300	(300)
<b>Total Expenditures</b>	<b>\$ 4,073,415</b>	<b>\$ 3,859,779</b>	<b>3,860,042</b>	<b>\$ (263)</b>
<b>Statutory Revenues Over (Under) Expenditures</b>	<b>0</b>	<b>0</b>		
<b>Modified Unencumbered Cash - Beginning</b>	<b>0</b>	<b>0</b>		
<b>Prior Year Cancelled Encumbrances</b>	<b>0</b>	<b>0</b>		
<b>Modified Unencumbered Cash - Ending</b>	<b>\$ 0</b>	<b>\$ 0</b>		

UNIFIED SCHOOL DISTRICT NO. 109  
Belleville, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-2

SUPPLEMENTAL GENERAL FUND

	Prior Year Actual Transactions	Current Year		
		Statutory Transactions	Budget	Variance Over (Under)
<b>Statutory Revenues</b>				
Taxes in Process	\$ 30,151	\$ 45,501	25,975	\$ 19,526
Ad Valorem Property Tax	975,295	896,261	0	896,261
Delinquent Tax	16,321	22,252	23,591	(1,339)
Other Local Sources	0	0	0	0
Motor Vehicle/RV/Commercial Tax	103,323	97,666	94,558	3,108
Other County Revenue	10	28	0	28
Machinery & Equipment State Aid	0	0	0	0
Federal Grant - ARRA	0	0	0	0
Transfer	239,701	0	0	0
State Aid	0	232,903	232,903	0
<b>Total Statutory Revenues</b>	<b>\$ 1,364,801</b>	<b>\$ 1,294,611</b>	<b>377,027</b>	<b>\$ 917,584</b>
<b>Expenditures</b>				
Instruction	\$ 387,522	\$ 299,801	408,200	\$ (108,399)
Support Service	18,014	18,352	18,000	352
Instructional Support Staff	0	0	0	0
General Administration	18,960	9,898	22,200	(12,302)
School Administration	4,286	12	4,200	(4,188)
Operation and Maintenance	144,714	143,251	200,500	(57,249)
Transportation	70,524	80,666	132,800	(52,134)
Operating Transfers	635,980	750,608	516,688	233,920
<b>Total Expenditures</b>	<b>\$ 1,280,000</b>	<b>\$ 1,302,588</b>	<b>1,302,588</b>	<b>\$ 0</b>
<b>Statutory Revenues Over (Under) Expenditures</b>	<b>84,801</b>	<b>(7,977)</b>		
<b>Modified Unencumbered Cash - Beginning</b>	<b>0</b>	<b>84,801</b>		
<b>Prior Year Cancelled Encumbrances</b>	<b>0</b>	<b>0</b>		
<b>Modified Unencumbered Cash - Ending</b>	<b>\$ 84,801</b>	<b>\$ 76,824</b>		

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-3SPECIAL PURPOSE FUNDSAT RISK (K-12) FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Transfer from General	\$ 23,063	\$ 0	140,983	\$ (140,983)
MISC	150	0	0	0
Transfer from Supp General	275,178	310,141	141,688	168,453
<b>Total Cash Receipts</b>	<b>\$ 298,391</b>	<b>\$ 310,141</b>	<b>\$ 282,671</b>	<b>\$ 27,470</b>
<b>Expenditures</b>				
Instruction	\$ 279,907	\$ 291,475	325,500	\$ (34,025)
Support	18,484	18,666	23,100	(4,434)
<b>Total Expenditures</b>	<b>\$ 298,391</b>	<b>\$ 310,141</b>	<b>\$ 348,600</b>	<b>\$ (38,459)</b>
<b>Receipts Over (Under) Expenditures</b>	<b>0</b>	<b>0</b>		
<b>Unencumbered Cash - Beginning</b>	<b>185,000</b>	<b>185,000</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 185,000</b>	<b>\$ 185,000</b>		

