

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 14, 2020

NEW ISSUE
BANK QUALIFIED

S&P Rating: Requested

In the opinion of Gilmore & Bell, P.C., Bond Counsel, 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 Notes [(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 Notes is exempt from income taxation by the State of Kansas; and (3) the Notes are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" in this Official Statement. See "TAX MATTERS" herein.

\$2,920,000*

City of Baldwin City, Kansas

General Obligation Temporary Renewal and Improvement Notes, Series 2020-A

(General Obligations Payable From Unlimited Ad Valorem Taxes)

(Book Entry Only)

Dated Date: Date of Delivery

**Interest Due: Each March 1 and September 1,
commencing September 1, 2020**

The Notes (as defined herein) will mature on March 1, 2021.

The Notes are **not** subject to optional redemption prior to maturity.

The Notes shall be general obligations of the City payable as to both principal and interest from the proceeds of general obligation bonds of the City, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due. Proceeds of the Notes will be used for the purpose of paying the cost of (i) certain sewage disposal system, street, police building, and park improvements; (ii) retiring and renewing the City's General Obligation Temporary Notes, Series 2018-B; and (iii) costs of issuance.

Bids shall be for not less than \$2,905,400 (99.5% of par) plus accrued interest, if any, on the total principal amount of the Notes. Bidders shall specify rates in integral multiples of 1/8 or 1/100 of 1%. No interest rate shall exceed a rate equal to the daily yield for the 10-year Treasury Bonds as published by The Bond Buyer in New York, New York, on the Monday preceding the day on which the Notes are sold, plus 3%. The initial price to the public for each maturity as stated on the bid must be 98.0% or greater. Following receipt of bids, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Notice of Note Sale" herein. The award of the Notes will be made on a True Interest Cost (TIC) basis (see "Notice of Sale" herein).

The City will designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Notes will be issued as fully registered notes without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Notes purchased. (See "Book Entry System" herein.) The Treasurer of the State of Kansas, Topeka, Kansas will act as registrar and paying agent (the "Registrar and Paying Agent") for the Notes. The Notes will be available for delivery at DTC on or about February 26, 2020.

BID OPENING: Tuesday, February 4, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing at 7:00 P.M., Central Time on
Tuesday, February 4, 2020



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* Preliminary; subject to change.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF BALDWIN CITY, KANSAS

CITY COUNCIL

| | |
|----------------------|----------------|
| Casey Simoneau | Mayor |
| Julie Constantinescu | Council Member |
| Brian Cramer | Council Member |
| Scott Lauridsen | Council Member |
| Susan Pitts | Council Member |
| Cory Venable | Council Member |

CITY ADMINISTRATOR

Glenn Rodden

CITY CLERK

Laura Hartman

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota and Kansas City, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Notes described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Notes to any underwriter or underwriting syndicate submitting a Bid therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Notes are awarded copies of the Final Official Statement in the amount specified in the Notice of Sale.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Notes included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Notes are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Notes or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Notes will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Notes.

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NOTICE OF SALE

\$2,920,000*

**CITY OF BALDWIN CITY, KANSAS
GENERAL OBLIGATION TEMPORARY RENEWAL AND IMPROVEMENT NOTES
SERIES 2020-A**

(GENERAL OBLIGATIONS PAYABLE
FROM UNLIMITED AD VALOREM TAXES)

Bids. Written, facsimile and electronic (as explained below) bids for the purchase of the above-referenced General Obligation Temporary Renewal and Improvement Notes, Series 2020-A (the “Notes”) of the City of Baldwin City, Kansas (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 10:00 a.m., applicable Central Time (the “Submittal Hour”), on

TUESDAY, FEBRUARY 4, 2020

(the “Sale Date”). All bids will be publicly evaluated at said time and place and the award of the Notes (the “Notes”) to the successful bidder or bidders (the “Successful Bidders”) will be acted upon by the Governing Body of the Issuer (the “Governing Body”) at its meeting to be held at 7:00 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 Notes.

Terms of the Notes. The Notes will consist of fully registered notes in the denomination of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). The Notes will be dated February 26, 2020 (the “Dated Date”), and will become in principal installments on March 1, as follows:

| Stated Maturity | Principal |
|-------------------------|-----------------------|
| <u>(March 1)</u> | <u>Amount*</u> |
| 2021 | \$2,920,000 |

The Notes will bear interest from the Dated Date at rates to be determined when the Notes are sold as hereinafter provided, which interest will be payable semiannually on March 1 and September 1 in each year, beginning on September 1, 2020 (the “Interest Payment Dates”).

***Adjustment of Issue Size.** The Issuer reserves the right to increase or decrease the total principal amount of the Notes, or 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 principal amount of any maturity may be adjusted by the Issuer in order to properly size the Notes issue based on the discount or premium and interest rates bid on the Notes. 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 Notes or principal of any maturity as described herein. If there is an increase or decrease in the final aggregate principal amount of the Notes or 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., Central Time, on the Sale Date. The actual purchase price for the Notes shall be calculated by applying the percentage of par value bid by the Successful Bidder against the final aggregate principal amount of the Notes, as adjusted.

Place of Payment. The principal of and interest on the Notes 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 the Notes will be payable at maturity or earlier

* Preliminary; subject to change.

redemption to the owner thereof whose name is on the registration books (the “Note Register”) of the Note Registrar (the “Registered Owner”) upon presentation and surrender at the principal office of the Paying Agent. Interest on the Notes will be payable to the Registered Owner of such Notes 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 Notes, 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 Notes will be registered pursuant to a plan of registration approved by the Issuer and the Treasurer of the State of Kansas (the “State”). The Issuer will pay for the fees of the Note Registrar for registration and transfer of the Notes and will also pay for printing a reasonable supply of registered note blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Note 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 Notes. The Notes 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 Notes. During the term of the Notes, 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 Notes to DTC or its nominee as the Registered Owner of the Notes, 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 Notes to its participants who shall be responsible for transmitting payments to beneficial owners of the Notes 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 Notes, or (b) the Issuer determines that continuation of the book-entry-only form of evidence and transfer of ownership of the Notes would adversely affect the interests of the beneficial owners of the Notes, 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 Notes 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 Notes and DTC.

Redemption of Notes Prior to Maturity.

General. Whenever the Issuer is to select Notes for the purpose of redemption, it will, in the case of Notes in denominations greater than the minimum Authorized Denomination, if less than all of the Notes 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. The Notes are **not** subject to optional redemption prior to maturity

Authority, Purpose and Security. The Notes are being issued pursuant to K.S.A. 10-123, K.S.A. 12-6a01 *et seq.*, K.S.A. 12-101 *et seq.*, and the Issuer’s Charter Ordinance No. 19, as amended, and a resolution adopted by the governing body of the Issuer (the “Note Resolution”) for the purpose of paying the cost of certain sewage disposal system, street, police building and park improvements (the “Improvements”), and retiring and renewing the City’s General Obligation Temporary Notes, Series 2018-B. The Notes shall be general obligations of the Issuer payable as to both principal and interest

from the proceeds of general obligation bonds of the Issuer, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due.

Submission of Bids. Written bids must be made on forms which may be procured from the Clerk or the Municipal Advisor and shall be addressed to the undersigned, and marked “Proposal for General Obligation Temporary Renewal and Improvement Notes, Series 2020-A.” Written bids submitted by facsimile should not be preceded by a cover sheet and should be sent only once to **(651) 223-3046**. Confirmation of receipt of facsimile bids may be made by contacting the Municipal 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 Sale. ***Any bid submitted shall include the initial offering prices to the public for each maturity of the Notes.*** If provisions of this Notice of Sale conflict with those of PARITY®, this Notice of 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 Municipal Advisor shall not be responsible for failure of transmission of facsimile or delivery by mail or in person of any bid. ***Any bidder desiring to have the Municipal Advisor assist in the delivery of such bidder's bid should provide pertinent bidding information to the Municipal Advisor not later than 30 minutes prior to the Submittal Hour on the Sale Date.***

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 Notes 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 Notes 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 Notes are sold, plus 3%; and (c) no supplemental interest payments will be considered; and (d) each interest rate specified shall be a multiple of 1/100 or 1/8 of 1%. The initial price to the public as stated on the bid must be 98.0% or greater. No bid for less than **99.5%** of the principal amount of the Notes 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 Notes, as applicable, on the basis of such bid, the discount, if any, 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, and the Issuer will be entitled to rely on such certification. Each bidder agrees that, if it is awarded the Notes, it will provide the certification described under the caption “Establishment of Issue Price” in this Notice.

Good Faith Deposit. To have its proposal considered for award, the lowest bidder for the Notes is required to submit a good faith deposit in the amount of \$58,400 (the “Deposit”), payable to the order of the Issuer, 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 address 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 Municipal Advisor ***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 1:00 p.m. applicable Central Time on the Sale Date*** (wire transfer information may be obtained from the Municipal Advisor at the addresses set forth below).

Contemporaneously with the submission of a wire transfer Deposit, such bidder shall send an email to the Municipal Advisor at the email address set forth below, including the following information: (a) notification that a wire transfer has been made and (b) the amount of the wire transfer. Checks submitted for Deposits by unsuccessful bidders will be returned in the same manner received on the Sale Date. 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 Note 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. The award of the Notes 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 Notes, from the payment dates to the Dated Date, produces an amount equal to the price bid, including any adjustments for premium or discount, 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 Notes 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 bidder or the Issuer. The Issuer or its Municipal 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 of the Issuer 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 Notes in accordance with this Notice of Note Sale shall constitute a note 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 outstanding general obligation bonds of the Issuer are rated “AA-” by S&P Global Ratings, a division of S&P Global Inc. The outstanding general obligation temporary notes of the Issuer are rated “SP-1+” by S&P Global Ratings, a division of S&P Global Inc. The Issuer has applied to S&P Global Ratings, a division of S&P Global Inc. for ratings on the Notes herein offered for sale.

Optional Bond Insurance. The Issuer has **not** applied for any policy of municipal bond insurance with respect to the Notes. If the Notes qualify for municipal bond insurance, and any bidder desires to purchase such, such indication and the name of the desired insurer must be set forth on the bidder’s Official Bid Form. The Issuer specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the Issuer.

If the Successful Bidder elects to purchase the Notes with municipal bond insurance, certain rating agencies will assign their ratings to the Notes with the understanding that upon delivery of the Notes, a

policy insuring the payment when due of the principal of and interest on the Notes 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 applicable Successful Bidder. Failure of the municipal bond insurer to issue the policy after the award of the Notes shall not constitute cause for failure or refusal by the applicable Successful Bidder to accept delivery of the Notes.

CUSIP Numbers. CUSIP identification numbers will be assigned and printed on the Notes, but neither the failure to print such number on any Note 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 Notes in accordance with the terms of this Notice. The Municipal Advisor will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. All expenses in relation to the assignment and printing of CUSIP numbers on the Notes will be paid by the Issuer.

Delivery and Payment. The Issuer will pay for preparation of the Notes and will deliver the Notes properly prepared, executed and registered without cost on or about **FEBRUARY 26, 2020** (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 Notes and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Notes affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Notes shall be made in federal reserve funds, immediately available for use by the Issuer. The Issuer will deliver one Note 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 Notes 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 the Notes (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (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 Notes for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Notes 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 Municipal Advisor or Bond Counsel on behalf of the Issuer.

(b) The Issuer intends that the sale of the Notes 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 Notes; and (4) the Issuer anticipates awarding the sale of the Notes 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 Notes, 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 Notes to include provisions requiring compliance with provisions of the Code and the Regulation regarding the initial sale of the Notes.

(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 Notes to the Successful Bidder and the following provisions shall apply to the Notes. ***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 Notes, the Successful Bidder shall advise the Issuer if a “substantial amount” (as defined in the Regulation (10%)) of the Notes (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity), 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 the Notes. 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, 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 the Notes. If the Successful Bidder does not exercise that option, it shall thereafter promptly provide the Issuer the prices at which a substantial amount of the Notes 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 Notes after the Submittal Hours will not affect the purchase price for the Notes 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, expected to be dated January 14, 2020, “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 Municipal Advisor. Upon the sale of the Notes, the Issuer will adopt the final Official Statement and will furnish the Successful Bidders, without cost, within seven business days of the acceptance of the Successful Bidders’ proposals, with a sufficient number of copies thereof, which may be in electronic format, in order to comply with the requirements of and Rule G-32. Additional copies may be ordered by the Successful Bidder at its expense.

Continuing Disclosure. In the Note 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 Notes. 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 2019 is as follows:

| | |
|---|---------------------|
| Equalized Assessed Valuation of | |
| Taxable Tangible Property | \$34,440,012 |
| Tangible Valuation of Motor Vehicles (2018/2019)..... | <u>4,692,999</u> |
| Equalized Assessed Tangible Valuation | |
| for Computation of Bonded Debt Limitations | <u>\$39,133,011</u> |

The total general obligation indebtedness of the Issuer as of the Dated Date, including the Notes being sold, is \$18,500,000 but excluding the notes being retired by the Notes, which will no longer be outstanding as of the date of delivery of the Notes.

Legal Opinion. The Notes 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 Notes, if the certificates are printed, and will be delivered to the Successful Bidders when the Notes are delivered. Said opinion will also include the opinion of Bond Counsel relating to the interest on the Notes being excludable from gross income for federal income tax purposes, and the interest on the Notes being exempt from income taxation by the State of Kansas. Reference is made to the Preliminary Official Statement for further discussion of federal and Kansas income tax matters relating to the interest on the Notes.

Additional Information. Additional information regarding the Notes may be obtained from the undersigned or from the Municipal Advisor at the addresses set forth below:

DATED: January 14, 2019.

CITY OF BALDWIN CITY, KANSAS

By: Laura Hartman, Clerk

Issuer – Written Bid Delivery Address:

803 8th Street, P.O. Box 86
Baldwin City, Kansas 66006
Attn: Laura Hartman, Clerk
Phone: (785) 594-6427
Email: lhartman@baldwincity.org

***Municipal Advisor - Facsimile Bid and
Good Faith Deposit Delivery Address:***

Baker Tilly Municipal Advisors, LLC
380 Jackson Street, Suite 300
Saint Paul, Minnesota 55101
Attn: Bond Services
Phone: (651) 223-3000; Fax: (651) 223-3046
Email: bond_services@bakertilly.com

OFFICIAL STATEMENT

\$2,920,000*

CITY OF BALDWIN CITY, KANSAS

**GENERAL OBLIGATION TEMPORARY RENEWAL AND
IMPROVEMENT NOTES, SERIES 2020-A**

(GENERAL OBLIGATIONS PAYABLE FROM UNLIMITED AD VALOREM TAXES)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Baldwin City, Kansas (the “City”) and its issuance of \$2,920,000* General Obligation Temporary Renewal and Improvement Notes, Series 2020-A (the “Notes”).

The Notes are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including K.S.A. 10-123, K.S.A. 12-6a01 *et seq.*, K.S.A. 12-101 *et seq.*, and Charter Ordinance No. 19 of the City (enacted pursuant to the provisions of Section 5(c) of Article 12 of the Constitution of the State of Kansas), all as amended, and a resolution to be adopted by the governing body of the City (collectively, the “Note Resolution”). Proceeds of the Notes will be used for the purpose of paying the cost of (i) certain sewage disposal system, street, police building, and park improvements; (ii) retiring and renewing the City’s General Obligation Temporary Notes, Series 2018-B; and (iii) costs of issuance.

