

NOTICE TO BIDDERS

City of Lawrence, Kansas

\$6,125,000* General Obligation Improvement Bonds, Series 2020-A (the “Bonds”)	\$2,445,000* General Obligation Temporary Notes, Series 2020-I (the “Notes”)
---	---

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

IMPORTANT CHANGES TO THE PRELIMINARY OFFICIAL STATEMENT FOR THE ABOVE-REFERENCED OBLIGATIONS ARE AS FOLLOWS:

- The dated date and delivery date of the **Bonds** have changed to April 28, 2020.

The cover page of the Preliminary Official Statement and a Second Supplement to Notice of Sale have been revised to reflect these changes and is attached hereto.

April 3, 2020

* *Preliminary; subject to change.*

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 20, 2020

NEW ISSUES
NOT BANK QUALIFIED

Moody's Ratings: Requested

In the opinion of Gilmore & Bell, P.C. Bond Counsel to the City, 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 Obligations [(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) interest on the Obligations is exempt from income taxation by the State of Kansas; and (3) the Obligations have not been designated as "qualified tax-exempt obligations" within the meaning of Section § 265(b)(3) of the Code. See "TAX MATTERS" herein.

City of Lawrence, Kansas

\$6,125,000*
General Obligation Improvement Bonds,
Series 2020-A
(the "Bonds")

\$2,445,000*
General Obligation Temporary Notes,
Series 2020-I
(the "Notes")

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

Dated Date: Each Date of Delivery, respectively

The Obligations (as defined herein) will mature and bear interest as shown on the inside front cover of this Official Statement.

The Obligations and the interest thereon are general obligations of the City. See "THE BONDS" and "THE NOTES" herein.

Separate bids must be submitted for each series of Obligations. The minimum bid requirements are shown below. Bids shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial offering price to the public for each maturity as stated on the bid must be 98.0% or greater. No interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond as published by The Bond Buyer in New York, New York on the Monday next preceding the day on which the Obligations are sold, plus 3%.

Following receipt of bids, a good faith deposit for each series will be required to be delivered to the City by the Successful Bidder(s) in the manner described in the "Notice of Sale" herein. Award of the Obligations will be on the basis of True Interest Cost (TIC). See "Notice of Sale" herein.

	<u>Minimum Bid</u>
The Bonds	\$6,063,750 (99.0%)
The Notes	2,432,775 (99.5%)

The Obligations will be issued as fully registered obligations 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 Obligations. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof (the "Authorized Denomination"). Investors will not receive physical certificates representing their interest in the Obligations purchased. (See "Book Entry System" herein.) The Treasurer of the State of Kansas, Topeka, Kansas will serve as paying agent and registrar (the "Paying Agent and Registrar") for the Obligations. The **Bonds** will be available for delivery at DTC on or about April 28, 2020. The **Notes** will be available for delivery at DTC on or about May 6, 2020.

BIDS RECEIVED: Tuesday, April 7, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Commission meeting commencing at 5:45 P.M., Central Time on Tuesday, April 7, 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.

SECOND SUPPLEMENT TO NOTICE OF SALE

CITY OF LAWRENCE, KANSAS

\$6,125,000*

**GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2020-A**

\$2,445,000*

**GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020-I**

(GENERAL OBLIGATION NOTES AND BONDS PAYABLE
FROM UNLIMITED AD VALOREM TAXES)

Expected Closing and Delivery Date for the Bonds. The City will deliver the Bonds will properly prepared, executed and registered without cost on or about **APRIL 28, 2020**. The Bonds will be dated as of such date (the “Dated Date”), and such date will be considered the “Closing Date” all as further described in the Notice of Sale.

This Second Supplement should be read in conjunction with the Notice of Sale dated March 20, 2020 and the Supplement to Notice of Sale dated March 24, 2020. Except as expressly supplemented hereby, the terms of the sale as set forth in the Notice of Sale remain in full force and effect.

DATED: April 3, 2020.

CITY OF LAWRENCE, KANSAS

By: Jeremy Willmoth, Finance Director
City Hall
6 East 6th Street
Lawrence, Kansas 66044
Phone No.: (785) 832-3214
Email: jwillmoth@lawrenceks.org

* Preliminary; subject to change as provided in the Notice of Sale.