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-4SPECIAL PURPOSE FUNDSCAPITAL OUTLAY FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Ad Valorem Tax	\$ 300,308	\$ 370,044	406,470	\$ (36,426)
Delinquent Tax	3,789	7,154	10,889	(3,735)
Interest on Idle Funds	0	0	0	0
Other Local Source	6,345	83,305	0	83,305
In Lieu of Taxes	4	0	0	0
Motor Vehicle/RV/Comm Tax	38,180	36,922	52,579	(15,657)
In Process	12,165	14,005	0	14,005
State Aid	0	0	0	0
Transfer	225,158	203,180	0	203,180
<b>Total Cash Receipts</b>	<b>\$ 585,949</b>	<b>\$ 714,610</b>	<b>\$ 469,938</b>	<b>\$ 244,672</b>
<b>Expenditures</b>				
Instruction	\$ 27,592	\$ 19,338	50,000	\$ (30,662)
Student Support Services	0	0	0	0
Instructional Support	0	0	0	0
General Administration	0	0	0	0
Operations & Maintenance	163,990	94,134	315,000	(220,866)
Transportation	0	0	50,000	(50,000)
Facility/Building Improvements	19,278	209,926	585,000	(375,074)
<b>Total Expenditures</b>	<b>\$ 210,860</b>	<b>\$ 323,398</b>	<b>\$ 1,000,000</b>	<b>\$ (676,602)</b>
<b>Receipts Over (Under) Expenditures</b>	<b>375,089</b>	<b>391,212</b>		
<b>Unencumbered Cash - Beginning</b>	<b>602,316</b>	<b>977,405</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 977,405</b>	<b>\$ 1,368,617</b>		

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-5

SPECIAL PURPOSE FUNDSDRIVER TRAINING FUND

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State Aid	\$ 1,496	\$ 2,944	2,250	\$ 694
Local Sources	4,400	3,800	4,400	(600)
Operating Transfers	0	0	0	0
 Total Cash Receipts	 \$ 5,896	 \$ 6,744	 \$ 6,650	 \$ 94
 Expenditures				
Instruction	\$ 5,792	\$ 4,744	14,000	\$ (9,256)
Transfer	0	5,000	5,000	0
 Total Expenditures	 \$ 5,792	 \$ 9,744	 \$ 19,000	 \$ (9,256)
 Receipts Over (Under) Expenditures	 104	 (3,000)		
 Unencumbered Cash - Beginning	 18,449	 18,553		
 Unencumbered Cash - Ending	 \$ 18,553	 \$ 15,553		

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-6SPECIAL PURPOSE FUNDSFOOD SERVICE FUND

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Federal Aid	\$ 157,456	\$ 181,362	153,347	\$ 28,015
State Aid	3,075	3,191	2,630	561
Misc	0	8,046	6,000	0
Student & Adult Receipts	101,039	94,145	100,527	(6,382)
Operating Transfers	6,000	45,000	25,000	20,000
Total Cash Receipts	\$ <u>267,570</u>	\$ <u>331,744</u>	\$ <u>287,504</u>	\$ <u>42,194</u>
Expenditures				
Food Service Operations	<u>289,653</u>	<u>312,938</u>	<u>340,750</u>	<u>(27,812)</u>
Total Expenditures	\$ <u>289,653</u>	\$ <u>312,938</u>	\$ <u>340,750</u>	\$ <u>(27,812)</u>
Receipts Over (Under) Expenditures	(22,083)	18,806		
Unencumbered Cash - Beginning	<u>80,219</u>	<u>58,136</u>		
Unencumbered Cash - Ending	\$ <u>58,136</u>	\$ <u>76,942</u>		

**UNIFIED SCHOOL DISTRICT NO. 109**

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**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**ACTUAL AND BUDGET**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-7**

**SPECIAL PURPOSE FUNDS**

**PROFESSIONAL DEVELOPMENT FUND**

		<u>Current Year</u>		
	<u>Prior Year</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b>Cash Receipts</b>				
Local Revenue	\$ 340	\$ 185	0	\$ 185
Operating Transfers	2,500	2,500	5,000	(2,500)
	<u>2,840</u>	<u>2,685</u>	<u>5,000</u>	<u>(2,315)</u>
<b>Total Cash Receipts</b>	\$ 2,840	\$ 2,685	\$ 5,000	\$ (2,315)
<b>Expenditures</b>				
Support Services	\$ 6,610	\$ 6,077	15,500	\$ (9,423)
<b>Total Expenditures</b>	\$ 6,610	\$ 6,077	\$ 15,500	\$ (9,423)
 <b>Receipts Over (Under) Expenditures</b>	 (3,770)	 (3,392)		
 <b>Unencumbered Cash - Beginning</b>	 <u>19,812</u>	 <u>16,042</u>		
 <b>Unencumbered Cash - Ending</b>	 <u>\$ 16,042</u>	 <u>\$ 12,650</u>		