Inquiries may be directed to Mr. Glenn Rodden, City Administrator, City of Baldwin City, Kansas, 803 Eighth Street, PO Box 86, Baldwin City, Kansas 66006, by telephoning (785) 594-6427, or by e-mailing grodden@baldwincity.org. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing bond_services@bakertilly.com. If information of a specific legal nature is desired, requests may be directed to Mr. Kevin Cowan, Gilmore & Bell, P.C., 100 North Main, Suite 800, Wichita, Kansas 67202-1398, Bond Counsel, by telephoning (316) 267-2091 or by e-mailing kcowan@gilmorebell.com.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In connection with the issuance of the Notes, the City will enter into a continuing disclosure undertaking (the “Undertaking”) wherein the City covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Undertaking, the City has agreed to file its Annual Report with the national repository (“EMMA”) not later than the last day of the twelfth month after the end of the City’s Fiscal Year, commencing with the year ending December 31, 2019. In the Note Resolution, hereinafter defined, the City covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Undertaking to the Notes. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Notes.

* *Preliminary; subject to change.*

The City has previously entered into disclosure undertakings pursuant to the Rule (the “Prior Undertakings”), wherein the City 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.

The City believes it has complied for the past five years in accordance with the terms of its Prior Undertakings entered into pursuant to the Rule.

Breach of the Undertaking will not constitute a default or an “Event of Default” under the Notes or the Note Resolution. A broker or dealer is to consider a known breach of the Undertaking, however, before recommending the purchase or sale of the Notes in the secondary market. Thus, a failure on the part of the City to observe the Undertaking may adversely affect the transferability and liquidity of the Notes and their market price.

For more information regarding the Undertaking, see “*APPENDIX V – FORM OF DISCLOSURE UNDERTAKING.*”

THE NOTES

General Description

The Notes are dated as of the date of delivery and will mature on March 1, 2021. The Notes are issued in book entry form. Interest on the Notes are payable on March 1 and September 1 of each year, commencing September 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar and Paying Agent as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Notes will be paid as described in the section herein entitled “Book Entry System.” The Treasurer of the State of Kansas, Topeka, Kansas will act as Registrar and Paying Agent for the Notes.

Redemption Provisions

Optional Redemption

The Notes are **not** subject to optional redemption prior to maturity.

Registration and Transfer

As long as any Note remains outstanding, the Registrar will maintain a register and all transfers and exchanges of the Notes will be registered therein. All Notes presented for transfer or exchange shall be accompanied by a written instrument of transfer in a form and with guarantee of signature in a form satisfactory to the Registrar. Notes may be exchanged for Notes in the same series, aggregate principal amount and maturity upon presentation to the Registrar, subject to the terms, conditions and limitations set forth in the Resolution, and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer. The City and Registrar shall not be required (a) to register the transfer or exchange of any Note that has been called for redemption after notice of such redemption has been mailed by the Registrar 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 Note during a period beginning at the opening of business on the day after receiving written notice from the City of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes 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 certificate will be issued for each maturity of each series of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Notes 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 City or its agent on the payable 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 or the City, 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 City or its 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.

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

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

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

AUTHORITY AND PURPOSE

The Notes are being issued pursuant to and in full compliance with the Constitution and statutes of the State, including K.S.A. 10-123, K.S.A. 12-6a01 *et seq.*, K.S.A. 12-101 *et seq.*, and Charter Ordinance No. 19 of the City (enacted pursuant to the provisions of Section 5(c) of Article 12 of the Constitution of the State of Kansas), all as amended, and the Note Resolution. Proceeds of the Notes will be used for the purpose of paying the cost of (i) certain sewage disposal system, street, police building, and park improvements (the "Improvement Portion"); (ii) retiring and renewing the City's General Obligation Temporary Notes, Series 2018-B (the "Renewing Portion"); and (iii) costs of issuance.

SOURCES AND USES OF FUNDS

The composition of the Notes is estimated to be as follows:

| | <u>Improvement Portion</u> | <u>Renewing Portion</u> | <u>Total</u> |
|--------------------------------|--------------------------------|-----------------------------|--------------------|
| Sources of Funds: | | | |
| Principal Amount | <u>\$1,440,000</u> | <u>\$1,480,000</u> | <u>\$2,920,000</u> |
| Total Sources of Funds | \$1,440,000 | \$1,480,000 | \$2,920,000 |
| Uses of Funds: | | | |
| Deposit to Improvement Fund | \$1,406,948 | \$1,450,000 | \$2,856,948 |
| Costs of Issuance | 15,122 | 11,572 | 26,694 |
| Capitalized Interest | 10,730 | 11,028 | 21,758 |
| Allowance for Discount Bidding | <u>7,200</u> | <u>7,400</u> | <u>14,600</u> |
| Total Uses of Funds | \$1,440,000 | \$1,480,000 | \$2,920,000 |

SECURITY AND FINANCING

The Notes shall be general obligations of the City payable as to both principal and interest from the proceeds of general obligation bonds of the City, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due. Capitalized interest has been included in the principal amount of the Notes to make the interest payment due September 1, 2020 on the Notes.

FUTURE FINANCING

The City does not anticipate issuing any long-term general obligation debt within the next 90 days.

ABSENCE OF LITIGATION

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 City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the transcript evidencing the issuance of the Notes, or the constitutionality or validity of the indebtedness represented by the Notes shown to be authorized in said transcript, or the validity of the Notes, 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.

APPROVAL OF LEGALITY

All matters incident to the authorization and issuance of the Notes are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE NOTES," "TAX MATTERS," "APPENDIX I – PROPOSED FORM OF BOND COUNSEL OPINION," and "APPENDIX II – SUMMARY OF FINANCING DOCUMENTS."

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Notes. 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 Notes 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 Notes in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Notes.

Opinion of Bond Counsel

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

Federal Tax Exemption. The interest on the Notes [(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 Notes is not an item of tax preference for purposes of computing the federal alternative minimum tax.

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

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

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

Other Tax Consequences

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

[Original Issue Premium. If a Note is issued at a price that exceeds the stated redemption price at maturity of the Note, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Note. Under Code § 171, the purchaser of that Note must amortize the premium over the term of the Note using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Note and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition of the Note 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 Notes. Upon the sale, exchange or retirement (including redemption) of a Note, an owner of the Note 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 Note (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Note. To the extent the Notes 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 Note 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 Notes, and to the proceeds paid on the sale of Notes, 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 Notes should be aware that ownership of the Notes 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 Notes. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Notes 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 Notes, including the possible application of state, local, foreign and other tax laws.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to the Notes, issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes or the market value thereof would be impacted thereby. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City has designated the Notes as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

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

Taxation of Interest on the Notes

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

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

Market for the Notes

There is no assurance that a secondary market will develop for the purchase and sale of the Notes. The absence of continuing disclosure of financial or other information pertaining to the City may impair the development of a secondary market for the Notes and could impair the ability of an owner to sell the Notes in the secondary market. Prices of Notes 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 Notes as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the City, or a material adverse change in the financial condition of the City, whether or not the Notes are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Legal Matters

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

Limitations on Remedies Available to Owners of Notes

The enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City in issuing the Notes, 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 Notes 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.

Suitability of Investment

The tax exempt feature of the Notes 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 Notes are an appropriate investment.

Premium on Notes

Any person who purchases a Note in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Notes are subject to redemption at par under the various circumstances described under "THE NOTES – Redemption Provisions."

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

Debt Service Source

The Notes are general obligations of the City payable as to both principal and interest from the proceeds of general obligation bonds of the City, and if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the City's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the City's financial situation.

Cybersecurity Risks

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

Natural Disasters or Terrorist Attacks

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

RATING

Application for a rating of the Notes has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Notes.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota, and Kansas City, Kansas as municipal advisor in connection with certain aspects of the issuance of the Notes. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Notes and a Final Official Statement following award of the Notes. The Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CITY PROPERTY VALUES

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is conducted by Kansas counties. The Douglas County Appraiser's office determines annually the assessed valuation that is used as a basis for the mill levy on property located in the City. The County Appraiser's determination is based on criteria established by Kansas Statutes.

The market valuation of every property must be updated every year, with physical inspection required once every six years. Valuations as of January 1 are made available in September of each year for taxes payable during the next calendar year. The State Constitution provides that, for ad valorem taxation purposes, real and personal property are divided into classes and assessed at percentages of market value.

Trend of Values

| <u>Year^(a)</u> | <u>Douglas County Sales Ratio</u> | <u>Appraised Valuation</u> | <u>Taxable Assessed Valuation^(b)</u> | <u>Motor Vehicles</u> | <u>Equalized Assessed Tangible Valuation</u> |
|---------------------------|-----------------------------------|----------------------------|---|----------------------------|--|
| 2019/20 | N/A | \$359,894,975 | \$34,440,012 | \$4,692,999 ^(c) | \$39,133,011 |
| 2018/19 | 93.2% | 333,496,450 | 32,614,979 | 4,692,999 | 37,307,978 |
| 2017/18 | 94.0 | 318,666,189 | 31,104,885 | 4,536,215 | 35,641,100 |
| 2016/17 | 93.7 | 312,592,647 | 30,369,434 | 4,401,959 | 34,771,393 |
| 2015/16 | 96.1 | 304,979,997 | 29,540,822 | 4,259,472 | 33,800,294 |

(a) As valued in the first year for the purpose of computing the rates of taxes collectible in the following year.

(b) The value of motor and recreational vehicles is not included in total property valuation for determining the property tax levy. It is, however, included in total property valuation for determining the City's debt limit.

(c) 2018/19 motor vehicles valuation; 2019/20 valuation is not yet available.

Sources: The Douglas County Clerk's Office; the Kansas Department of Revenue, <http://www.ksrevenue.org>. For an explanation of Kansas property taxes, see Appendix III.

2019/20 Equalized Assessed Tangible Valuation: \$39,133,011

| | | |
|---|-------------------|------------|
| Real Property | \$33,519,823 | 97.3% |
| Personal Property | 315,891 | 0.9 |
| State Assessed Utilities | <u>604,298</u> | <u>1.8</u> |
| 2019/20 Taxable Assessed Valuation | \$34,440,012 | |
| Motor Vehicles | <u>4,692,999*</u> | 100.0% |
| 2019/20 Equalized Assessed Tangible Valuation | \$39,133,011 | |

* 2018/19 motor vehicles valuation; 2019/20 valuation is not yet available.

Source: Douglas County Clerk's Office, December 2019.

Ten of the Largest Taxpayers in the City

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>2018/19 Taxable Assessed Value</u> |
|-----------------------|-------------------------|---------------------------------------|
| Kansas Gas Service | Utility | \$ 398,210 |
| Muth Properties | Real estate | 317,502 |
| Individual | Shopping center | 220,551 |
| Individual | Storage facility | 209,124 |
| Mid America Bank | Bank | 207,292 |
| Individual | HVAC company | 204,933 |
| Medicine Lodge LLC | Medical | 197,800 |
| Individual | Storage facility | 197,185 |
| Individual | Management services | 193,349 |
| Heritage Tractor Inc. | Farm implement dealer | <u>188,476</u> |
| Total | | \$2,334,422* |

* Represents 6.3% of the City's 2018/19 equalized assessed tangible valuation of \$37,307,978.

CITY INDEBTEDNESS

| | |
|---|---------------------|
| 2019/20 Total Equalized Assessed Tangible Valuation | \$ 39,133,011 |
| Debt Limit Ratio | <u>30%</u> |
| Debt Limit | \$ 11,739,903 |
| Outstanding Debt Subject to Debt Limit | <u>(10,158,720)</u> |
| Debt Authority Remaining as of February 26, 2020 | \$ 1,518,183 |

NOTE: General obligation bonds and temporary notes issued to finance utility improvements, revenue bonds, and refunding bonds are not subject to the debt limit.

General Obligation Bonds Payable from Property Taxes

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 2-26-20</u> | <u>% Subject to the Debt Limit^(a)</u> | <u>Amount Subject to the Debt Limit</u> |
|----------------------|------------------------|----------------------------|-----------------------|---|--|---|
| 6-15-12 | \$1,125,000 | Refunding | 8-1-2024 | \$ 495,000 ^(b) | -0- | -0- |
| 3-19-13 | 7,165,000 | Refunding and Improvements | 9-1-2033 | 4,325,000 ^(c) | 65.32% | \$2,825,000 |
| 6-18-15 | 2,100,000 | Refunding and Improvements | 9-1-2035 | 1,345,000 ^(d) | 53.06 | 713,720 |
| 12-10-15 | 3,155,000 | Improvements | 9-1-2035 | 2,635,000 ^(e) | -0- | -0- |
| 12-4-18 | 3,915,000 | Improvements | 9-1-2038 | <u>3,700,000</u> | 100.00 | <u>3,700,000</u> |
| Total | | | | \$12,500,000 | | \$7,238,720 |

(a) Rounded percentages.

(b) It is anticipated that available net revenues of the City's water and sewer system will be used to pay a portion of the debt service on this issue.

(c) It is anticipated that available special assessments net revenues of the City's sewer system will be used to pay a portion of the debt service on this issue.

(d) This issue is expected to be paid from net revenues of the City's electric system; however, this issue is legally secured by only the City's ability to levy unlimited ad valorem property tax.

(e) This issue is expected to be paid from net revenues of the City's sewer system; however, this issue is legally secured by only the City's ability to levy unlimited ad valorem property tax.

Temporary Notes

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 2-26-20</u> | <u>% Subject to the Debt Limit</u> | <u>Amount Subject to the Debt Limit</u> |
|----------------------|------------------------|--|-----------------------|---|------------------------------------|---|
| 12-4-18 | \$1,450,000 | Police and Parks | 3-1-2020 | \$ 1,450,000 | 100.00% | \$1,450,000 |
| 2-26-20 | 2,920,000 | Sewage, Streets, Police, and Parks (the Notes) | 3-1-2021 | <u>2,920,000</u> | 100.00 | <u>2,920,000</u> |
| | | SubTotal | | \$ 4,370,000 | | \$ 4,370,000 |
| | | Less Notes Called on 3-1-2020 | | <u>(1,450,000)</u> | | <u>(1,450,000)</u> |
| | | Total | | \$ 2,920,000 | | \$ 2,920,000 |

General Obligation Bonds Payable from Electric Revenues

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 2-26-20</u> | <u>% Subject to the Debt Limit</u> | <u>Amount Subject to the Debt Limit</u> |
|----------------------|------------------------|----------------------------|-----------------------|---|------------------------------------|---|
| 8-5-14 | \$5,890,000 | Electric Utility Refunding | 11-1-2026 | \$3,080,000 | -0- | -0- |

Estimated Calendar Year Debt Service Payments Excluding All Temporary Notes

| <u>Year</u> | <u>General Obligation Bonds Payable from Property Taxes</u> | | <u>General Obligation Bonds Payable from Electric Revenues</u> | |
|----------------|---|---------------------------------|--|---------------------------------|
| | <u>Principal</u> | <u>Principal & Interest</u> | <u>Principal</u> | <u>Principal & Interest</u> |
| 2020 (at 2-26) | \$ 1,150,000 | \$ 1,507,645 | \$ 575,000 | \$ 650,950 |
| 2021 | 1,170,000 | 1,504,765 | 570,000 | 634,450 |
| 2022 | 1,130,000 | 1,436,110 | 430,000 | 480,200 |
| 2023 | 875,000 | 1,153,010 | 425,000 | 464,450 |
| 2024 | 900,000 | 1,154,710 | 350,000 | 378,825 |
| 2025 | 810,000 | 1,040,313 | 360,000 | 380,075 |
| 2026 | 825,000 | 1,032,413 | 370,000 | 380,175 |
| 2027 | 855,000 | 1,040,063 | | |
| 2028 | 705,000 | 866,888 | | |
| 2029 | 565,000 | 704,900 | | |
| 2030 | 540,000 | 662,300 | | |
| 2031 | 510,000 | 615,200 | | |
| 2032 | 530,000 | 618,638 | | |
| 2033 | 545,000 | 615,950 | | |
| 2034 | 405,000 | 457,350 | | |
| 2035 | 420,000 | 458,175 | | |
| 2036 | 180,000 | 202,600 | | |
| 2037 | 190,000 | 205,400 | | |
| 2038 | <u>195,000</u> | <u>202,800</u> | | |
| Total | \$12,500,000* | \$15,479,230 | \$3,080,000 | \$3,369,125 |

* 71.9% of this debt will be retired within ten years.