NOTICE TO BIDDERS

City of Lawrence, Kansas

\$6,125,000* General Obligation Improvement Bonds, Series 2020-A (the “Bonds”)	\$2,445,000* General Obligation Temporary Notes, Series 2020-I (the “Notes”)
---	---

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

IMPORTANT CHANGES TO THE PRELIMINARY OFFICIAL STATEMENT FOR THE ABOVE-REFERENCED OBLIGATIONS ARE AS FOLLOWS:

- The submission of bids has been revised as follows:
 - Bids may only be submitted via PARITY®, or via email to the Municipal Advisor at bond_services@bakertilly.com. Fax bids and hand-delivered written bids will not be accepted.
 - The transactions described herein may be conducted and related documents may be sent, received and stored by electronic means. All bid documents, closing documents, certificates, ordinances, resolutions and related instruments may be executed by electronic transmission.

The Supplement to Notice of Sale, dated March 26, 2020, reflecting submission of bids revisions is attached hereto and constitutes a part of the Preliminary Official Statement (POS) dated March 20, 2020 and recipients should attach the Supplement to Notice of Sale to the POS.

March 26, 2020

* *Preliminary; subject to change.*

SUPPLEMENT TO NOTICE OF SALE

CITY OF LAWRENCE, KANSAS

\$6,125,000*
GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2020-A

\$2,445,000*
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020-I

(GENERAL OBLIGATION NOTES AND BONDS PAYABLE
FROM UNLIMITED AD VALOREM TAXES)

Bids. Bids for the purchase of the above-referenced General Obligation Temporary Notes, Series 2020-I (the “Notes”) and General Obligation Improvement Bonds, Series 2020-A (the “Bonds,” and collectively with the Notes, the “Obligations”) of the City of Lawrence, Kansas (the “City” or the “Issuer”) herein described will be received on behalf of the Issuer by the Issuer’s Municipal Advisor, on **April 7, 2020** (the “Sale Date”) until the following times:

<u>Issue</u>	<u>Bid Time (the “Submittal Hour”)</u>
Series 2020-A Bonds	10:00 a.m. Central Time
Series 2020-I Notes	10:00 a.m. Central Time

Bids may only be submitted via **PARITY**[®], or via email to the Municipal Advisor at bond_services@bakertilly.com. Fax bids and hand-delivered written bids **will not** be accepted.

All bids will be publicly evaluated at said time and place and the award of the Obligations to the successful bidder(s) (the “Successful Bidder(s)”) will be acted upon by the governing body of the Issuer at its meeting to be held at 5:45 p.m. on the Sale Date. No oral or auction bids will be considered. Any qualified bidder may bid on one or both series of the Obligations. Capitalized terms not otherwise defined herein shall have the meanings set forth in the hereinafter referenced Preliminary Official Statement relating to the Obligations.

Submission of Bids. Bidders must submit separate bids for each series of Obligations. Electronic bids via **PARITY**[®] must be submitted in accordance with its Rules of Participation, as well as the provisions of this Notice of Sale. If provisions of this Notice of Sale conflict with those of **PARITY**[®], this Notice of Sale shall control. Bids for the Obligations must be received prior to the Submittal Hour on the Sale Date. Neither the Issuer nor the Municipal Advisor shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder.

Electronic Transactions. The transactions described herein may be conducted and related documents may be sent, received and stored by electronic means. All bid documents, closing documents, certificates, ordinances, resolutions and related instruments may be executed by electronic transmission.

* Preliminary; subject to change as provided in the Notice of Sale.

This Supplement should be read in conjunction with the Notice of Sale dated March 20, 2020. Except as expressly supplemented hereby, the terms of the sale as set forth in the Notice of Sale remain in full force and effect.

DATED: March 26, 2020.