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-8SPECIAL PURPOSE FUNDSPARENT EDUCATION PROGRAM FUND

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Other District	\$ 0	\$ 0	0	\$ 0
Transfer from General	7,700	7,700	8,500	(800)
Transfer from Supp General	0	0	0	0
<b>Total Cash Receipts</b>	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 8,500</u>	<u>\$ (800)</u>
<b>Expenditures</b>				
Student Support Services	\$ 7,700	\$ 7,700	8,500	\$ (800)
<b>Total Expenditures</b>	<u>\$ 7,700</u>	<u>\$ 7,700</u>	<u>\$ 8,500</u>	<u>\$ (800)</u>
<b>Receipts Over (Under) Expenditures</b>	0	0		
<b>Unencumbered Cash - Beginning</b>	0	0		
<b>Unencumbered Cash - Ending</b>	<u>\$ 0</u>	<u>\$ 0</u>		

UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES

ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-9

SPECIAL PURPOSE FUNDS

SPECIAL EDUCATION FUND

	Current Year			Variance Over (Under)
	Prior Year Actual	Actual	Budget	
<b>Cash Receipts</b>				
State Aid	\$ 0	\$ 0	0	\$ 0
Operating Transfers	724,501	764,689	792,057	(27,368)
<b>Total Cash Receipts</b>	<u>\$ 724,501</u>	<u>\$ 764,689</u>	<u>\$ 792,057</u>	<u>\$ (27,368)</u>
<b>Expenditures</b>				
Instruction	\$ 719,472	\$ 721,772	809,673	\$ (87,901)
General Administration	0	0	0	0
School Administration	0	0	0	0
Operations and Maintenance	4,400	4,800	5,200	(400)
Student Transportation	0	17,109	26,000	(8,891)
Vehicle Operating	8,431	367	0	367
Vehicle Maintenance	0	0	0	0
<b>Total Expenditures</b>	<u>\$ 732,303</u>	<u>\$ 744,048</u>	<u>\$ 840,873</u>	<u>\$ (96,825)</u>
<b>Receipts Over (Under) Expenditures</b>	(7,802)	20,641		
<b>Unencumbered Cash - Beginning</b>	<u>356,708</u>	<u>348,906</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 348,906</u>	<u>\$ 369,547</u>		

**UNIFIED SCHOOL DISTRICT NO. 109**

**Belleville, Kansas**

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**ACTUAL AND BUDGET**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-10**

**SPECIAL PURPOSE FUNDS**  
**VOCATIONAL EDUCATION FUND**

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Grants	750	0	0	0
Other Local	3,750	0	0	0
Operating Transfers	\$ 80,601	\$ 88,963	\$ 80,000	\$ 8,963
<b>Total Cash Receipts</b>	\$ 80,601	\$ 88,963	\$ 80,000	\$ 8,963
<b>Expenditures</b>				
Instruction	\$ 84,405	\$ 88,484	\$ 115,000	\$ (26,516)
<b>Total Expenditures</b>	\$ 84,405	\$ 88,484	\$ 115,000	\$ (26,516)
 <b>Receipts Over (Under) Expenditures</b>	 (3,804)	479		
 <b>Unencumbered Cash - Beginning</b>	 78,625	74,821		
 <b>Unencumbered Cash - Ending</b>	\$ 74,821	\$ 75,300		

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**ACTUAL AND BUDGET**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-11**