Other Debt Obligations

Capital Leases

The City has entered into various lease agreements for the acquisition of equipment. The following is a schedule by years of future minimum rental payments required under these operating leases as of December 31:

| <u>Year Ending December 31</u> | |
|--------------------------------|-----------------|
| 2020 | \$ 49,128 |
| 2021 | 45,422 |
| 2022 | 45,422 |
| 2023 | 39,143 |
| 2024-2028 | <u>191,071</u> |
| Total Principal and Interest | \$870,186 |
| Less Interest | <u>(37,627)</u> |
| Total | \$332,559 |

Debt Payment Record

The City has never in its history monetarily defaulted on the payment of any of its debt or lease obligations.

Overlapping Debt

| <u>Taxing Unit*</u> | <u>G.O. Est. Debt As of 2-26-20</u> | <u>Debt Applicable to Value in City</u> | |
|----------------------------|---|---|------------------|
| | | <u>Percent</u> | <u>Amount</u> |
| Douglas County | \$15,300,000 | 2.7% | \$ 413,100 |
| USD No. 348 (Baldwin City) | 20,320,000 | 42.4 | <u>8,615,680</u> |
| Total | | | \$9,028,780 |

* Only those units with outstanding general obligation debt are shown here.

Debt Ratios*

| | <u>G.O. Direct Debt</u> | <u>G.O. Direct & Overlapping Debt</u> |
|---|-----------------------------|---|
| 2019/20 Appraised Valuation (\$359,894,975) | 4.28% | 6.79% |
| 2019/20 Equalized Assessed Tangible Valuation (\$39,133,011) | 39.40% | 62.48% |
| Per Capita - (4,691 - 2018 U.S. Census Bureau Estimate) | \$3,287 | \$5,212 |

* Excludes general obligation bonds legally payable from electric revenues and other debt obligations. Also excludes the Series 2018-B Notes that will be renewed with the Notes.

CITY TAX RATES, LEVIES AND COLLECTIONS

Property taxes are certified by the City to the County Clerk by August 25 of each year for the following fiscal year. Taxes are levied by the County Clerk and payable to the County Treasurer. Property taxes may be paid in two installments, the first due December 20 in the year the taxes are levied and the second due May 10 of the following year. Taxes become delinquent after May 10 and interest accrues at a rate set by State statute until paid or until the property is sold for taxes. Special assessments are levied and collected in the same manner as property taxes.

Tax Rates (Expressed in Mills)

Tax Rates of the City

| <u>Levy Year</u> | <u>Budget Year</u> | <u>General</u> | <u>Cemetery</u> | <u>Bond and Interest</u> | <u>Library</u> | <u>Total City</u> |
|------------------|--------------------|----------------|-----------------|--------------------------|----------------|-------------------|
| 2019 | 2020 | 32.124 | 1.924 | 6.642 | 3.998 | 44.688 |
| 2018 | 2019 | 31.986 | 1.914 | 6.607 | 3.977 | 44.484 |
| 2017 | 2018 | 32.179 | 1.926 | 6.647 | 4.001 | 44.753 |
| 2016 | 2017 | 32.243 | 1.926 | 5.646 | 4.001 | 43.816 |
| 2015 | 2016 | 30.546 | 2.133 | 5.625 | 4.000 | 42.304 |

Tax Rates for Jurisdictions Overlapping with the City

| <u>Levy Year</u> | <u>Budget Year</u> | <u>City of Baldwin City</u> | <u>Douglas County</u> | <u>USD No. 348 (Baldwin City)</u> | <u>State</u> | <u>Other</u> | <u>Total</u> |
|------------------|--------------------|-----------------------------|-----------------------|-----------------------------------|--------------|--------------|--------------|
| 2019 | 2020 | 44.688 | 46.430 | 62.401 | 1.500 | 1.294 | 156.313 |
| 2018 | 2019 | 44.484 | 46.015 | 64.645 | 1.500 | 2.304 | 158.948 |
| 2017 | 2018 | 44.753 | 46.018 | 68.671 | 1.500 | 1.407 | 162.349 |
| 2016 | 2017 | 43.816 | 44.092 | 68.669 | 1.500 | 1.407 | 159.484 |
| 2015 | 2016 | 42.304 | 41.098 | 70.717 | 1.500 | 2.021 | 157.640 |

Source: Douglas County Clerk's Office.

Tax Levies and Collections

The City may levy taxes in accordance with the requirements of its adopted budget and within the restrictions of Kansas statute. The County Clerk determines property tax levies based on the assessed valuation provided by the appraiser and spreads the levies on the tax rolls.

| <u>Levy Year/ Budget Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>% Current Tax Collected</u> | <u>Prior Years Tax Collected</u> | <u>Total Tax Collections</u> | <u>Ratio Collection Versus Levy</u> |
|-----------------------------------|-----------------------|--------------------------------|--------------------------------|----------------------------------|------------------------------|-------------------------------------|
| 2019/20* | \$1,538,105 | \$ 168,722 | 11.0% | \$ 2,230 | \$ 170,952 | 11.1% |
| 2018/19 | 1,446,660 | 1,425,307 | 98.5 | 69,392 | 1,494,699 | 103.3 |
| 2017/18 | 1,393,405 | 1,353,707 | 97.2 | 28,566 | 1,382,273 | 99.2 |
| 2016/17 | 1,332,124 | 1,289,091 | 96.8 | 23,487 | 1,312,578 | 98.5 |
| 2015/16 | 1,221,574 | 1,188,566 | 97.3 | 1,117 | 1,189,683 | 97.4 |

* Collections through December 6, 2019; first half payments due December 20, 2019.

Source: Douglas County Treasurer's Office.

Special Assessment Collections

Special assessments are spread on benefited real estate with the property tax levy in August of each year. Interest on special assessments is computed at a rate equal to the rate of the bonds which financed the public improvements.

| <u>Levy Year/ Budget Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>% Current Tax Collected</u> | <u>Prior Years Tax Collected</u> | <u>Total Tax Collections</u> | <u>Ratio Collection Versus Levy</u> |
|-----------------------------------|---------------------------|--|--|--|----------------------------------|---|
| 2019/20* | \$11,222 | \$ 1,097 | 9.8% | \$ 0 | \$ 1,097 | 9.8% |
| 2018/19 | 11,370 | 11,370 | 100.0 | 1,247 | 12,617 | 111.0 |
| 2017/18 | 15,650 | 14,403 | 92.0 | 10,641 | 25,044 | 160.0 |
| 2016/17 | 17,578 | 4,215 | 24.0 | 16,552 | 20,767 | 118.1 |
| 2015/16 | 9,347 | 8,915 | 95.4 | 0 | 8,915 | 95.4 |

* Collections through December 6, 2019; first half payments due December 20, 2019.

Source: Douglas County Treasurer's Office.

Sales Tax Collections

The current total sales tax rate of the City is 8.75%, of which the State's portion is 6.50% (effective July 1, 2015), the County's portion is 1.0%, and the City's portion 1.25%.

The City's portion of the sales tax is divided into three pieces: (i) 0.5% for general operations and used as revenue for the City's general fund and to support the operation of streets, police, and fire; (ii) 0.5% for general infrastructure and capital improvements used for streets, bridges, storm drainage, equipment purchases, and public facility improvements; and (iii) 0.25% for quality of life capital improvements used for library, parks, and recreation facility improvements.

| <u>Year</u> | <u>General Operations</u> | <u>General Infrastructure</u> | <u>Quality of Life*</u> |
|-----------------|-------------------------------|-----------------------------------|-----------------------------|
| 2019 (to 11-30) | \$218,559 | \$218,226 | \$109,280 |
| 2018 | 230,908 | 230,908 | 115,454 |
| 2017 | 217,636 | 217,636 | 108,818 |
| 2016 | 202,984 | 202,984 | 101,492 |
| 2015 | 203,287 | 203,287 | 101,645 |
| 2014 | 192,896 | 192,896 | 96,448 |
| 2013 | 187,866 | 187,866 | 93,993 |
| 2012 | 183,380 | 183,380 | 91,690 |
| 2011 | 185,035 | 185,035 | 92,518 |
| 2010 | 165,319 | 124,011 | 62,005 |

* Commenced as of April 1, 2010.

In addition to the 1.25% sales tax, the City also levies a 5.7% Transient Guest Tax on the sale of hotel rooms or similar sleeping accommodations. The proceeds are used for promotion efforts to attract guests to the City.

Source: City of Baldwin City.

**FUNDS ON HAND
As of November 30, 2019**

| <u>Fund</u> | <u>Cash and Investments</u> |
|-----------------------|-----------------------------|
| General Fund | \$ 634,248 |
| Special Revenue Funds | 651,513 |
| Debt Service Fund | 50,809 |
| Capital Projects Fund | 2,062,988 |
| Enterprise Funds: | |
| Electric | 2,973,692 |
| Water | 709,784 |
| Sewer | 2,387,356 |
| Refuse Utility | <u>116,698</u> |
| Total | \$9,587,088 |

INVESTMENTS

The City has a formal investment policy. The City is also required to invest its funds pursuant to K.S.A. 12-1675, a state law which governs the investment of public funds by governmental subdivisions, units, and entities. K.S.A. 12-1675 authorizes the City to invest in the following:

- 1) its own temporary notes or no-fund warrants;
- 2) savings deposits, demand deposit, time deposit, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years in banks, savings and loan associations and savings banks;
- 3) repurchase agreements with banks, savings and loan associations and savings banks;
- 4) United States treasury bills or notes with maturities not exceeding two years;
- 5) in the municipal investment pool fund established in K.S.A. 1997 Supp. 12-1677a;
- 6) in the investments authorized and in accordance with the conditions prescribed in K.S.A. 1997 Supp. 12-1677b;
- 7) in multiple municipal client investment pools managed by trust departments of commercial banks which have offices located in the City or with trust companies incorporated under the laws of this state which have contracted to provide trust services under the provisions of K.S.A. 9-2107; or
- 8) general obligation bonds of any Kansas municipality.

The local banks have a right of first refusal under the statute for the investments described in (2) or (3) above, and the City is authorized to make the other investments described above only if the local banks have refused. The municipal investment pool described in paragraph (5) above is statutorily limited to those investments permitted for state monies under Kansas law. Permissible investments include:

- 1) direct obligations of, or obligations that are insured as to principal and interest by the United States of America or any agency thereof and obligations and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, provided that,

after July 1, 1996 no investment may be made in mortgage-backed securities of such enterprises and of the Government National Mortgage Association (any investments existing before July 1, 1996 will be permitted to mature);

- 2) state agency bonds and projects; or commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized rating firm; or
- 3) repurchase agreements with a Kansas bank or a primary government securities dealer which reports to the market reports division of the Federal Reserve Bank of New York for direct obligations of, or obligations that are insured as to principal and interest by the United States government or any agency thereof and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds. The municipal investment pool and all of state monies for investment, on a competitive basis, to qualified banks. Any such investments in qualified banks are required to be secured by a pledge of securities as required by K.S.A. 1995 Supp. 75-4218.

The City has the responsibility for making and monitoring the investments made under these statutes and the City Investment Management Policy. For additional information regarding the City’s financial position, see Appendix IV of this Official Statement.

GENERAL INFORMATION CONCERNING THE CITY

The City is located within Douglas County, in the northeastern portion of the State of Kansas, and is approximately 12 miles south of the City of Lawrence, Kansas and 15 miles west of the City of Gardner, Kansas. The City encompasses an area of approximately 2.2 square miles (1,408 acres).

Population

The City’s population trend is shown below.

| | <u>Population</u> | <u>Percent Change</u> |
|---------------------------|-------------------|-----------------------|
| 2018 U.S. Census Estimate | 4,691 | 3.9% |
| 2010 U.S. Census | 4,515 | 32.8 |
| 2000 U.S. Census | 3,400 | 12.4 |
| 1990 U.S. Census | 3,024 | 6.9 |
| 1980 U.S. Census | 2,829 | -- |

Source: United States Census Bureau, <http://www.census.gov/>.

The City’s population by age group for the past five years is as follows:

| <u>Data Year/ Report Year</u> | <u>0-17</u> | <u>18-34</u> | <u>35-64</u> | <u>65 and Over</u> |
|-----------------------------------|-------------|--------------|--------------|--------------------|
| 2019/20 | 986 | 1,628 | 1,547 | 848 |
| 2018/19 | 1,002 | 1,571 | 1,601 | 826 |
| 2017/18 | 1,006 | 1,536 | 1,610 | 790 |
| 2016/17 | 1,016 | 1,481 | 1,657 | 760 |
| 2015/16 | 1,005 | 1,429 | 1,661 | 733 |

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Transportation

Interstate Highways I-35 and I-70 and U.S. Highways 56 and 59 provide easy access to and from the City. The Kansas City International Airport, located approximately 60 miles north of the City, provides direct service to most major cities in the United States.

Major Employers

| <u>Employer</u> | <u>Product/Service</u> | <u>Approximate Number of Employees</u> |
|---------------------------------------|---------------------------|--|
| U.S.D. No. 348 (Baldwin City) | Education | 212 |
| Baker University | Higher Education | 233 ^(a) |
| Baldwin Healthcare and Rehabilitation | Health Care | 76 ^(b) |
| McFarlane Aviation | Aircraft Manufacturer | 72 ^(b) |
| City of Baldwin City | Government | 48 |
| Heritage Tractor, Inc. | Farm Implement Dealer | 40 ^(b) |
| A&H Air Conditioning and Heating | Air Condition and Heating | 28 |
| Vintage Park Assisted Living | Health Care | 27 |
| Baldwin City Market | Grocery | 25 ^(b) |
| Baldwin State Bank | Banking | 16 ^(b) |

(a) Includes just full-time university employees.

(b) As of October 2017; most recent information available.

Source: This does not purport to be a comprehensive list and is based on an January 2020 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Labor Force Data

| | <u>Annual Average</u> | | | | <u>November</u> |
|--------------------|-----------------------|-------------|-------------|-------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
| Labor Force: | | | | | |
| Douglas County | 64,800 | 65,276 | 65,186 | 65,199 | 67,306 |
| State of Kansas | 1,490,689 | 1,485,321 | 1,478,713 | 1,482,220 | 1,493,152 |
| Unemployment Rate: | | | | | |
| Douglas County | 3.7% | 3.5% | 3.2% | 3.1% | 2.6% |
| State of Kansas | 4.2 | 4.0 | 3.7 | 3.4 | 3.1 |

Source: Kansas Labor Information Center, <http://www.klic.dol.ks.gov>. 2019 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Baldwin City

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-------------------------------|-----------------------------------|--------------------------|-----------------------------|
| 2019/20 | N/A | \$135,573 | \$67,235 |
| 2018/19 | \$56,251 | 119,925 | 58,514 |
| 2017/18 | 20,543 | 132,552 | 67,282 |
| 2016/17 | 19,699 | 103,869 | 48,810 |
| 2015/16 | 36,380 | 104,380 | 49,835 |

Douglas County

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2019/20 | N/A | \$3,313,928 | \$51,940 |
| 2018/19 | \$2,072,813 | 3,094,471 | 48,904 |
| 2017/18 | 2,020,966 | 3,182,349 | 49,186 |
| 2016/17 | 1,823,678 | 2,727,064 | 43,158 |
| 2015/16 | 1,669,902 | 2,836,565 | 46,517 |

The 2019/20 Median Household EBI for the State of Kansas was \$51,581. The 2019/20 Median Household EBI for the United States was \$54,686.