CITY OF LAWRENCE, KANSAS

By: Jeremy Willmoth, Finance Director
City Hall
6 East 6th Street
Lawrence, Kansas 66044
Phone No.: (785) 832-3214
Email: jwillmoth@lawrenceks.org

Municipal Advisor – Email 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 No.: (651) 226-3000
Email: bond_services@bakertilly.com

OFFICIAL BID FORM

**PROPOSAL FOR THE PURCHASE OF CITY OF LAWRENCE, KANSAS
GENERAL OBLIGATION TEMPORARY NOTES, SERIES 2020-I**

TO: Jeremy Willmoth, Finance Director
City of Lawrence, Kansas

April 7, 2020

For \$2,445,000* principal amount of General Obligation Temporary Notes, Series 2020-I, of the City of Lawrence, Kansas, to be dated May 6, 2020, as described in the Notice of Sale (the "Notice") dated March 20, 2020, said Notes to bear interest as follows:

<u>Maturity</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2021	\$2,445,000	_____ %	_____ %

the undersigned will pay the total principal amount of the Notes plus accrued interest to the date of delivery, plus a total premium in the amount set forth below.

Total interest cost to maturity at the rates specified	\$ _____
Plus Premium (if any)	\$ _____
Net interest cost	\$ _____
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, including delivery of a wire transfer in the amount of \$48,900.00 payable to the order of the Issuer, to be delivered by 1:00 p.m. Central Time, as an evidence of good faith. The transactions described herein may be conducted and related documents may be sent, received and stored by electronic means. All bid documents, closing documents, certificates, ordinances, resolutions and related instruments may be executed by electronic transmission. Copies, teletypes, electronic files and other reproductions of original executed documents (or documents executed by electronic transmission) shall be deemed to be authentic and valid counterparts of such documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. The acceptance of this proposal by the Issuer 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.

[LIST ACCOUNT MEMBERS ON REVERSE]

Submitted by: _____
By: _____
Telephone No.(____) _____

ACCEPTANCE

Pursuant to action duly taken by the Governing Body of the City of Lawrence, Kansas, the above proposal is hereby accepted on April 7, 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. Email bids may be sent to the Municipal Advisor at bond_services@bakertilly.com or electronic bids may be submitted via **PARITY**®, at or prior to 10:00 a.m., Central Time, on April 7, 2020. Any bid received after such time will not be considered.

* Preliminary; subject to change as provided in the Notice of Sale.

OFFICIAL BID FORM

**PROPOSAL FOR THE PURCHASE OF CITY OF LAWRENCE, KANSAS
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020-A**

TO: Jeremy Willmoth, Finance Director
City of Lawrence, Kansas

April 7, 2020

For \$6,125,000.00* principal amount of General Obligation Improvement Bonds, Series 2020-A, of the City of Lawrence, Kansas, to be dated April 30, 2020, as described in the Notice of Sale (the "Notice") dated March 20, 2020, said Bonds to bear interest as follows:

<u>Stated</u> <u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>Stated</u> <u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>
2021	\$235,000	_____ %	_____ %	2031	\$305,000	_____ %	_____ %
2022	275,000	_____ %	_____ %	2032	310,000	_____ %	_____ %
2023	275,000	_____ %	_____ %	2033	315,000	_____ %	_____ %
2024	280,000	_____ %	_____ %	2034	320,000	_____ %	_____ %
2025	280,000	_____ %	_____ %	2035	330,000	_____ %	_____ %
2026	285,000	_____ %	_____ %	2036	335,000	_____ %	_____ %
2027	290,000	_____ %	_____ %	2037	340,000	_____ %	_____ %
2028	290,000	_____ %	_____ %	2038	350,000	_____ %	_____ %
2029	295,000	_____ %	_____ %	2039	355,000	_____ %	_____ %
2030	300,000	_____ %	_____ %	2040	360,000	_____ %	_____ %

the undersigned will pay the principal amount of the Bonds plus accrued interest to the date of delivery, less a total discount/plus a total premium in the amount set forth below.

Total interest cost to maturity at the rates specified	\$ _____
Discount (if any) (not to exceed 1.00%)	\$ _____
Premium (if any)	\$ _____
Net interest cost	\$ _____
True Interest Cost	_____ %

The Bidder elects to purchase Municipal Bond Insurance from: [Assured] [AGM] [BAM] [_____].
Circle one or complete blank.