**SPECIAL PURPOSE FUNDS**

**GIFTS AND GRANTS FUND**

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Contributions & Donations	\$ <u>49,749</u>	\$ <u>49,764</u>	<u>5,000</u>	\$ <u>44,764</u>
<b>Total Cash Receipts</b>	\$ <u>49,749</u>	\$ <u>49,764</u>	\$ <u>5,000</u>	\$ <u>44,764</u>
<b>Expenditures</b>				
Instruction	\$ <u>43,027</u>	\$ <u>45,267</u>	<u>18,800</u>	\$ <u>26,467</u>
<b>Total Expenditures</b>	\$ <u>43,027</u>	\$ <u>45,267</u>	\$ <u>18,800</u>	\$ <u>26,467</u>
 <b>Receipts Over (Under) Expenditures</b>	 6,722	 4,497		
<b>Unencumbered Cash - Beginning</b>	<u>7,078</u>	<u>13,800</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>13,800</u>	\$ <u>18,297</u>		

UNIFIED SCHOOL DISTRICT NO. 109  
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SCHEDULE OF RECEIPTS AND EXPENDITURES  
Regulatory Basis  
For The Year Ended June 30, 2017  
(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-12

SPECIAL PURPOSE FUNDS  
HEALTH CARE RESERVE FUND

	Prior Year 2016	Current Year 2017
	<u>                    </u>	<u>                    </u>
Cash Receipts		
Interest on Idle Funds	\$ 0	\$ 0
District Contributions	0	0
Other	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>0</u>	<u>0</u>
Expenditures		
Premiums	0	0
Premiums Refunded	0	0
Claims	0	0
Miscellaneous Expense	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>11,671</u>	<u>11,671</u>
Unencumbered Cash - Ending	\$ <u>11,671</u>	\$ <u>11,671</u>

**UNIFIED SCHOOL DISTRICT NO. 109**

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**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**ACTUAL AND BUDGET**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-13**

**SPECIAL PURPOSE FUNDS**

**KPERS RETIREMENT FUND**

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
<b>Transfers</b>	\$ 227,641	223,528	323,526	(99,998)
<b>Employers Payments</b>	0	0	0	0
<b>Total Cash Receipts</b>	\$ 227,641	\$ 223,528	\$ 323,526	\$ 0
<b>Expenditures</b>				
<b>Benefits</b>	\$ 227,641	\$ 223,528	323,526	(99,998)
<b>Total Expenditures</b>	\$ 227,641	\$ 223,528	\$ 323,526	(99,998)
<b>Receipts Over (Under) Expenditures</b>	0	0		
<b>Unencumbered Cash - Beginning</b>	0	0		
<b>Unencumbered Cash - Ending</b>	\$ 0	\$ 0		

UNIFIED SCHOOL DISTRICT NO. 109

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SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-14

SPECIAL PURPOSE FUNDS  
CONTINGENCY RESERVE FUND

	Prior Year 2016	Current Year 2017
	<hr/>	<hr/>
Cash Receipts	\$ <u>30,000</u>	\$ <u>0</u>
Expenditures	<u>7,981</u>	<u>0</u>
Receipts Over (Under) Expenditures	22,019	0
Unencumbered Cash - Beginning	<u>339,252</u>	<u>361,271</u>
Unencumbered Cash - Ending	\$ <u>361,271</u>	\$ <u>361,271</u>

**UNIFIED SCHOOL DISTRICT NO. 109**

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**SCHEDULE OF RECEIPTS AND EXPENDITURES**

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

**STATEMENT 3-15**

**SPECIAL PURPOSE FUNDS**  
**CLEARING ACCOUNT FUND**

	<b>Prior Year</b> <b>2016</b>	<b>Current Year</b> <b>2017</b>
	<hr/>	<hr/>
Cash Receipts	\$ 26,946	\$ 27,655
	<hr/>	<hr/>
Expenditures	26,946	27,655
	<hr/>	<hr/>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	0	0
	<hr/>	<hr/>
Unencumbered Cash - Ending	\$ 0	\$ 0
	<hr/>	<hr/>