Sources: *Envionics Analytics, Claritas, Inc. and The Nielsen Company.*

Permits Issued by the City

| <u>Year</u> | <u>New Single Family Residential</u> | | <u>New Commercial/Industrial</u> | | <u>Total Value* (All Permits)</u> |
|-----------------|--|--------------|--------------------------------------|--------------|---------------------------------------|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> | |
| 2019 (to 11-30) | 4 | \$1,165,000 | 4 | \$250,000 | \$ 1,700,217 |
| 2018 | 10 | 2,728,480 | 1 | 25,000 | 2,778,915 |
| 2017 | 15 | 2,843,829 | 3 | 7,420,000 | 12,019,810 |
| 2016 | 10 | 1,319,973 | 0 | 0 | 2,378,051 |
| 2015 | 10 | 1,766,336 | 3 | 160,450 | 1,926,786 |
| 2014 | 4 | 527,066 | 4 | 1,403,949 | 4,824,184 |
| 2013 | 2 | 301,546 | 1 | 653,245 | 4,834,105 |
| 2012 | 1 | 121,888 | 3 | 186,064 | 1,110,945 |
| 2011 | 2 | 391,491 | 1 | 8,090,810 | 10,389,458 |
| 2010 | 0 | 0 | 2 | 2,615,079 | 5,137,025 |

* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, decks, fencing, major additions to existing facilities, etc.).*

Source: *City of Baldwin City.*

Financial Institutions

The following full service banks are located in the City*:

| | <u>Deposits As of 9-30-19</u> |
|------------------------|-----------------------------------|
| Mid-America Bank | \$175,643,000 |
| The Baldwin State Bank | <u>68,739,000</u> |
| Total | \$244,382,000 |

In addition, a branch office of Kansas State Bank is located in the City.

* *This does not purport to be a comprehensive list.*

Source: *Federal Deposit Insurance Corporation, <http://www.fdic.gov/>.*

Health Care Facilities

Lawrence Memorial Hospital is the only hospital in Douglas County and is located in the City of Lawrence. The hospital has 164 beds and houses an outpatient surgery facility and educational center. There are seven adult care homes in the County, including the Baldwin Healthcare and Rehabilitation Center in the City, with more than 300 beds for adult care services. In addition, City residents have access to medical facilities in the Kansas City metropolitan area, including the University of Kansas Medical Center and Hospital in the City of Kansas City, Kansas and the Olathe Medical Center in the City of Olathe, Kansas, all located within 40 miles of the City.

Menorah Medical Center, a division of Health Midwest, operates a 154-bed hospital and medical office complex in the eastern part of the City of Overland Park, Kansas. St. Joseph's Hospital, a full-service, privately-owned facility, located in the western part of the City of Kansas City, Missouri. Shawnee Mission Medical Center is a 383-bed acute care facility located in the City of Merriam, Kansas. Overland Park Regional Medical Center is a 400-bed acute care facility located on Interstate 435. All hospitals offer a full range of medical services including 24-hour emergency care.

Source: Kansas Department of Health and Environment, www.kdheks.gov/bhfr/fac_list/.

Education

Unified School District No. 348 (Baldwin City) serves the City and had a 2019/20 enrollment of approximately 1,298 students in grades kindergarten through 12. The physical plant of the District includes two elementary schools, a middle school, and a senior high school.

Source: Kansas K-12 Reports, <http://apps.ksde.org/k12/k12.aspx>.

Post-Secondary Education

The Baker University School of Professional and Graduate Studies is located in the City. There are several universities, colleges, and specialty schools within commuting distance from the City, including the University of Kansas, MidAmerica Nazarene University, Brown Mackie College, Ottawa University, and Johnson County Community College.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was incorporated in 1870 and is governed by a Mayor-Council form of government. Five Council Members are elected at-large to serve a four-year term. The Mayor, also elected at large, serves a four-year term and presides over Council meetings and appoints certain City officials, subject to Council approval.

The following individuals comprise the current City Council:

| | | <u>Expiration of Term</u> |
|----------------------|----------------|---------------------------|
| Casey Simoneau | Mayor | December 2022 |
| Julie Constantinescu | Council Member | December 2023 |
| Brian Cramer | Council Member | December 2022 |
| Scott Lauridsen | Council Member | December 2023 |
| Susan Pitts | Council Member | December 2022 |
| Cory Venable | Council Member | December 2023 |

Key Officials

Employed Since

| | | |
|---------------|-------------------------------|----------------|
| Glenn Rodden | City Administrator | February 2016 |
| Laura Hartman | City Clerk | September 2015 |
| Kevin Watts | Interim Public Works Director | March 1991 |

The City has 43 regular full-time and 5 seasonal full- and part-time employees.

Services

The City provides water, sewer, electric generation, electric distribution, and solid waste collection to its residents. The City maintains over 1,900 residential and commercial connections to its water and electric system. The City owns two power plants with the ability to generate nine MW on diesel and/or natural gas. The City distributes approximately 180,000,000 gallons of treated water to over 1,650 residential customers as well as to two other smaller municipalities as a wholesale water provider. The City owns two water towers with 1,500,000 gallons in storage capacity.

Natural gas service is provided by Kansas Gas Service Co. Telephone service is provided by Century Link and Mediacom operates a cable television system under franchise within the City. Gigabit internet service is provided by RG Fiber. They also provide VOIP telephone service and cable television service under a franchise with the City.

Recreational and Cultural Activities

The City maintains four public parks for residents to enjoy. The 20-acre Martin Creek Park provides access to baseball/softball fields, soccer fields, tennis courts, walking trails, and horseshoe pits. Spring Creek Lake allows fishing and non-motor craft for local residents.

In 1867, the Leavenworth, Lawrence, and Fort Gibson railroad laid tracks and became the first Kansas railroad south of the Kansas River. In 1906, the Santa Fe Depot was built and today the Midland Railway offers excursion rides to Ottawa via "Nowhere" and Norwood. Midland's Scout program is one of the few in the country to offer a railroading merit badge and Midland has hosted a Thomas the Tank Engine attraction the last few years.

Every year since 1957, the City has hosted the Maple Leaf Festival during the third full weekend in October. The festival began as a way to celebrate a successful harvest and to view the fall foliage. Today, it is the largest fall family event in the area and features a parade, arts and crafts, quilt show, theatrical performances, history tours, train rides and live music. Annually the festival draws crowds in excess 30,000.

Labor Contracts

The does not have any labor contracts or bargaining units.

Employee Pensions

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fire Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

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 City'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 City's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The City's contribution was 8.39% of the employee's gross salary for calendar year 2018. Beginning January 1, 2019, the City's contribution changed to 8.89% of gross compensation for calendar year 2019. The City's contribution is projected to change to 8.61% of gross compensation for calendar year 2020. In addition, the City contributed 1.00% of the employee's gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2018 (the "2018 Valuation Report") the KPERS Local Group, of which the City is a member, carried an unfunded accrued actuarial liability ("UAAL") of approximately \$1.502 billion at the end of 2018. The 2018 Valuation Report includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group, and is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the 2018 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2018 Valuation Report sets the employer contribution rate for the period beginning January 1, 2021, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.87% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2018 Valuation Report. The statutory contribution rate of employers currently equals the 2018 Valuation Report's actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

The City has established membership in KP&F. KP&F is a division of and is administered by KPERS. Annual contributions are adjusted annually based on actuarial studies, subject to legislative caps on percentage increases. According to the 2018 Valuation Report, KP&F carried an UAAL of \$933 million at the end of 2018. For KP&F, the City's employees currently annually contribute 7.15% of their gross salary to the plan. For the year beginning January 1, 2019, the City contributes 22.13% of employees' gross compensation. Beginning January 1, 2020, the City's contribution is projected to change to 21.93% of gross compensation for calendar year 2020.

For more information regarding the liability of the City with respect to its employees, please reference "Note 3 – Retirement Plan" of the City's Financial Statements for the fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Financial Statements for the fiscal year ended December 31, 2019 are not yet available.)

Sources: City's Annual Financial Statements.

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for KPERS and KP&F for the past four years are as follows:

| | <u>KPERS</u> | | <u>KP&F</u> | |
|------|---|------------------------------|---|------------------------------|
| | <u>Proportionate Share of Pension Costs</u> | <u>Net Pension Liability</u> | <u>Proportionate Share of Pension Costs</u> | <u>Net Pension Liability</u> |
| 2018 | 0.0953% | \$1,329,662 | 0.1174% | \$1,130,192 |
| 2017 | 0.0990 | 1,434,594 | 0.1205 | 1,130,112 |
| 2016 | 0.0865 | 1,339,526 | 0.1085 | 1,008,628 |
| 2015 | 0.0887 | 1,164,670 | 0.1089 | 791,381 |

The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. Under existing State law, the City has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

Sources: City's Annual Financial Statements.

Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 75), which addresses how state and local governments must account for and report their obligations related to postemployment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

The City does not provide any postemployment benefits.

Accounting, Budgeting and Auditing Procedure

The City follows a cash receipts and disbursement basis of accounting which is adjusted for the issuing of statements, to the accrual or modified accrual basis, as appropriate. The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Mize Houser & Company, P.A., Lawrence, Kansas. Copies of the audit reports for the past five years are on file in the Clerk's office and are available for review.

Applicable Kansas Statutes require that budgets be legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis of accounting. The statutes provide that the budget for the succeeding calendar year must be prepared on or before August 1 and published on or before August 5 of each year. A required public hearing is to be held on or before August 15, with the final budget being adopted on or before August 25 of each year. Supplemental appropriations and transfers among budget categories may modify original appropriations. The City Council must approve all significant budget changes. If there is cash in a fund in excess of budget requirements, it cannot be spent during the year but must be carried forward as income for the ensuing year, unless the budget is amended. Kansas statute prohibits municipalities from creating indebtedness unless there is money on hand in the proper fund and unencumbered by previous commitments with which to pay the indebtedness.

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

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

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

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

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

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

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

General Fund Budget Summary

| | <u>2019 Budget</u> | <u>2019 Estimated</u> | <u>2020 Budget</u> |
|--------------------------------------|--------------------|-----------------------|--------------------|
| Unencumbered Cash Balance | \$ 706,433 | \$ 734,176 | \$ 236,928 |
| Receipts: | | | |
| Taxes | \$1,362,410 | \$1,427,104 | \$1,515,810 |
| Intergovernmental | 532,432 | 530,084 | 545,986 |
| Franchise Fees | 386,218 | 389,101 | 398,077 |
| Licenses, Permits, and Fees | 56,281 | 64,273 | 64,237 |
| Fines, Forfeitures, and Penalties | 27,559 | 29,878 | 30,326 |
| Use of Money and Property | 14,320 | 19,825 | 20,122 |
| Transfer In | 265,621 | 259,858 | 758,722 |
| Miscellaneous | <u>122,466</u> | <u>14,024</u> | <u>14,234</u> |
| Total Receipts | \$2,773,923 | \$2,728,985 | \$2,200,968 |
| Resources Available | \$3,480,356 | \$3,463,161 | \$2,437,896 |
| Expenditures: | | | |
| General Government | \$ 454,921 | \$ 510,609 | \$ 761,972 |
| Planning | 107,037 | 204,874 | 232,281 |
| Public Works | 408,668 | 504,475 | 551,668 |
| Culture and Recreation | 89,326 | 157,768 | 168,979 |
| Fire Department | 137,802 | 162,968 | 172,664 |
| Police Department | 1,184,480 | 1,271,315 | 1,270,489 |
| Municipal Court | 70,029 | 67,498 | 69,522 |
| Economic Development | 75,729 | 140,940 | 132,974 |
| Pool | 127,686 | 125,976 | 128,882 |
| Information Technology | 76,847 | 73,061 | 48,064 |
| Transfer Out | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Expenditures | \$2,732,524 | \$3,219,483 | \$3,537,496 |
| Unencumbered Cash Balance at (12-31) | \$ 734,176 | \$ 236,928 | \$ 0 |

Sources: The City's annual financial statement and the City.

Major General Fund Revenue Sources

| <u>Revenue</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Taxes | \$829,925 | \$910,917 | \$1,011,768 | \$1,094,222 | 1,140,408 |
| Intergovernmental | 678,402 | 704,170 | 740,465 | 764,869 | 774,042 |
| Transfers In | 803,293 | 674,570 | 694,226 | 610,143 | 580,088 |
| Franchise Fees | 69,751 | 61,321 | 55,540 | 56,192 | 58,700 |
| Licenses, Permits, and Fees | 34,808 | 20,835 | 27,155 | 61,104 | 43,231 |
| Fines, Forfeitures, and Penalties | 64,743 | 45,526 | 47,101 | 49,974 | 27,559 |

Sources: City's Annual Financial Statements.

PROPOSED FORM OF BOND COUNSEL OPINION

GILMORE & BELL, P.C.
Attorneys at Law
100 N. Main Suite 800
Wichita, Kansas 67202

[February 26, 2020]

Governing Body _____
City of Baldwin City, Kansas _____

Re: \$2,920,000* General Obligation Temporary Renewal and Improvement Notes,
Series 2020-A, of the City of Baldwin City, Kansas, Dated February 26, 2020

We have acted as Bond Counsel in connection with the issuance by the City of Baldwin City, Kansas (the “Issuer”), of the above-captioned notes (the “Notes”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer authorizing the issuance and prescribing the details of the Notes.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Notes have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.
2. The Notes are payable as to both principal and interest from general obligation bonds of the Issuer and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent that necessary funds are not provided from other sources.
3. The interest on the Notes [(including any original issue discount properly allocable to an owner of a Note)] is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Notes are “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Notes.

* Preliminary; subject to change.

4. The interest on the Notes is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth in this opinion.

The rights of the owners of the Notes and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

GILMORE & BELL, P.C.

SUMMARY OF FINANCING DOCUMENTS

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

THE NOTE 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 (specifically including K.S.A. 10-123), K.S.A. 10-620 *et seq.*, K.S.A. 12-6a01 *et seq.*, K.S.A. 12-101 *et seq.* and Charter Ordinance No. 19 of the Issuer, as amended and supplemented.

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

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

“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.

“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 Notes.

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

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

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

“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 Note Resolution.

“Costs of Issuance” means all costs of issuing the Notes, 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, and all expenses incurred in connection with receiving ratings on the Notes.

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

“Dated Date” means February 26, 2020.

“Debt Service Account” means the account by that name (within the Bond and Interest Fund) created by the Note 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 Notes 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 Note 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.

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

“Disclosure Undertaking” means the Issuer's Continuing Disclosure Undertaking relating to the Notes and certain obligations contained in the SEC Rule.

“DTC” means The Depository Trust Company.

“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 Notes 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 Notes 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 Notes or in the Note Resolution (other than the covenants relating to continuing disclosure contained in the Note Resolution or 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 Notes then Outstanding.

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

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

“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.

“Fitch” means Fitch Ratings, 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, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

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

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

“Improvements” means the improvements referred to in the preamble to the Note 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 Note Resolution.

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Note which shall be March 1 and September of each year, commencing September 1, 2020.

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

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

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

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

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

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

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

“Note Registrar” means the State Treasurer, Topeka, Kansas, and its successors and assigns.

“Note Resolution” means the resolution adopted by the governing body of the Issuer authorizing the issuance of the Notes, as amended from time to time.

“Notes” means the General Obligation Temporary Renewal and Improvement Notes, Series 2020-A, authorized and issued by the Issuer pursuant to the Note Resolution.

“Official Statement” means the Issuer’s Official Statement relating to the Notes.

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

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

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

“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, Topeka, Kansas, and any successors and assigns.

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

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

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

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

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

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

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

“Refunded Notes” means the Series 2018-B Notes maturing in the year 2020, in the aggregate principal amount of \$1,450,000.