The Bidder elects to have the following Term Bonds:

Maturity Date	Years	Amount
September 1, _____	_____ to _____	\$ _____
September 1, _____	_____ to _____	\$ _____

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

This proposal is subject to all terms and conditions contained in the Notice, and if the undersigned is the Successful Bidder, the undersigned will comply with all of the provisions contained in the Notice, including delivery of a wire transfer in the amount of \$122,500.00 payable to the order of the Issuer, to be delivered by 1:00 p.m. Central Time, as an evidence of good faith. The transactions described herein may be conducted and related documents may be sent, received and stored by electronic means. All bid documents, closing documents, certificates, Ordinances, Resolutions and related instruments may be executed by electronic transmission. Copies, teletypes, electronic files and other reproductions of original executed documents (or documents executed by electronic transmission) shall be deemed to be authentic and valid counterparts of such documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. The acceptance of this proposal by the Issuer 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.

* Preliminary; subject to change as provided in the Notice of Sale.

[LIST ACCOUNT MEMBERS ON REVERSE]

Submitted by: _____

By: _____

Telephone No. (____) _____

ACCEPTANCE

Pursuant to action duly taken by the Governing Body of the City of Lawrence, Kansas, the above proposal is hereby accepted on April 7, 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. Email bids may be filed with the Municipal Advisor at bond_services@bakertilly.com or electronic bids may be submitted via **PARITY**[®], at or prior to 10:00 a.m., Central Time, on April 7, 2020. Any bid received after such time will not be considered.

NOTICE TO BIDDERS

City of Lawrence, Kansas

\$6,125,000* General Obligation Improvement Bonds, Series 2020-A (the “Bonds”)	\$2,445,000* General Obligation Temporary Notes, Series 2020-I (the “Notes”)
---	---

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

IMPORTANT CHANGES TO THE PRELIMINARY OFFICIAL STATEMENT FOR THE ABOVE-REFERENCED OBLIGATIONS ARE AS FOLLOWS:

- The dated date and delivery date of the **Bonds** have changed to April 28, 2020.

The cover page of the Preliminary Official Statement and a Second Supplement to Notice of Sale have been revised to reflect these changes and is attached hereto.

April 3, 2020

* *Preliminary; subject to change.*

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 20, 2020

NEW ISSUES
NOT BANK QUALIFIED

Moody's Ratings: Requested

In the opinion of Gilmore & Bell, P.C. Bond Counsel to the City, 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 Obligations [(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) interest on the Obligations is exempt from income taxation by the State of Kansas; and (3) the Obligations have not been designated as "qualified tax-exempt obligations" within the meaning of Section § 265(b)(3) of the Code. See "TAX MATTERS" herein.

City of Lawrence, Kansas

\$6,125,000*
General Obligation Improvement Bonds,
Series 2020-A
(the "Bonds")

\$2,445,000*
General Obligation Temporary Notes,
Series 2020-I
(the "Notes")

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

Dated Date: Each Date of Delivery, respectively

The Obligations (as defined herein) will mature and bear interest as shown on the inside front cover of this Official Statement.

The Obligations and the interest thereon are general obligations of the City. See "THE BONDS" and "THE NOTES" herein.

Separate bids must be submitted for each series of Obligations. The minimum bid requirements are shown below. Bids shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial offering price to the public for each maturity as stated on the bid must be 98.0% or greater. No interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond as published by The Bond Buyer in New York, New York on the Monday next preceding the day on which the Obligations are sold, plus 3%.

Following receipt of bids, a good faith deposit for each series will be required to be delivered to the City by the Successful Bidder(s) in the manner described in the "Notice of Sale" herein. Award of the Obligations will be on the basis of True Interest Cost (TIC). See "Notice of Sale" herein.

	<u>Minimum Bid</u>
The Bonds	\$6,063,750 (99.0%)
The Notes	2,432,775 (99.5%)

The Obligations will be issued as fully registered obligations 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 Obligations. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof (the "Authorized Denomination"). Investors will not receive physical certificates representing their interest in the Obligations purchased. (See "Book Entry System" herein.) The Treasurer of the State of Kansas, Topeka, Kansas will serve as paying agent and registrar (the "Paying Agent and Registrar") for the Obligations. The **Bonds** will be available for delivery at DTC on or about April 28, 2020. The **Notes** will be available for delivery at DTC on or about May 6, 2020.

BIDS RECEIVED: Tuesday, April 7, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Commission meeting commencing at 5:45 P.M., Central Time on Tuesday, April 7, 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.