**UNIFIED SCHOOL DISTRICT NO. 109**

**Belleville, Kansas**

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-16**

**SPECIAL PURPOSE FUNDS**

**TEXTBOOK RENTAL FUND**

	<b><u>Prior Year 2016</u></b>	<b><u>Current Year 2017</u></b>
<b>Cash Receipts</b>		
Rental Fees	\$ 23,159	\$ 19,829
Transfers	<u>0</u>	<u>0</u>
<b>Total Cash Receipts</b>	<u><u>23,159</u></u>	<u><u>19,829</u></u>
 <b>Expenditures</b>		
Textbooks	43,916	39,187
Other	<u>38</u>	<u>0</u>
<b>Total Expenditures</b>	<u><u>43,954</u></u>	<u><u>39,187</u></u>
 <b>Receipts Over (Under) Expenditures</b>	(20,795)	(19,358)
 <b>Unencumbered Cash - Beginning</b>	<u>110,486</u>	<u>89,691</u>
 <b>Unencumbered Cash - Ending</b>	\$ <u><u>89,691</u></u>	\$ <u><u>70,333</u></u>

**UNIFIED SCHOOL DISTRICT NO. 109**

Belleville, Kansas

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

**STATEMENT 3-17**

**SPECIAL PURPOSE FUNDS**

**TITLE I FUND - CURRENT**

	<u>Prior Year</u> <u>2016</u>	<u>Current Year</u> <u>2017</u>
Cash Receipts		
Reimbursement	\$ <u>78,982</u>	\$ <u>80,450</u>
Total Cash Receipts	<u><u>78,982</u></u>	<u><u>80,450</u></u>
Expenditures		
Title 1 - Current	<u>78,982</u>	<u>80,450</u>
Total Expenditures	<u><u>78,982</u></u>	<u><u>80,450</u></u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

**UNIFIED SCHOOL DISTRICT NO. 109**

Belleville, Kansas

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

**STATEMENT 3-18**

**SPECIAL PURPOSE FUNDS**  
**TITLE I FUND - CARRYOVER**

	Prior Year 2016	Current Year 2017
	<u>                    </u>	<u>                    </u>
Cash Receipts	\$ <u>14,037</u>	\$ <u>13,937</u>
Disbursements	<u>14,037</u>	<u>13,937</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>

**UNIFIED SCHOOL DISTRICT NO. 109**

**Belleville, Kansas**

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-19**

**SPECIAL PURPOSE FUNDS**  
**TEACHER QUALITY CARRYOVER**

	<b><u>Prior Year 2016</u></b>	<b><u>Current Year 2017</u></b>
<b>Cash Receipts</b>	\$ <b><u>6,200</u></b>	\$ <b><u>8,227</u></b>
<b>Disbursements</b>	<b><u>6,200</u></b>	<b><u>8,227</u></b>
<b>Receipts Over (Under) Expenditures</b>	<b>0</b>	<b>0</b>
<b>Unencumbered Cash - Beginning</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Unencumbered Cash - Ending</b>	\$ <b><u>0</u></b>	\$ <b><u>0</u></b>

UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-20

SPECIAL PURPOSE FUNDS  
TITLE II-A-TEACHER QUALITY FUND

	Prior Year 2016	Current Year 2017
	<u>                    </u>	<u>                    </u>
Cash Receipts	\$ <u>24,682</u>	\$ <u>24,260</u>
	<u>                    </u>	<u>                    </u>
Cash Disbursements	<u>24,682</u>	<u>24,260</u>
	<u>                    </u>	<u>                    </u>
Receipts Over (Under) Expenditures	0	0
	<u>                    </u>	<u>                    </u>
Unencumbered Cash - Beginning	<u>0</u>	<u>0</u>
	<u>                    </u>	<u>                    </u>
Unencumbered Cash - Ending	\$ <u>0</u>	\$ <u>0</u>
	<u>                    </u>	<u>                    </u>

**UNIFIED SCHOOL DISTRICT NO. 109**

**Belleville, Kansas**

**SCHEDULE OF RECEIPTS AND EXPENDITURES**

**Regulatory Basis**

**For The Year Ended June 30, 2017**

**(With Comparative Actual Totals for Prior Year Ended June 30, 2016)**

**STATEMENT 3-21**

**SPECIAL PURPOSE FUNDS**

**FEDERAL REAP FUND**

	<b>Prior Year 2016</b>	<b>Current Year 2017</b>
	<hr/>	<hr/>
<b>Cash Receipts</b>		
<b>Federal Aid</b>	\$ <u>18,500</u>	\$ <u>22,139</u>
<b>Total Cash Receipts</b>	<u>18,500</u>	<u>22,139</u>
	<hr/>	<hr/>
<b>Expenditures</b>		
<b>Other Purchased Services</b>	<u>18,500</u>	<u>22,139</u>
<b>Total Expenditures</b>	<u>18,500</u>	<u>22,139</u>
	<hr/>	<hr/>
<b>Receipts Over (Under) Expenditures</b>	<b>0</b>	<b>0</b>
<b>Unencumbered Cash - Beginning</b>	<u>0</u>	<u>0</u>
<b>Unencumbered Cash - Ending</b>	\$ <u>0</u>	\$ <u>0</u>