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

“Refunded Notes Redemption Date” means March 1, 2020 for the Series 2018-B Notes.

“Refunded Notes Resolution” means the resolution which authorized the Refunded Notes.

“Replacement Notes” means Notes issued to the Beneficial Owners of the Notes in accordance with the Note Resolution.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Series 2018-B Notes” means the Issuer's General Obligation Temporary Notes, Series 2018-B, dated December 4, 2018.

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

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

“State” means the state of Kansas.

“State Treasurer” means the duly elected Treasurer 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 Note or any installment of interest thereon means the date specified in such Note and the Note Resolution as the fixed date on which the principal of such Note or such installment of interest is due and payable.

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

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

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a

direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

**ESTABLISHMENT OF FUNDS AND ACCOUNTS;
DEPOSIT AND APPLICATION OF NOTE PROCEEDS**

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

- (a) Improvement Fund.
- (b) Debt Service Account.
- (c) Costs of Issuance Account.

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

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

(a) All accrued interest and premium, if any, received from the sale of the Notes, and interest on the Notes coming due September 1, 2020, shall be deposited in the Debt Service Account.

(b) An amount necessary to pay the Costs of Issuance of the Notes shall be deposited in the Costs of Issuance Account.

(c) The remaining balance of the proceeds derived from the sale of the Notes 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 costs of the Improvements; and (b) retiring the Refunded Notes.

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 Mayor (or designate) stating that such payment is being made for a purpose within the scope of the Note 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 Mayor (or designate) stating that such payment is being made for a purpose within the scope of the Note 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 Notes 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 Notes 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 Notes to include the Substitute Improvements; and (d) the use of the proceeds of the Notes to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax-exempt status of the Notes under State or federal law.

The Issuer may reallocate expenditure of Note proceeds among all Improvements financed by the Notes; 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 Notes allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax-exempt status of the Notes 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 Notes as and when the same become due and the usual and customary fees and expenses of the Note 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 Notes and the fees and expenses of the Note 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 Notes are no longer entitled to enforce payment of the Notes 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 Note Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Notes entitled to payment from such moneys.

Any moneys or investments remaining in the Debt Service Account after the retirement of the indebtedness for which the Notes were issued shall be transferred and paid into the Bond and Interest Fund.

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

DEFAULT AND REMEDIES

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

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Note Resolution and in the Notes shall be for the equal benefit, protection, and security of the Owners of any or all of the Notes, all of which Notes of any series shall be of equal rank and without preference or priority of one Note over any other Note in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Notes, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Note 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 Note Resolution, or to enforce any right, except in the manner provided in the Note 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 Notes.

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 Note 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 Notes, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Note Resolution and all other rights granted thereby shall terminate with respect to the Notes or scheduled interest payments thereon so paid and discharged. Notes, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Note 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 Notes 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 Notes 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 Notes, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Notes, 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 Note Registrar to give such notice of redemption.

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that: it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Notes; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will, in addition, adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Notes 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 Note Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Notes pursuant to the Note Resolution or any other provision thereof until such time as is set forth in the Federal Tax Certificate

CONTINUING DISCLOSURE REQUIREMENTS

Disclosure Requirements. The Issuer covenants in the Note 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 Notes. 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 covenants contained in the Note 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.

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 Notes. 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 Notes, 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 Notes 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 Notes 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 Notes 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 Notes or of the Note Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Notes then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Note;
- (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Note;
- (c) permit preference or priority of any Note over any other Note; or
- (d) reduce the percentage in principal amount of Notes required for the written consent to any modification or alteration of the provisions of the Note Resolution.

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

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Note 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 Notes among Improvements, to provide for Substitute Improvements, to conform the Note 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 Note Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transaction. The issuance of the Notes 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 Note 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 Note Resolution.

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

**SUMMARY OF PROPERTY VALUATION, TAX LEVIES,
PAYMENT PROVISIONS AND THE CASH-BASIS LAW**

Following is a summary of certain statutory and constitutional provisions relative to the mechanisms of real property valuation, tax levy procedures, tax payment and distribution procedures, and the cash-basis laws of the state. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes and articles of the State Constitution. This summary reflects changes to Kansas property tax laws following amendment of the State Constitution in 1986 and 1992 relating to reappraisal and classification of real property for the purpose of property taxation.

Property Valuations (Chapter 79, Article 14, Kansas Statutes Annotated, and Article 11, Kansas Constitution)

Assessor’s Estimated Fair Market Value

The valuation of each parcel of real property subject to taxation must, by law, be updated each year, as of each January 1, and must be physically inspected by the appraiser at least once every six years. With the exception of agricultural land, all property is valued at its market value in money which is the value the appraiser determines to be the price the appraiser believes the property to be fairly worth, and which is referred to as the “Fair Market Value.” Land devoted to agricultural use is appraised on the basis of the income-generating capabilities of such land for agricultural purposes at median levels of production.

Assessed Value and Property Classification

For taxable years commencing January 1, 1993, and thereafter, property is classified and assessed at the percentages of value as follows:

Class 1

This class consists of real property. Real property is further classified into seven subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

- (1) Real property used for residential purposes including multi-family residential real property and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located, residential real property used partially for day care home purposes if such home has been registered or licensed pursuant to K.S.A. 65-501 et seq., and amendments thereto, and real property used for bed and breakfast purposes 11½%
- (2) Land devoted to agricultural use valued pursuant to K.S.A. 79-1476, and amendments thereto30%
- (3) Vacant lots12%
- (4) Real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to Section 501 of the federal Internal Revenue Code, and which is included herein pursuant to K.S.A. 79-1439a, and amendments thereto 12%
- (5) Public utility real property, except railroad real property which shall be assessed at the average rate that all other commercial and industrial property is assessed..... 33%

- (6) Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use 25%
- (7) All other urban and rural real property not otherwise specifically subclassified 30%

Class 2

This class consists of tangible personal property. Such tangible personal property is further classified into six subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

- (1) Mobile homes used for residential purposes 11½%
- (2) Mineral leasehold interests, except oil leasehold interests, the average daily production from which is five 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% 30%
- (3) 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 33%
- (4) all categories of motor vehicles listed and taxed pursuant to K.S.A. 79-306d, and amendments thereto, and, prior to January 1, 2014, over-the-road motor vehicles defined pursuant to K.S.A. 79-6a01, and amendments thereto 30%
- (5) commercial and industrial machinery and equipment, including rolling equipment defined pursuant to K.S.A. 79-6a01, and amendments thereto, which, if its economic life is seven 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 seven 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 as long as it is being used shall not be less than 20% of the retail cost when new of such property 25%
- (6) All other tangible personal property not otherwise specifically classified 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 is exempted from property taxation.

The 2006 Kansas 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.

Property Tax Payments and Delinquencies (Chapter 79, Articles 18, 20, 23, 24, 28 and 29, Kansas Statutes Annotated)

The amount of ad valorem taxes to be levied against property within a taxing jurisdiction is determined by the governing body of the jurisdiction as part of the annual budget approval process and certified, along with special assessments, to the county clerk not later than August 25 of each year (or October 1 if the City must conduct an election to increase property taxes above statutory limits). The county clerk assembles the tax levies and assessments from the various jurisdictions located within the county, together with any State property tax levies, into a tax roll specifying the tax on each taxable parcel of land in the county. The

county treasurer receives the certified tax roll not later than November 1 each year and mails tax statements to taxpayers not later than December 15. Taxpayers have the option of paying the entire amount of taxes owed not later than December 20, or paying half at that time and the other half by the following May 10.

Property taxes not paid when and in the amounts due are considered delinquent and are subject to an interest penalty at a rate set by law. If delinquent taxes, plus accrued interest, have not been paid by July 10, the county treasurer will convey ownership of the property to the county, pursuant to statute. Delinquent taxpayers then have three years (or two years if both property taxes and special assessments are owed) to redeem their property by paying all unpaid taxes, fees, accrued interest and costs thereon. If not redeemed, the real estate will be disposed of by sheriff's sale at public auction to the highest bidder following judicial foreclosure proceedings. The net proceeds of the sheriff's sale are apportioned on a pro rata basis to the various taxing units having jurisdiction over the property.

Property Tax Distributions (Section 12-1678a, Kansas Statutes Annotated)

Property taxes and special assessments collected by the county treasurer on December 20 and May 10 are distributed to the various taxing units on January 20, June 5, and October 31 in the actual amount collected as of not more than 20 days prior to the distribution date. In addition, distributions of interim collections are made on March 20 and September 20, in an amount equal to 95% of the estimated amount collected for and owed to each taxing subdivision but not less than the actual amount collected as of not more than 20 days prior to such distribution dates.

The Kansas Cash-Basis Law (Chapter 10, Article 11, Kansas Statutes Annotated)

All municipalities and taxing subdivisions of the State are required by law to administer their financial operations on a cash basis, except in specific instances. Simply stated, a municipality may not incur a financial obligation in an amount which exceeds the amount of funds actually on hand at the time the obligation is incurred. The most notable exceptions to the cash-basis law are bonds, notes and warrants issued in accordance with State law, contracts approved by referenda and teacher contracts.

In order to operate efficiently on a cash basis, municipalities must adhere to certain statutory budgeting and accounting requirements which segregate financial resources into various operating funds, such as the general fund and the debt service fund, and limit the expenditure of such resources to the amounts identified in the duly adopted budget for each fund. Budgeted expenditures must be balanced with budgeted revenue for each fund, and moneys cannot be transferred between funds to cover excessive spending. Likewise, surplus revenue must be carried forward and used to reduce tax levies in the following year, with allowance for reasonable reserves.

According to the Kansas Supreme Court, the purpose of the cash-basis and budget laws is to provide for "the systematical, intelligent and economical administration of the financial affairs of municipalities and other taxing subdivisions of the state, so as to avoid waste and extravagance and yet permit such units of government to function so as to supply the governmental wants and needs of the people." (State, ex rel., v. Republic County Commissioners, 148 Kan. 376, 383.) It has the collateral effect of ensuring that financial obligations legally entered into will be paid.

EXCERPT OF 2018 ANNUAL FINANCIAL STATEMENTS

Data on the following pages was extracted from the City's Financial Statements for fiscal year ended December 31, 2018, audited by Mize Houser & Company P.A. in Lawrence, Kansas. (The City's Financial Statements for fiscal year ended December 31, 2019 are not yet available.) The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Baldwin City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Baldwin City, Kansas (the City), as of and for the year ended December 31, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the City 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 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Report on Supplementary Information

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

Other Matter

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Baldwin City, Kansas, as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated March 30, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 comparative information itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2017, on the basis of accounting described in Note 1.

Mjx Houser: Company PA

Certified Public Accountants
Lawrence, Kansas

May 21, 2019

CITY OF BALDWIN CITY, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

| Funds | Beginning Unencumbered Cash Balance | Prior Year Adjustment | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add: | | Ending Cash Balance |
|--------------------------------------|---|--------------------------|---------------|---------------|--|--|--|---------------------------|
| | | | | | | Outstanding Encumbrances and Accounts Payable | | |
| General Funds: | | | | | | | | |
| General | \$ 939,089 | \$ - | \$ 2,783,333 | \$ 3,015,989 | \$ 706,433 | \$ 27,743 | | \$ 734,176 |
| Special Purpose Funds: | | | | | | | | |
| Library Fund | - | - | 140,541 | 140,093 | 448 | - | | 448 |
| Special Parks and Recreation Fund | 89,779 | - | 16,789 | 80,000 | 26,548 | - | | 26,548 |
| Special Highway Fund | 245,419 | - | 141,730 | 126,776 | 260,373 | - | | 260,373 |
| Swimming Pool Sales Tax Revenue Fund | 87,464 | - | 1,266 | 1,200 | 87,530 | - | | 87,530 |
| General Reserve Fund | 276,455 | - | 51,007 | 33,202 | 294,260 | 845 | | 295,105 |
| Cemetery Reserve Fund | 131,791 | - | 11,927 | 10,399 | 133,319 | - | | 133,319 |
| Cemetery Fund | 14,668 | - | 77,836 | 81,728 | 10,778 | 1,163 | | 11,941 |
| Bond and Interest Funds: | | | | | | | | |
| Bond and Interest Fund | 2,342 | - | 525,577 | 518,902 | 9,017 | - | | 9,017 |
| Capital Project Funds: | | | | | | | | |
| Capital Project Fund | 116,391 | - | 1,341,131 | 83,983 | 1,373,539 | - | | 1,373,539 |
| Quality of Life Sales Tax Fund | 217,862 | - | 117,642 | 119,325 | 216,179 | - | | 216,179 |
| Capital Improvement Sales Tax Fund | 115,149 | - | 232,648 | 216,060 | 131,737 | - | | 131,737 |
| Public Utility Building Fund | 1,765,466 | - | 3,263,296 | 5,028,762 | - | - | | - |
| Police Building Project Fund | - | - | 1,000,862 | 281,063 | 719,799 | - | | 719,799 |
| Rail/Trail Project Fund | - | - | 357,510 | 348,750 | 8,760 | - | | 8,760 |
| Business Funds: | | | | | | | | |
| Electric System Fund | 1,846,988 | - | 5,047,986 | 4,832,363 | 2,062,611 | 107,577 | | 2,170,188 |
| Electric Project Fund | 114,521 | - | 202,850 | 3,750 | 313,821 | - | | 313,821 |
| Water System Fund | 654,643 | - | 1,800,016 | 1,902,295 | 552,364 | 29,719 | | 582,083 |
| Water Project Fund | [96,071] | - | 982,194 | 884,204 | 1,919 | - | | 1,919 |
| Wastewater Project Fund | 2,892,702 | - | 50,561 | 538,937 | 2,404,326 | - | | 2,404,326 |
| Wastewater Utility Fund | 129,995 | - | 1,187,224 | 1,194,860 | 122,359 | 4,265 | | 126,624 |
| Refuse Utility Fund | 46,099 | - | 264,008 | 237,780 | 72,327 | 164 | | 72,491 |
| Total Primary Government | 9,590,752 | - | 19,597,914 | 19,880,419 | 9,508,247 | 171,476 | | 9,679,723 |
| Related Municipal Entity: | | | | | | | | |
| Baldwin City Library | 361,107 | - | 65,625 | 65,422 | 361,310 | - | | 361,310 |
| Total Related Municipal Entity | 361,107 | - | 65,625 | 65,422 | 361,310 | - | | 361,310 |
| Total Reporting Entity | \$ 9,951,859 | \$ - | \$ 19,663,539 | \$ 19,945,841 | \$ 9,869,557 | \$ 171,476 | | \$ 10,041,033 |

Composition of Cash:

| | |
|--|---------------|
| Baldwin State Bank | |
| Checking | \$ 5,679,123 |
| Checking - Baldwin City Library | 79,597 |
| Certificates of Deposit | 4,000,000 |
| Certificates of Deposit - Baldwin City Library | 95,139 |
| Douglas County Community Foundation - Baldwin City Library | 157,119 |
| Mid America Bank - Checking - Baldwin City Library | 787 |
| Bank of America stocks - Baldwin City Library | 28,688 |
| Petty Cash | 600 |
| Total | \$ 10,041,033 |

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

CITY OF BALDWIN CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Baldwin City, Kansas, (the City) is a municipal corporation governed by a mayor and a five-member council. These financial statements present the City and its related municipal entity for which the City is considered to be financially accountable.

Related Municipal Entity. The Baldwin City Public Library (Library) serves the citizens within the City's jurisdiction. The City appoints the entire governing body of the Library. Acquisition or disposition of real property by the Library must be approved by the City. Bond issuances must also be approved by the City. Complete financial statements are not available for the Library for the year ended December 31, 2018.

Basis of Accounting

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

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

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2018:

The **General Fund** is the chief operating fund is used to account for all resources except those required to be accounted for in another fund.

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

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

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

The **Business Funds** are 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.)