## UNIFIED SCHOOL DISTRICT NO. 109

Belleville, Kansas

## SCHEDULE OF RECEIPTS AND EXPENDITURES

## ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended June 30, 2017

(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-22SPECIAL PURPOSE FUNDSVIRTUAL EDUCATION

	<u>Current Year</u>			<u>Variance Over (Under)</u>
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Transfer From General	\$ 0	5,000	5,000	0
Other Local	0	\$ 0	0	\$ 0
<b>Total Cash Receipts</b>	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>
<b>Expenditures</b>				
Transfers	27	0	0	0
Instruction	\$ 0	\$ 5,000	5,000	\$ 0
<b>Total Expenditures</b>	<u>\$ 27</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>
<b>Receipts Over (Under) Expenditures</b>	(27)	0		
<b>Unencumbered Cash - Beginning</b>	<u>27</u>	<u>0</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 0</u>	<u>\$ 0</u>		

UNIFIED SCHOOL DISTRICT NO. 109  
Belleville, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
Regulatory Basis  
For The Year Ended June 30, 2017  
(With Comparative Actual Totals for Prior Year Ended June 30, 2016)

STATEMENT 3-23

BOND AND INTEREST FUND

	Current Year			Variance Over (Under)
	Prior Year Actual	Actual	Budget	
<b>Cash Receipts</b>				
Ad Valorem Taxes	0	0	0	0
Delinquent Taxes	738	594	0	594
In Lieu of Taxes	0	0	0	0
Motor Vehicle Tax	3,468	69	0	69
RV/Comm Tax	44	0	0	0
Machinery & Equipment State Aid	0	0	0	0
State Aid	0	0	0	0
Other	\$ 0	\$ 0	0	\$ 0
<b>Total Cash Receipts</b>	<b>\$ 4,250</b>	<b>\$ 663</b>	<b>\$ 0</b>	<b>\$ 663</b>
<b>Expenditures</b>				
Bond Principal	\$ 0	\$ 0	0	\$ 0
Bond Interest	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Receipts Over (Under) Expenditures</b>	<b>4,250</b>	<b>663</b>		
<b>Unencumbered Cash - Beginning</b>	<b>13,803</b>	<b>18,053</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 18,053</b>	<b>\$ 18,716</b>		

UNIFIED SCHOOL DISTRICT NO. 109  
Belleville, Kansas

SUMMARY OF RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
Regulatory Basis  
For The Year Ended June 30, 2017

STATEMENT 4

SCHOOL/DISTRICT ACTIVITY FUNDS

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances/ Accounts Pay.	Ending Cash Balance
High School Activity	\$	\$	\$	\$	\$	\$	\$
Band	704		3,391	3304	791		791
Sales Tax	0		5,594	5486	108		108
BAKKEN - Band Uniform	0		0	0	0		0
FBLA	4,144		19,999	22573	1,570		1,570
Class of 2016	535		0	0	535		535
Class of 2017	1,330		22	1148	204		204
Class of 2018	600		15,186	14744	1,042		1,042
Class of 2019	500		50	0	550		550
Class of 2020	0		450	0	450		450
Class of 2015	1,925		0	0	1,925		1,925
Art Club	190		343	205	328		328
Kays	832		4,297	3683	1,446		1,446
Science Club	473		121	132	462		462
Spanish Club	1,156		119	1275	0		0
Cheerleaders	4,033		8,923	10618	2,338		2,338
JH Cheerleaders	366		553	612	307		307
FFA	94		37,586	36583	1,097		1,097
Actor's Guild	12,162		11,673	10117	13,718		13,718
FFA Greenhouse	10,329		2,587	10354	2,562		2,562
FCCLA	832		5,214	5322	724		724
Student Council	3,009		4,241	3874	3,376		3,376
JH Student Council	417		1,957	1840	534		534
Band Sponsors	3,500		15,551	19051	0		0
National Honor Society	390		1,017	1095	312		312
FCCLA Concessions Accounts	5,296		7,193	6284	6,205		6,205
JH Concessions	3,373		9,060	9060	3,373		3,373
JH Fund	6,356		1,922	1743	6,535		6,535
FFA Fair Account	820		0	0	820		820
Subtotal High School	\$ 63,366	\$ 0	\$ 157,049	\$ 0	\$ 51,312	\$ 0	\$ 51,312
Other School Funds							
East Library Book Fair	\$ 3,173	\$	4,629	4,512	3,290	\$	3,290
A. R. Store	3,090		1,053	865	3,278		3,278
5TH Grade	1,719		9,702	8,999	2,422		2,422
Miscellaneous	3,308		4,179	3,950	3,537		3,537
Book Fair	100		2,291	2,288	103		103
Show Choir Performances	296		1,088	985	399		399
Gifted Fund	0		350	349	1		1
Academic Achievers	738		0	0	738		738
Jazz Band - Trip Funds	0		0	0	0		0
Incentive Programs - RCHS	5,324		3,803	3,368	5,759		5,759
Band Trip	74,277		30,117	97,394	7,000		7,000
Football - Irrigation	21		0	0	21		21
RCHS Volleyball	42		8,319	8,341	20		20
RCJH BB/VB	0		0	0	0		0
High School Golf	603		25	625	3		3
High School Softball	182		3,043	3,082	143		143
Cross - Country	90		0	0	90		90
Subtotal Other	\$ 92,963	\$ 0	\$ 68,599	\$ 134,758	\$ 26,804	\$ 0	\$ 26,804
Gate Receipts							
High School	\$ 1,580	\$	64,117	59,152	6,545	\$	6,545
Drama	6,147		1,911	2,247	5,811		5,811
Scholar Bowl	136		977	797	316		316
Junior High	0		0	0	0		0
Subtotal Athletic Receipts	\$ 7,863	\$ 0	\$ 0	\$ 62,196	\$ 12,672	\$ 0	\$ 12,672
Fee and User Charges							
USD 109	\$ 0	\$	0	0	0	\$	0
Vo Ag	0		2,171	2,171	0		0
Science Lab	0		1,476	1,476	0		0
Art	0		2,808	2,808	0		0
Board Office	0		21,288	21,288	0		0
Band	0		4,005	4,005	0		0
FACS	0		160	160	0		0
Subtotal Fee and User Charges	\$ 0	\$ 0	\$ 31,908	\$ 31,908	\$ 0	\$ 0	\$ 0
Total Activity Funds	\$ 164,192	\$ 0	\$ 257,556	\$ 228,862	\$ 90,788	\$ 0	\$ 90,788

## **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. 10-620 *et seq.*, K.S.A. 25-2018(f), K.S.A. 72-6761, recodified as K.S.A. 72-5457, and K.S.A. 75-2315 *et seq.*, recodified as K.S.A. 72-5458 *et seq.*, as amended and supplemented.

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

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

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

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

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

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

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

**“Bond Resolution”** means 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 School Building Bonds, Series 2018, 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.

**“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.

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

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

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

**“Dated Date”** means April 1, 2018.

**“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.

**“District”** means Unified School District No. 109, Republic County, Kansas (Republic County Schools).

**“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 June 30.

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

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

**“Improvements”** means the improvements referred to in the preamble to the Bond Resolution and any Substitute Improvements.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the 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, 2019.

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

**“Issuer”** means the District 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.

**“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 with notice to the Bond Insurer.

**“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;

(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.