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

CITY OF BALDWIN CITY, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2018 budget was not amended.

The statutes permit management to transfer 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. In the financial statements, budget comparisons are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

Reclassification of Account Balances

Certain line items have been reclassified to conform to the presentation of the financial statements in the current year. This principally consisted of expenses reclassified into different functions from the prior year. These reclassifications had no net effect on the City's net position or changes there in for the current year.

NOTE 2 – Deposits and Investments

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

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

CITY OF BALDWIN CITY, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2 – Deposits and Investments (Continued)

K.S.A. 12-1225(h) authorizes Library boards to invest or reinvest gifts and donations and any dividends, interest, rent or income derived from the gifts in the manner the board deems will best serve the interest of the Library. At December 31, 2018, the Baldwin City Library had the following unsecured investments.

| <u>Investment Type</u> | <u>Fair Value</u> |
|-------------------------------------|-------------------|
| Douglas County Community Foundation | |
| Mutual funds | \$ 154,448 |
| Bank of America | |
| Stock | 28,688 |
| | <u>\$ 183,136</u> |

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods."

At December 31, 2018, the City's carrying amount of deposits was \$9,679,721 and the bank balance was \$9,843,189. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$9,593,189 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2018, the Library's carrying amount of deposits was \$178,174 and the bank balance was \$177,790. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$175,119 was covered by federal depository insurance and the balance of \$2,671 was unsecured at December 31, 2018, which is a violation of K.S.A. 9-1042.

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

NOTE 3 – Retirement Plan

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

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

CITY OF BALDWIN CITY, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

CITY OF BALDWIN CITY, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 3 – Retirement Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.39% for KPERS and 20.09% for KP&F for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City were \$163,803 for KPERS and \$119,984 for KP&F for the year ended December 31, 2018.

Net Pension Liability. At December 31, 2018, the City's proportionate share of the collective net pension liability reported by KPERS was \$1,329,662 and \$1,130,192 for KP&F. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 4 – Capital Projects

Capital project authorizations, with approved change orders, compared with expenditures from inception, are as follows:

| | Project Authorization | Expenditures to Date |
|-------------------------|--------------------------|-------------------------|
| Collector Sidewalks | \$ 1,000,000 | \$ 30,766 |
| Lotatorium | 450,000 | 6,492 |
| Police Building | 1,000,000 | 22,288 |
| Waste Water Interceptor | 2,737,700 | 380,621 |
| | <u>\$ 5,187,700</u> | <u>\$ 440,168</u> |

NOTE 5 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss, including related lost regulatory receipts. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

NOTE 6 – Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation earned but unused at termination is paid to the employees at their current rate of pay up to a maximum of 30 days. Employees who resign in good standing are entitled to ten percent of their unused sick leave and employees who retire in good standing are entitled to twenty percent of their sick leave. The sick leave is calculated at the maximum entitlement even though not all employees are eligible for retirement in the coming year. The liability for compensated absences at December 31, 2018 is \$199,386.

NOTE 7 – Long-Term Debt

During the year ended December 31, 2018, the following changes occurred in long term liabilities:

| Type of Issue | Restated Beginning Principal Outstanding | Additions to Principal | Reductions of Principal | Ending Principal Outstanding | Interest Paid |
|---------------------------------------|---|---------------------------|-------------------------------|------------------------------------|-------------------|
| Paid by taxes | | | | | |
| General obligation bonds | \$ 4,350,000 | \$ - | \$ 355,000 | \$ 3,995,000 | \$ 107,275 |
| General obligation temporary notes | 2,900,000 | 1,450,000 | 2,900,000 | 1,450,000 | 42,151 |
| Capital leases | 114,522 | 75,000 | 54,463 | 135,059 | 1,957 |
| Paid by utility revenues | | | | | |
| General obligation bonds | 10,630,000 | 3,915,000 | 1,170,000 | 13,375,000 | 260,768 |
| Revolving loans | 602,318 | 877,978 | - | 1,480,296 | 21,305 |
| Capital leases | 104,468 | 236,643 | 104,468 | 236,643 | 1,693 |
| Total | \$ 18,701,308 | \$ 6,554,621 | \$ 4,583,931 | \$ 20,671,998 | \$ 435,149 |

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary funds if they are expected to be repaid from proprietary fund regulatory receipts. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

| Type of Issue | Date of Issuance | Date of Maturity | Interest Rate | Original Amount | Current Amount |
|--|---------------------|---------------------|---------------|--------------------|---------------------|
| Paid by taxes | | | | | |
| Refunding, Series 2013 | 03/19/13 | 09/01/33 | 2.00 - 3.50% | \$3,829,693 | \$ 3,020,000 |
| Refunding and Improvement, Series 2015-A | 06/18/15 | 09/01/35 | 2.00 - 3.50% | 1,455,000 | 975,000 |
| Paid by utility revenues | | | | | |
| Refunding, Series 2012 | 06/15/12 | 08/01/24 | 0.50 - 2.20% | 1,125,000 | 590,000 |
| Refunding, Series 2013 | 03/19/13 | 09/01/33 | 2.00 - 3.50% | 3,335,308 | 1,845,000 |
| Refunding, Series 2014 | 08/01/14 | 11/01/26 | 2.00 - 2.75% | 5,890,000 | 3,685,000 |
| Refunding and Improvement, Series 2015-A | 06/18/15 | 09/01/35 | 2.00 - 3.50% | 645,000 | 575,000 |
| Improvement, Series 2015-B | 12/10/15 | 09/01/35 | 2.50 - 3.50% | 3,155,000 | 2,765,000 |
| Improvement, Series 2018-A | 12/04/18 | 09/01/38 | 3.00 - 4.00% | 3,915,000 | 3,915,000 |
| Total General Obligation Bonds | | | | | \$17,370,000 |

CITY OF BALDWIN CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 – Long-Term Debt (Continued)

During the year ended December 31, 2018, the City issued Series 2018-A general obligation bonds with an interest rate of 3.00% to 4.00% and a final maturity date of September 1, 2038. The proceeds of the bonds will be used to pay off the City's 2017-A general obligation temporary notes, finance sidewalk projects, and pay costs of issuance.

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

| Year Ending December 31, | Paid By | | Total |
|------------------------------|--------------|-----------------|---------------|
| | Taxes | Utility Revenue | |
| 2019 | \$ 470,175 | \$ 1,762,365 | \$ 2,232,540 |
| 2020 | 477,775 | 1,685,565 | 2,163,340 |
| 2021 | 470,075 | 1,669,140 | 2,139,215 |
| 2022 | 387,375 | 1,528,935 | 1,916,310 |
| 2023 | 381,175 | 1,236,285 | 1,617,460 |
| 2024 - 2028 | 1,693,575 | 4,497,085 | 6,190,660 |
| 2029 - 2033 | 869,975 | 2,347,013 | 3,216,988 |
| 2034 - 2038 | - | 1,526,325 | 1,526,325 |
| Total principal and interest | 4,750,125 | 16,252,713 | 21,002,838 |
| Less: interest | 755,125 | 2,877,713 | 3,632,838 |
| Total principal | \$ 3,995,000 | \$ 13,375,000 | \$ 17,370,000 |

General Obligation Temporary Notes. On December 4, 2018, the City issued General Obligation Temporary Notes, Series 2018-B, in the amount of \$1,450,000. The notes mature on March 1, 2020 and bear an interest rate of 2.15%. Proceeds of the notes will finance the acquisition and renovation of an existing building to be used for the City's police department, to finance park improvements and to pay the cost of issuance.

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

| Year Ending December 31, | Principal | Interest |
|-----------------------------|--------------|-----------|
| 2019 | \$ - | \$ 23,121 |
| 2020 | 1,450,000 | 15,588 |
| Total | \$ 1,450,000 | \$ 38,709 |

Capital Leases. The City has entered into lease agreements for the acquisition of equipment in the current and prior years. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term).

CITY OF BALDWIN CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 – Long-Term Debt (Continued)

The future minimum lease obligations as of December 31, 2018 are as follows:

| Year Ending December 31, | Paid By Taxes | Paid By Utility Revenue | Total |
|------------------------------|------------------|----------------------------|------------|
| 2019 | \$ 22,935 | \$ 26,193 | \$ 49,128 |
| 2020 | 19,229 | 26,193 | 49,128 |
| 2021 | 19,229 | 26,193 | 45,422 |
| 2022 | 12,950 | 26,193 | 45,422 |
| 2023 | 12,950 | 26,193 | 39,143 |
| 2024 - 2028 | 60,103 | 130,968 | 191,071 |
| Total principal and interest | 147,396 | 261,933 | 409,329 |
| Less: interest | 12,337 | 25,290 | 37,627 |
| Total principal | \$ 135,059 | \$ 236,643 | \$ 371,702 |

Revolving Loan. On August 25, 2016, the City entered into a loan agreement with the Kansas Department of Health and Environment for a Public Water Supply Loan up to the amount of \$1,577,930 with an interest rate of 1.47% and service fee rate of 0.35%. As of December 31, 2018, the City has drawn \$1,480,296 on the loan. An amortization schedule for the loan is not yet available since the loan has not been finalized. The purpose of the loan is to fund the replacement of approximately 8,700 linear feet of water mains throughout the City.

Special Assessments. As provided by Kansas Statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the bond and interest fund. The special assessment debt is a contingent liability of the City to the extent of property owner defaults, which have historically been immaterial.

NOTE 8 – Deferred Compensation Retirement Plan

The City administers a 401(a) pension plan. Employees are eligible to participate in the plan after six months of continuous service. Plan compensation is determined by W-2 wages. The City matches employee contributions up to 4% of wages. All employee contributions are fully vested.

Employer matching contributions are subject to the following vesting schedule:

| Years of Employment | Vested Percentage |
|---------------------|-------------------|
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

Forfeitures may first be used to reduce fees. Remaining forfeitures will be used to reduce City contributions. For the year ended December 31, 2018, the City recognized pension expense of \$76,614. There were no plan forfeitures for the year ended December 31, 2018.

CITY OF BALDWIN CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 – Interfund Transfers

A reconciliation of transfers by fund type for 2018 follows:

| <u>From</u> | <u>To</u> | <u>Amount</u> | <u>Regulatory Authority</u> |
|-------------------------------|--------------------|---------------------|-----------------------------|
| Electric System | General | \$ 360,508 | K.S.A. 12-825d |
| Electric System | Electric Project | 200,000 | K.S.A. 12-825d |
| Wastewater Utility | General | 74,950 | K.S.A. 12-825d |
| Refuse Utility | General | 21,469 | K.S.A. 12-825d |
| Cemetery | General | 3,122 | City ordinance |
| General | Bond and Interest | 33,891 | Bond ordinance |
| Water System | General | 120,041 | K.S.A. 12-825d |
| Special Parks and Recreation | Rail/Trail Project | 80,000 | K.S.A. 12-1,118 |
| Qualify of Life Sales Tax | Rail/Trail Project | 80,000 | K.S.A. 12-1,118 |
| Qualify of Life Sales Tax | Bond and Interest | 39,325 | Bond ordinance |
| Special Highway | Bond and Interest | 13,612 | Bond ordinance |
| General | Capital Project | 100,000 | K.S.A. 12-1,118 |
| General | Rail/Trail Project | 165,000 | K.S.A. 12-1,118 |
| General | General Reserve | 47,000 | K.S.A. 12-1,117 |
| Cemetery | Cemetery Reserve | 10,000 | K.S.A. 12-1,117 |
| Capital Improvement Sales Tax | Bond and Interest | 210,000 | Bond ordinance |
| Water System | Water Project | 97,000 | K.S.A. 12-825d |
| Wastewater Project | Water System | 200,000 | K.S.A. 12-825d |
| Wastewater Project | Wastewater Utility | 75,000 | K.S.A. 12-825d |
| | | <u>\$ 1,930,918</u> | |

NOTE 10 – Subsequent Events

On February 12, 2019, the City and the Kansas Department of Health and Environment (KDHE) amended the terms of their revolving loan agreement. The new terms of the loan allow the City to borrow an additional \$255,480 in funds from KDHE.

On April 1, 2019, the City entered into a lease agreement to purchase an aerial apparatus ladder truck in the amount of \$839,224. The lease has an interest rate of 3.98% and calls for annual lease payments of \$79,344. The lease matures on April 1, 2034.

NOTE 11 – Other Long-Term Obligations from Operations

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018.

CITY OF BALDWIN CITY, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

| Funds | Certified Budget | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance Positive (Negative) |
|--------------------------------------|------------------|--|-----------------------------|---|------------------------------|
| General Funds: | | | | | |
| General | \$ 3,406,368 | \$ - | \$ 3,406,368 | \$ 3,015,989 | \$ 390,379 |
| Special Purpose Funds: | | | | | |
| Library Fund | 146,237 | - | 146,237 | 140,093 | 6,144 |
| Special Parks and Recreation Fund | 87,388 | - | 87,388 | 80,000 | 7,388 |
| Special Highway Fund | 181,496 | - | 181,496 | 126,776 | 54,720 |
| Swimming Pool Sales Tax Revenue Fund | 96,283 | - | 96,283 | 1,200 | 95,083 |
| General Reserve Fund | 320,757 | - | 320,757 | 33,202 | 287,555 |
| Cemetery Reserve Fund | 132,159 | - | 132,159 | 10,399 | 121,760 |
| Cemetery Fund | 88,809 | - | 88,809 | 81,726 | 7,083 |
| Bond and Interest Funds: | | | | | |
| Bond and Interest Fund | 529,821 | - | 529,821 | 518,902 | 10,919 |
| Capital Project Funds: | | | | | |
| Quality of Life Sales Tax Fund | 312,894 | - | 312,894 | 119,325 | 193,569 |
| Capital Improvement Sales Tax Fund | 344,990 | - | 344,990 | 216,060 | 128,930 |
| Business Funds: | | | | | |
| Electric System Fund | 6,516,180 | - | 6,516,180 | 4,832,363 | 1,683,817 |
| Water System Fund | 2,411,561 | - | 2,411,561 | 1,902,295 | 509,266 |
| Wastewater Utility Fund | 1,330,324 | - | 1,330,324 | 1,194,860 | 135,464 |
| Refuse Utility Fund | 307,250 | - | 307,250 | 237,780 | 69,470 |

CITY OF BALDWIN CITY, KANSAS

General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Current Year | | | Variance Positive (Negative) |
|----------------------------------|-------------------|--------------|--------------|------------------------------|
| | Prior Year Actual | Actual | Budget | |
| Receipts | | | | |
| Taxes | \$ 1,094,222 | \$ 1,140,408 | \$ 1,158,507 | \$ [18,099] |
| Intergovernmental | 764,869 | 774,042 | 797,624 | [23,582] |
| Franchise fees | 56,192 | 58,700 | 70,943 | [12,243] |
| Licenses, permits and fees | 61,104 | 43,231 | 26,881 | 16,350 |
| Fines, forfeitures and penalties | 49,974 | 27,559 | 60,489 | [32,930] |
| Use of money and property | 8,957 | 14,321 | 6,094 | 8,227 |
| Transfer in | 610,143 | 580,088 | 603,164 | [23,076] |
| Miscellaneous | 85,641 | 144,984 | 5,000 | 139,984 |
| Total Receipts | 2,731,102 | 2,783,333 | 2,728,702 | 54,631 |
| Expenditures | | | | |
| General administration | | | | |
| Personal services | 149,041 | 136,975 | 104,396 | [32,579] |
| Contractual services | 106,392 | 170,764 | 580,888 | 410,124 |
| Commodities | 15,874 | 19,564 | 21,258 | 1,694 |
| Capital outlay | 1,099 | 6,267 | 17,028 | 10,761 |
| | 272,406 | 333,570 | 723,570 | 390,000 |
| Planning | | | | |
| Personal services | 96,497 | 97,513 | 183,077 | 85,564 |
| Contractual services | 20,682 | 6,454 | 51,744 | 45,290 |
| Commodities | 2,664 | 1,930 | 2,088 | 158 |
| Capital outlay | - | 1,212 | 3,042 | 1,830 |
| | 119,843 | 107,109 | 239,951 | 132,842 |
| Public works | | | | |
| Personal services | 226,643 | 266,714 | 181,110 | [85,604] |
| Contractual services | 41,206 | 38,732 | 58,475 | 19,743 |
| Commodities | 54,870 | 82,727 | 86,350 | 3,623 |
| Capital outlay | 64,992 | 95,984 | 57,549 | [38,435] |
| | 387,711 | 484,157 | 383,484 | [100,673] |
| Culture and recreation | | | | |
| Personal services | 60,238 | 61,509 | 75,582 | 14,073 |
| Contractual services | 9,624 | 16,757 | 14,439 | [2,318] |
| Commodities | 7,251 | 14,803 | 21,228 | 6,425 |
| Capital outlay | 1,762 | 22,513 | 24,000 | 1,487 |
| | 78,875 | 115,582 | 135,249 | 19,667 |