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

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

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

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

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

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

**“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.

**“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, with notice to the Bond Insurer.

**“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.

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

**“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) Improvement 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) Accrued interest, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

***Application of Moneys in the Improvement Fund.*** Moneys in the Improvement Fund shall be used for the sole purpose of: (a) paying the costs of the Improvements; and (b) paying interest on the Bonds during construction of the Improvements. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements shall be supported by a certificate executed by the Consulting Engineer stating that such payment is being made for a purpose within the scope of the Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other authorized purposes shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution. Upon completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

***Substitution of Improvements; Reallocation of Proceeds.*** The Issuer may elect for any reason to substitute or add other public improvements to be financed with proceeds of the Bonds provided the following conditions are met: (a) the Substitute Improvement and the issuance of general obligation bonds to pay the cost of the Substitute Improvement has been duly authorized by the governing body of the Issuer in accordance with the laws of the State; (b) a resolution authorizing the use of the proceeds of the Bonds to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Bonds to include the Substitute Improvements; and (d) the use of the proceeds of the Bonds to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax status of the Bonds under State or federal law.

The Issuer may reallocate expenditure of Bond proceeds among all Improvements financed by the Bonds; provided the following conditions are met: (a) the reallocation is approved by the governing body of the Issuer; (b) the reallocation shall not cause the proceeds of the Bonds allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax status of the Bonds under State or federal law.

***Application of Moneys in the Debt Service Account.*** All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the 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 30 days prior to the first Interest Payment Date, shall be transferred to the Improvement Fund until completion of the Improvements and thereafter to the Compliance Account.

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

## **DEPOSIT AND INVESTMENT OF MONEYS**

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

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

## **DEFAULT AND REMEDIES**

***Remedies.*** The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing,

the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

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

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

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

***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. The Issuer shall notify the Bond Insurer of any defeasance of the Bonds.

Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer and the covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

## **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. The Purchaser or Beneficial Owner shall provide a copy of any such demand or notice to the Bond Insurer. 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 and to the Bond Insurer. 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 Bond Insurer and 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 the Bond Insurer and 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 Bond Insurer and 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 more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, 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 and the Bond Insurer. The Issuer, the Paying Agent, the Bond Insurer 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.

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

**“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](http://www.emma.msrb.org).

**“Financial Information”** means the financial information of the Issuer described under the heading **“PROVISION OF ANNUAL REPORTS – Financial Information.”**

**“Material Events”** means any of the events listed under the heading **“REPORTING OF MATERIAL EVENTS.”**

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

**“Official Statement”** means collectively the Issuer's Official Statement(s) for each series of the Bonds, including all appendices and exhibits thereto.

**“Operating Data”** means the operating data of the Issuer described under the heading **“PROVISION OF ANNUAL REPORTS – Operating Data.”**

**“Participating Underwriter”** means each of the original underwriters of a series of Bonds required to comply with the SEC Rule in connection with the offering of such Bonds.

**“Repository”** means the MSRB via EMMA.

**“SEC”** means the Securities and Exchange Commission of the United States.

## **PROVISION OF ANNUAL REPORTS**

The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2018, file with the Repository the Issuer's Annual Report, consisting of the Financial Information and Operating Data described as follows:

**Financial Information.** The audited financial statements of the Issuer for such prior Fiscal Year, prepared in accordance with generally accepted auditing standards, in substantially the format contained in **Appendix B** to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain summary unaudited financial information and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The accounting basis and the method of preparation of the financial statements of the Issuer are contained in **Appendix B** to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event.

**Operating Data.** Updates as of the end of the Fiscal Year of certain financial information and operating data described in the Official Statement (with such modifications to the formatting and general presentation thereof as deemed appropriate by the Issuer) generally described as follows:

### **FINANCIAL INFORMATION**

- Assessed Valuation
- Property Tax Levies and Collections
  - Tax Rates
  - Aggregate Tax Levies
  - Tax Collection Record
  - Major Taxpayers

### **DEBT STRUCTURE**

- Current Indebtedness of the Issuer\*
- Lease Obligations
- Overlapping and Underlying Indebtedness

\* This Operating Data is also available in the Issuer's Financial Information portion of its Annual Report.

Additionally, the Issuer shall provide updates as of the end of the Fiscal Year for any material adverse changes in the portions of the Official Statement concerning Property Valuations, School District Funding Formula, and Pension and Employee Retirement Plans.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the

filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event.

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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**[APPENDIX D  
SPECIMEN BOND INSURANCE POLICY]**

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