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

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

CITY OF BALDWIN CITY, KANSAS

General Fund, (continued)
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|-------------------------|-------------------|---------------------|------------------------------------|
| | | Actual | Budget | |
| Expenditures (Continued) | | | | |
| Fire Department | | | | |
| Personal services | \$ 27,239 | \$ 59,710 | \$ 50,404 | \$ [9,306] |
| Contractual services | 43,266 | 48,428 | 44,076 | [4,352] |
| Commodities | 4,571 | 5,533 | 11,018 | 5,485 |
| Capital outlay | 13,953 | 25,786 | 15,000 | [10,786] |
| | <u>89,029</u> | <u>139,457</u> | <u>120,498</u> | <u>[18,959]</u> |
| Police Department | | | | |
| Personal services | 948,502 | 1,003,667 | 1,085,799 | 82,132 |
| Contractual services | 81,827 | 92,823 | 102,333 | 9,510 |
| Commodities | 44,996 | 43,500 | 51,730 | 8,230 |
| Capital outlay | 7,646 | 8,235 | 5,000 | [3,235] |
| | <u>1,082,971</u> | <u>1,148,225</u> | <u>1,244,862</u> | <u>96,637</u> |
| Municipal Court | | | | |
| Personal services | 32,345 | 46,475 | 33,959 | [12,516] |
| Contractual services | 32,726 | 23,677 | 37,651 | 13,974 |
| Commodities | 769 | 442 | 1,244 | 802 |
| | <u>65,840</u> | <u>70,594</u> | <u>72,854</u> | <u>2,260</u> |
| Economic Development | | | | |
| Personal services | 91 | 85 | - | [85] |
| Contractual services | 52,420 | 56,521 | 50,485 | [6,036] |
| Capital outlay | 27,316 | 19,545 | 100,000 | 80,455 |
| | <u>79,827</u> | <u>76,151</u> | <u>150,485</u> | <u>74,334</u> |
| Pool | | | | |
| Contractual services | 96,598 | 110,078 | 76,511 | [33,567] |
| Commodities | 6,090 | 7,841 | 8,234 | 393 |
| Capital outlay | - | 378 | 5,000 | 4,622 |
| | <u>102,688</u> | <u>118,297</u> | <u>89,745</u> | <u>[28,552]</u> |
| Information Technology | | | | |
| Contractual services | 1,416 | 1,464 | 362 | [1,102] |
| Commodities | - | 269 | 500 | 231 |
| Capital outlay | 39,016 | 75,223 | 63,917 | [11,306] |
| | <u>40,432</u> | <u>76,956</u> | <u>64,779</u> | <u>[12,177]</u> |
| Transfer out | <u>202,000</u> | <u>345,891</u> | <u>180,891</u> | <u>[165,000]</u> |
| | <u>202,000</u> | <u>345,891</u> | <u>180,891</u> | <u>[165,000]</u> |
| Total Expenditures | <u>2,521,622</u> | <u>3,015,989</u> | <u>\$ 3,406,368</u> | <u>\$ 390,379</u> |
| Receipts Over [Under] Expenditures | 209,480 | [232,656] | | |
| Unencumbered Cash, Beginning | <u>729,609</u> | <u>939,089</u> | | |
| Unencumbered Cash, Ending | <u>\$ 939,089</u> | <u>\$ 706,433</u> | | |

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

CITY OF BALDWIN CITY, KANSAS

Library Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|----------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes | \$ 135,436 | \$ 139,984 | \$ 146,021 | \$ [6,037] |
| Use of money and property | <u>339</u> | <u>557</u> | <u>216</u> | <u>341</u> |
| Total Receipts | <u>135,775</u> | <u>140,541</u> | <u>\$ 146,237</u> | <u>\$ [5,696]</u> |
| Expenditures | | | | |
| Culture and Recreation: | | | | |
| Personal services | 99,389 | 106,738 | \$ 105,498 | \$ [1,240] |
| Contractual services | 5,477 | 5,855 | 5,787 | [68] |
| Appropriation to library board | <u>30,909</u> | <u>27,500</u> | <u>34,952</u> | <u>7,452</u> |
| Total Expenditures | <u>135,775</u> | <u>140,093</u> | <u>\$ 146,237</u> | <u>\$ 6,144</u> |
| Receipts Over [Under] Expenditures | - | 448 | | |
| Unencumbered Cash, Beginning | - | - | | |
| Unencumbered Cash, Ending | <u>\$ -</u> | <u>\$ 448</u> | | |

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

CITY OF BALDWIN CITY, KANSAS

Special Parks and Recreation Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|------------------|------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Intergovernmental | \$ 14,605 | \$ 13,929 | \$ 11,736 | \$ 2,193 |
| Use of money and property | 711 | 1,265 | 4,470 | [3,205] |
| Park fees | 1,925 | 1,575 | 2,000 | [425] |
| Total Receipts | <u>17,241</u> | <u>16,769</u> | <u>\$ 18,206</u> | <u>\$ [1,437]</u> |
| Expenditures | | | | |
| Culture and Recreation: | | | | |
| Contractual services | - | - | \$ 87,388 | \$ 87,388 |
| Transfer out | - | 80,000 | - | [80,000] |
| Total Expenditures | <u>-</u> | <u>80,000</u> | <u>\$ 87,388</u> | <u>\$ 7,388</u> |
| Receipts Over [Under] Expenditures | 17,241 | [63,231] | | |
| Unencumbered Cash, Beginning | <u>72,538</u> | <u>89,779</u> | | |
| Unencumbered Cash, Ending | <u>\$ 89,779</u> | <u>\$ 26,548</u> | | |

CITY OF BALDWIN CITY, KANSAS

Special Highway Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Intergovernmental | \$ 134,743 | \$ 137,290 | \$ 131,970 | \$ 5,320 |
| Use of money and property | 1,774 | 4,440 | 1,055 | 3,385 |
| Total Receipts | <u>136,517</u> | <u>141,730</u> | <u>\$ 133,025</u> | <u>\$ 8,705</u> |
| Expenditures | | | | |
| Public works | | | | |
| Contractual services | - | 107,812 | \$ 153,084 | \$ 45,272 |
| Commodities | - | 5,352 | 14,800 | 9,448 |
| Transfer out | 15,394 | 13,612 | 13,612 | - |
| Total Expenditures | <u>15,394</u> | <u>126,776</u> | <u>\$ 181,496</u> | <u>\$ 54,720</u> |
| Receipts Over [Under] Expenditures | 121,123 | 14,954 | | |
| Unencumbered Cash, Beginning | <u>124,296</u> | <u>245,419</u> | | |
| Unencumbered Cash, Ending | <u>\$ 245,419</u> | <u>\$ 260,373</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Swimming Pool Sales Tax Revenue Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|------------------|------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Use of money and property | \$ 798 | \$ 1,266 | \$ 585 | \$ 681 |
| Total Receipts | <u>798</u> | <u>1,266</u> | <u>585</u> | <u>681</u> |
| Expenditures | | | | |
| Culture and Recreation: | | | | |
| Contractual services | 8,500 | 1,200 | \$ 96,283 | \$ 95,083 |
| Total Expenditures | <u>8,500</u> | <u>1,200</u> | <u>\$ 96,283</u> | <u>\$ 95,083</u> |
| Receipts Over [Under] Expenditures | [7,702] | 66 | | |
| Unencumbered Cash, Beginning | <u>95,166</u> | <u>87,464</u> | | |
| Unencumbered Cash, Ending | <u>\$ 87,464</u> | <u>\$ 87,530</u> | | |

CITY OF BALDWIN CITY, KANSAS

General Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Transfer in | \$ 47,000 | \$ 47,000 | \$ 47,000 | \$ - |
| Use of money and property | 2,324 | 4,007 | 1,674 | 2,333 |
| Total Receipts | <u>49,324</u> | <u>51,007</u> | <u>\$ 48,674</u> | <u>\$ 2,333</u> |
| Expenditures | | | | |
| Capital outlay | 65,985 | 33,202 | \$ 320,757 | \$ 287,555 |
| Total Expenditures | <u>65,985</u> | <u>33,202</u> | <u>\$ 320,757</u> | <u>\$ 287,555</u> |
| Receipts Over [Under] Expenditures | [16,661] | 17,805 | | |
| Unencumbered Cash, Beginning | <u>293,116</u> | <u>276,455</u> | | |
| Unencumbered Cash, Ending | <u>\$ 276,455</u> | <u>\$ 294,260</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Cemetery Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Transfer in | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Use of money and property | 1,086 | 1,927 | 761 | 1,166 |
| Total Receipts | <u>11,086</u> | <u>11,927</u> | <u>\$ 10,761</u> | <u>\$ 1,166</u> |
| Expenditures | | | | |
| Contractual services | - | - | \$ 122,159 | \$ 122,159 |
| Capital outlay | 2,952 | 10,399 | 10,000 | [399] |
| Total Expenditures | <u>2,952</u> | <u>10,399</u> | <u>\$ 132,159</u> | <u>\$ 121,760</u> |
| Receipts Over [Under] Expenditures | 8,134 | 1,528 | | |
| Unencumbered Cash, Beginning | <u>123,657</u> | <u>131,791</u> | | |
| Unencumbered Cash, Ending | <u>\$ 131,791</u> | <u>\$ 133,319</u> | | |

CITY OF BALDWIN CITY, KANSAS

Cemetery Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|-------------------------|------------------|------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes | \$ 65,042 | \$ 67,259 | \$ 69,446 | \$ [2,187] |
| Use of money and property | 222 | 386 | 176 | 210 |
| Miscellaneous | 11,662 | 10,191 | 13,182 | [2,991] |
| Total Receipts | <u>76,926</u> | <u>77,836</u> | <u>\$ 82,804</u> | <u>\$ [4,968]</u> |
| Expenditures | | | | |
| Personal services | 55,839 | 60,477 | \$ 50,469 | \$ [10,008] |
| Contractual services | 7,303 | 5,102 | 20,485 | 15,383 |
| Commodities | 1,017 | 2,014 | 1,876 | [138] |
| Capital outlay | 1,648 | 1,011 | 2,357 | 1,346 |
| Miscellaneous | - | - | 500 | 500 |
| Transfer out | 13,654 | 13,122 | 13,122 | - |
| Total Expenditures | <u>79,461</u> | <u>81,726</u> | <u>\$ 88,809</u> | <u>\$ 7,083</u> |
| Receipts Over [Under] Expenditures | [2,535] | [3,890] | | |
| Unencumbered Cash, Beginning | <u>17,203</u> | <u>14,668</u> | | |
| Unencumbered Cash, Ending | <u>\$ 14,668</u> | <u>\$ 10,778</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-----------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes | \$ 192,142 | \$ 227,284 | \$ 229,632 | \$ [2,348] |
| Use of money and property | 507 | 1,464 | 494 | 970 |
| Transfer in | 319,719 | 296,829 | 296,829 | - |
| Total Receipts | <u>512,368</u> | <u>525,577</u> | <u>\$ 526,955</u> | <u>\$ [1,378]</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 395,127 | 409,671 | \$ 415,514 | \$ 5,843 |
| Interest | 116,131 | 109,231 | 114,307 | 5,076 |
| Total Expenditures | <u>511,258</u> | <u>518,902</u> | <u>\$ 529,821</u> | <u>\$ 10,919</u> |
| Receipts Over [Under] Expenditures | 1,110 | 6,675 | | |
| Unencumbered Cash, Beginning | <u>1,232</u> | <u>2,342</u> | | |
| Unencumbered Cash, Ending | <u>\$ 2,342</u> | <u>\$ 9,017</u> | | |

CITY OF BALDWIN CITY, KANSAS

Capital Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year Actual | Current Year Actual |
|------------------------------------|----------------------|------------------------|
| Receipts | | |
| Transfers in | \$ 100,000 | \$ 100,000 |
| Bond proceeds | - | 1,227,915 |
| Miscellaneous | - | 10,000 |
| Use of money and property | 1,111 | 3,216 |
| Total Receipts | <u>101,111</u> | <u>1,341,131</u> |
| Expenditures | | |
| Public works | | |
| Contractual services | 83,876 | 82,933 |
| Capital outlay | - | 1,050 |
| Total Expenditures | <u>83,876</u> | <u>83,983</u> |
| Receipts Over [Under] Expenditures | 17,235 | 1,257,148 |
| Unencumbered Cash, Beginning | <u>99,156</u> | <u>116,391</u> |
| Unencumbered Cash, Ending | <u>\$ 116,391</u> | <u>\$ 1,373,539</u> |

* This fund is not required to be budgeted.

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

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CITY OF BALDWIN CITY, KANSAS

Quality of Life Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Sales tax revenue | \$ 108,818 | \$ 115,454 | \$ 113,379 | \$ 2,075 |
| Use of money and property | 1,611 | 2,188 | 1,051 | 1,137 |
| Total Receipts | <u>110,429</u> | <u>117,642</u> | <u>\$ 114,430</u> | <u>\$ 3,212</u> |
| Expenditures | | | | |
| Capital outlay | - | - | \$ 273,569 | \$ 273,569 |
| Transfers out | 39,325 | 119,325 | 39,325 | [80,000] |
| Total Expenditures | <u>39,325</u> | <u>119,325</u> | <u>\$ 312,894</u> | <u>\$ 193,569</u> |
| Receipts Over [Under] Expenditures | 71,104 | [1,683] | | |
| Unencumbered Cash, Beginning | <u>146,758</u> | <u>217,862</u> | | |
| Unencumbered Cash, Ending | <u>\$ 217,862</u> | <u>\$ 216,179</u> | | |

CITY OF BALDWIN CITY, KANSAS

Capital Improvement Sales Tax Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Sales tax revenue | \$ 217,637 | \$ 230,908 | \$ 226,757 | \$ 4,151 |
| Use of money and property | 957 | 1,740 | 799 | 941 |
| Total Receipts | <u>218,594</u> | <u>232,648</u> | <u>\$ 227,556</u> | <u>\$ 5,092</u> |
| Expenditures | | | | |
| Capital outlay | - | 6,060 | \$ 134,990 | \$ 128,930 |
| Transfers out | 210,000 | 210,000 | 210,000 | - |
| Total Expenditures | <u>210,000</u> | <u>216,060</u> | <u>\$ 344,990</u> | <u>\$ 128,930</u> |
| Receipts Over [Under] Expenditures | 8,594 | 16,588 | | |
| Unencumbered Cash, Beginning | <u>106,555</u> | <u>115,149</u> | | |
| Unencumbered Cash, Ending | <u>\$ 115,149</u> | <u>\$ 131,737</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Public Utility Building Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year <u>Actual</u> | Current Year <u>Actual</u> |
|------------------------------------|-----------------------------|-------------------------------|
| Receipts | | |
| Use of money and property | \$ 18,773 | \$ 9,505 |
| Bond proceeds | 2,900,000 | 3,250,259 |
| Miscellaneous | - | 3,532 |
| Total Receipts | <u>2,918,773</u> | <u>3,263,296</u> |
| Expenditures | | |
| Contractual services | 1,122,889 | 2,038,928 |
| Commodities | 36,375 | 56,484 |
| Debt service: | | |
| Principal | - | 2,900,000 |
| Interest | - | 33,350 |
| Total Expenditures | <u>1,159,264</u> | <u>5,028,762</u> |
| Receipts Over [Under] Expenditures | 1,759,509 | [1,765,466] |
| Unencumbered Cash, Beginning | <u>5,957</u> | <u>1,765,466</u> |
| Unencumbered Cash, Ending | <u>\$ 1,765,466</u> | <u>\$ -</u> |

* This fund is not required to be budgeted.

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

CITY OF BALDWIN CITY, KANSAS

Police Building Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year <u>Actual</u> | Current Year <u>Actual</u> |
|------------------------------------|-----------------------------|-------------------------------|
| Receipts | | |
| Use of money and property | \$ - | \$ 862 |
| Bond proceeds | - | 1,000,000 |
| Total Receipts | <u>-</u> | <u>1,000,862</u> |
| Expenditures | | |
| Contractual services | - | 22,288 |
| Capital outlay | - | 258,775 |
| Total Expenditures | <u>-</u> | <u>281,063</u> |
| Receipts Over [Under] Expenditures | - | 719,799 |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u>\$ -</u> | <u>\$ 719,799</u> |

* This fund is not required to be budgeted.

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

CITY OF BALDWIN CITY, KANSAS

Rail/Trail Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year Actual | Current Year Actual |
|------------------------------------|----------------------|------------------------|
| Receipts | | |
| Use of money and property | \$ - | \$ 10 |
| Donations | - | 32,500 |
| Transfers in | - | 325,000 |
| Total Receipts | <u>-</u> | <u>357,510</u> |
| Expenditures | | |
| Contractual services | - | 3,750 |
| Commodities | - | 345,000 |
| Total Expenditures | <u>-</u> | <u>348,750</u> |
| Receipts Over [Under] Expenditures | - | 8,760 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 8,760 |

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Electric System Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|------------------------------------|----------------------|------------------|---------------------|------------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Sales to consumers | \$ 4,115,350 | \$ 4,471,821 | \$ 4,425,088 | \$ 46,733 |
| Reimbursed expenses | 5,031 | 93,765 | - | 93,765 |
| Franchise fees | 168,269 | 206,727 | 216,788 | [10,061] |
| Miscellaneous | - | 233,826 | 3,795 | 230,031 |
| Use of money and property | 17,848 | 41,847 | 12,668 | 29,179 |
| Total Receipts | <u>4,306,498</u> | <u>5,047,986</u> | <u>4,658,339</u> | <u>\$ 389,647</u> |
| Expenditures | | | | |
| Personal services | 805,251 | 843,610 | \$ 866,233 | \$ 22,623 |
| Contractual services | 1,874,181 | 2,063,230 | 2,242,202 | 178,972 |
| Commodities | 45,232 | 104,158 | 239,931 | 135,773 |
| Capital outlay | 228,010 | 454,916 | 1,732,566 | 1,277,650 |
| Debt service: | | | | |
| Principal | 652,088 | 687,946 | 735,182 | 47,236 |
| Interest | 130,803 | 117,995 | 125,497 | 7,502 |
| Miscellaneous | 4,213 | - | 4,000 | 4,000 |
| Transfers out | 375,211 | 560,508 | 570,569 | 10,061 |
| Total Expenditures | <u>4,114,989</u> | <u>4,832,363</u> | <u>\$ 6,516,180</u> | <u>\$ 1,683,817</u> |
| Receipts Over [Under] Expenditures | 191,509 | 215,623 | | |
| Unencumbered Cash, Beginning | 1,655,479 | 1,846,988 | | |
| Unencumbered Cash, Ending | \$ 1,846,988 | \$ 2,062,611 | | |

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

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CITY OF BALDWIN CITY, KANSAS

Electric Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year Actual | Current Year Actual |
|---|----------------------|------------------------|
| Receipts | | |
| Transfers in | \$ - | \$ 200,000 |
| Use of money and property | 1,195 | 2,850 |
| Total Receipts | <u>1,195</u> | <u>202,850</u> |
| Expenditures | | |
| Capital outlay | 55,043 | 3,750 |
| Total Expenditures | <u>55,043</u> | <u>3,750</u> |
| Receipts Over [Under] Expenditures | [53,848] | 199,100 |
| Unencumbered Cash, Beginning | 168,369 | 114,521 |
| Unencumbered Cash, Ending | <u>\$ 114,521</u> | <u>\$ 313,621</u> |

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Water System Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|---|----------------------|-------------------|---------------------|------------------------------------|
| | Actual | Actual | Budget | |
| Receipts | | | | |
| Sales to consumers | \$ 1,456,791 | \$ 1,527,843 | \$ 1,692,654 | \$ [164,811] |
| Franchise fees | 48,766 | 58,459 | 64,944 | [6,485] |
| Miscellaneous | 527 | 3,900 | - | 3,900 |
| Use of money and property | 7,149 | 9,814 | 5,583 | 4,231 |
| Transfers in | - | 200,000 | - | 200,000 |
| Total Receipts | <u>1,513,233</u> | <u>1,800,016</u> | <u>\$ 1,763,181</u> | <u>\$ 36,835</u> |
| Expenditures | | | | |
| Personal services | 542,419 | 576,646 | \$ 512,358 | \$ [64,288] |
| Contractual services | 717,852 | 848,133 | 720,329 | [127,804] |
| Commodities | 24,012 | 35,385 | 87,538 | 52,153 |
| Capital outlay | 27,579 | 81,154 | 702,504 | 621,350 |
| Debt service: | | | | |
| Principal | 130,755 | 131,312 | 216,311 | 84,999 |
| Interest | 14,226 | 12,574 | 43,995 | 31,421 |
| Miscellaneous | - | 50 | 2,000 | 1,950 |
| Transfers out | <u>129,345</u> | <u>217,041</u> | <u>126,526</u> | <u>[90,515]</u> |
| Total Expenditures | <u>1,586,188</u> | <u>1,902,295</u> | <u>\$ 2,411,561</u> | <u>\$ 509,266</u> |
| Receipts Over [Under] Expenditures | [72,955] | [102,279] | | |
| Unencumbered Cash, Beginning | 727,598 | 654,643 | | |
| Unencumbered Cash, Ending | <u>\$ 654,643</u> | <u>\$ 552,364</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Water Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year Actual | Current Year Actual |
|------------------------------------|----------------------|------------------------|
| Receipts | | |
| Connection fees | \$ 6,050 | \$ 6,600 |
| Use of money and property | 736 | 16 |
| Loan proceeds | 602,318 | 877,978 |
| Transfers in | - | 97,000 |
| Reimbursements | - | 600 |
| Total Receipts | <u>609,104</u> | <u>982,194</u> |
| Expenditures | | |
| Capital projects | <u>838,890</u> | <u>884,204</u> |
| Total Expenditures | <u>838,890</u> | <u>884,204</u> |
| Receipts Over [Under] Expenditures | [229,786] | 97,990 |
| Unencumbered Cash, Beginning | <u>133,715</u> | <u>[96,071]</u> |
| Unencumbered Cash, Ending | <u>\$ [96,071]</u> | <u>\$ 1,919</u> |

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Wastewater Project Fund
 Schedule of Receipts and Expenditures - Actual *
 Regulatory Basis
 For the Year Ended December 31, 2018 and 2017

| | Prior Year Actual | Current Year Actual |
|------------------------------------|----------------------|------------------------|
| Receipts | | |
| Connection fees | \$ 12,902 | \$ 11,100 |
| Use of money and property | 24,875 | 39,461 |
| Total Receipts | <u>37,777</u> | <u>50,561</u> |
| Expenditures | | |
| Capital outlay | 5,033 | 263,937 |
| Transfers out | <u>50,000</u> | <u>275,000</u> |
| Total Expenditures | <u>55,033</u> | <u>538,937</u> |
| Receipts Over [Under] Expenditures | [17,256] | [488,376] |
| Unencumbered Cash, Beginning | <u>2,909,958</u> | <u>2,892,702</u> |
| Unencumbered Cash, Ending | <u>\$ 2,892,702</u> | <u>\$ 2,404,326</u> |

* This fund is not required to be budgeted.

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CITY OF BALDWIN CITY, KANSAS

Wastewater Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Current Year | | | Variance Positive [Negative] |
|------------------------------------|----------------------|-------------------|---------------------|------------------------------------|
| | Prior Year Actual | Actual | Budget | |
| Receipts | | | | |
| Sales to consumers | \$ 1,021,421 | \$ 1,047,340 | \$ 1,205,790 | \$ [158,450] |
| Franchise fees | 45,391 | 50,784 | - | 50,784 |
| Miscellaneous | 3,054 | 11,025 | 10,015 | 1,010 |
| Transfer in | 50,000 | 75,000 | - | 75,000 |
| Use of money and property | 1,678 | 3,075 | 1,544 | 1,531 |
| Total Receipts | <u>1,121,544</u> | <u>1,187,224</u> | <u>\$ 1,217,349</u> | <u>\$ [30,125]</u> |
| Expenditures | | | | |
| Personal services | 316,838 | 318,846 | \$ 334,339 | \$ 15,493 |
| Contractual services | 131,790 | 147,744 | 281,207 | 133,463 |
| Commodities | 13,579 | 28,637 | 25,636 | [3,001] |
| Capital outlay | 6,540 | 37,796 | 21,501 | [16,295] |
| Debt service: | | | | |
| Principal | 425,000 | 455,000 | 455,000 | - |
| Interest | 141,587 | 131,887 | 131,887 | - |
| Transfers out | 79,474 | 74,950 | 80,754 | 5,804 |
| Total Expenditures | <u>1,114,808</u> | <u>1,194,860</u> | <u>\$ 1,330,324</u> | <u>\$ 135,464</u> |
| Receipts Over [Under] Expenditures | 6,736 | [7,636] | | |
| Unencumbered Cash, Beginning | 123,259 | 129,995 | | |
| Unencumbered Cash, Ending | <u>\$ 129,995</u> | <u>\$ 122,359</u> | | |

CITY OF BALDWIN CITY, KANSAS

Refuse Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

| | Current Year | | | Variance Positive [Negative] |
|------------------------------------|----------------------|------------------|-------------------|------------------------------------|
| | Prior Year Actual | Actual | Budget | |
| Receipts | | | | |
| Sales to consumers | \$ 242,003 | \$ 251,287 | \$ 249,612 | \$ 1,675 |
| Franchise fees | 9,354 | 11,628 | 12,272 | [644] |
| Use of money and property | 483 | 1,093 | 323 | 770 |
| Total Receipts | <u>251,840</u> | <u>264,008</u> | <u>\$ 262,207</u> | <u>\$ 1,801</u> |
| Expenditures | | | | |
| Personal services | 9,269 | 9,349 | \$ 12,871 | \$ 3,522 |
| Contractual services | 201,431 | 204,870 | 270,111 | 65,241 |
| Capital outlay | 839 | 2,092 | 2,076 | [16] |
| Transfers out | 22,459 | 21,469 | 22,192 | 723 |
| Total Expenditures | <u>233,998</u> | <u>237,780</u> | <u>\$ 307,250</u> | <u>\$ 69,470</u> |
| Receipts Over [Under] Expenditures | 17,842 | 26,228 | | |
| Unencumbered Cash, Beginning | 28,257 | 46,099 | | |
| Unencumbered Cash, Ending | <u>\$ 46,099</u> | <u>\$ 72,327</u> | | |

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

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CITY OF BALDWIN CITY, KANSAS

Schedule of Receipts and Expenditures - Actual
Regulatory Basis
Related Municipal Entity - Baldwin City Library
For the Year Ended December 31, 2018

| | |
|-------------------------------------|-------------------|
| Receipts | |
| City appropriations | \$ 27,500 |
| Charges for services | 8,632 |
| Grants and donations | 39,484 |
| Interest and investment earnings | 4,647 |
| Gain/[Loss] on value of investments | <u>[14,638]</u> |
| Total Receipts | <u>65,625</u> |
| Expenditures | |
| Culture and recreation | <u>65,422</u> |
| Total Expenditures | <u>65,422</u> |
| Receipts Over [Under] Expenditures | 203 |
| Unencumbered Cash, Beginning | <u>361,107</u> |
| Unencumbered Cash, Ending | <u>\$ 361,310</u> |

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

FORM OF DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of February 26, 2020 (the “Continuing Disclosure Undertaking”), is executed and delivered by **THE CITY OF BALDWIN CITY, KANSAS** (the “Issuer”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of its General Obligation Temporary Renewal and Improvement Notes, Series 2020-A (the “Notes”), pursuant to Resolution adopted by the governing body of the Issuer (the “Note Resolution”).

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

The Issuer covenants and agrees as follows:

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

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

“**Beneficial Owner**” means any registered owner of any Notes 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 Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

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

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

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

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

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

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

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

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

Section 2. Provision of Annual Reports.

(a) The Issuer shall, not later than the last day of the twelfth month after the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2019, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, prepared which demonstrates compliance with the State’s “cash-basis” and “budget” laws. A more detailed explanation of the accounting basis is contained in the Official Statement relating to the Notes. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Notes, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

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

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

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

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

Section 3. Reporting of Material Events. Not later than 10 Business Days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through

EMMA, notice of the occurrence of any of the following events with respect to the Notes (“Material Events”):

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF BALDWIN CITY, KANSAS

(SEAL)

Mayor

Clerk

EXHIBIT A

**FINANCIAL INFORMATION AND OPERATING DATA
TO BE INCLUDED IN ANNUAL REPORT**

The annual budget for the Issuer and updates as of the end of the Fiscal Year of substantially all of the tabular information and data contained in those sections of the Official Statement entitled “City Property Values,” “City Indebtedness” and “City Tax Rates, Levies and Collections.”

PROPOSAL FOR THE PURCHASE OF CITY OF BALDWIN CITY, KANSAS
GENERAL OBLIGATION TEMPORARY RENEWAL AND IMPROVEMENT NOTES, SERIES 2020-A

TO: Laura Hartman, Clerk
City of Baldwin City, Kansas

February 4, 2020

For \$2,920,000* principal amount of General Obligation Temporary Renewal and Improvement Notes, Series 2020-A, of the City of Baldwin City, Kansas, to be dated February 26, 2020, as described in the Notice of Sale dated January 14, 2019 (the "Notice"), said Notes to bear interest as follows:

| <u>Stated Maturity March 1</u> | <u>Principal Amount*</u> | <u>Annual Rate of Interest</u> | <u>Initial Offering Price</u> |
|--|------------------------------|--|---------------------------------------|
| 2021 | \$2,920,000* | _____ % | _____ % |

* Subject to change, see the Notice

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

| | |
|--|-----------------|
| Principal Amount | \$2,920,000*.00 |
| Less Discount (not to exceed 0.50%) | - |
| 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.

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 \$58,400 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 the City of Baldwin City, Kansas, the above proposal is hereby accepted on February 4, 2020.

Attest:

Clerk

Mayor

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, 803 8th St., P.O. Box 86, Baldwin City, Kansas 66006, facsimile bids may be filed with Baker Tilly Municipal Advisors, LLC, Fax No. (651) 223-3046 or electronic bids may be submitted via **PARITY**[®], at or prior to 10:00 a.m. applicable Central Time, on February 4, 2020. Any bid received after such time will not be accepted or shall be returned to the bidder.