SECOND SUPPLEMENT TO NOTICE OF SALE

CITY OF LAWRENCE, KANSAS

\$6,125,000*

**GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2020-A**

\$2,445,000*

**GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020-I**

(GENERAL OBLIGATION NOTES AND BONDS PAYABLE
FROM UNLIMITED AD VALOREM TAXES)

Expected Closing and Delivery Date for the Bonds. The City will deliver the Bonds will properly prepared, executed and registered without cost on or about **APRIL 28, 2020**. The Bonds will be dated as of such date (the “Dated Date”), and such date will be considered the “Closing Date” all as further described in the Notice of Sale.

This Second Supplement should be read in conjunction with the Notice of Sale dated March 20, 2020 and the Supplement to Notice of Sale dated March 24, 2020. Except as expressly supplemented hereby, the terms of the sale as set forth in the Notice of Sale remain in full force and effect.

DATED: April 3, 2020.

CITY OF LAWRENCE, KANSAS

By: Jeremy Willmoth, Finance Director
City Hall
6 East 6th Street
Lawrence, Kansas 66044
Phone No.: (785) 832-3214
Email: jwillmoth@lawrenceks.org

** Preliminary; subject to change as provided in the Notice of Sale.*

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 20, 2020

NEW ISSUES
NOT BANK QUALIFIED

Moody's Ratings: Requested

In the opinion of Gilmore & Bell, P.C. Bond Counsel to the City, 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 Obligations [(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) interest on the Obligations is exempt from income taxation by the State of Kansas; and (3) the Obligations have not been designated as "qualified tax-exempt obligations" within the meaning of Section § 265(b)(3) of the Code. See "TAX MATTERS" herein.

City of Lawrence, Kansas

\$6,125,000*
General Obligation Improvement Bonds,
Series 2020-A
(the "Bonds")

\$2,445,000*
General Obligation Temporary Notes,
Series 2020-I
(the "Notes")

(General Obligations Payable from Unlimited Ad Valorem Taxes)
(Book Entry Only)

Dated Date: Date of Delivery

The Obligations (as defined herein) will mature and bear interest as shown on the inside front cover of this Official Statement.

The Obligations and the interest thereon are general obligations of the City. See "THE BONDS" and "THE NOTES" herein.

Separate bids must be submitted for each series of Obligations. The minimum bid requirements are shown below. Bids shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial offering price to the public for each maturity as stated on the bid must be 98.0% or greater. No interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond as published by The Bond Buyer in New York, New York on the Monday next preceding the day on which the Obligations are sold, plus 3%.

Following receipt of bids, a good faith deposit for each series will be required to be delivered to the City by the Successful Bidder(s) in the manner described in the "Notice of Sale" herein. Award of the Obligations will be on the basis of True Interest Cost (TIC). See "Notice of Sale" herein.

	<u>Minimum Bid</u>
The Bonds	\$6,063,750 (99.0%)
The Notes	2,432,775 (99.5%)

The Obligations will be issued as fully registered obligations 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 Obligations. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof (the "Authorized Denomination"). Investors will not receive physical certificates representing their interest in the Obligations purchased. (See "Book Entry System" herein.) The Treasurer of the State of Kansas, Topeka, Kansas will serve as paying agent and registrar (the "Paying Agent and Registrar") for the Obligations. The **Bonds** will be available for delivery at DTC on or about April 30, 2020. The **Notes** will be available for delivery at DTC on or about May 6, 2020.

BIDS RECEIVED: Tuesday, April 7, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Commission meeting commencing at 5:45 P.M., Central Time on Tuesday, April 7, 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 Lawrence, Kansas

\$6,125,000* General Obligation Improvement Bonds, Series 2020-A

The **Bonds** will bear interest on March 1 and September 1 of each year, commencing March 1, 2021, and will mature September 1 in the years and amounts* as follows:

2021	\$235,000	2026	\$285,000	2031	\$305,000	2036	\$335,000
2022	\$275,000	2027	\$290,000	2032	\$310,000	2037	\$340,000
2023	\$275,000	2028	\$290,000	2033	\$315,000	2038	\$350,000
2024	\$280,000	2029	\$295,000	2034	\$320,000	2039	\$355,000
2025	\$280,000	2030	\$300,000	2035	\$330,000	2040	\$360,000

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds. All term bonds shall be subject to mandatory redemption at a price of par plus accrued interest to the redemption date and must conform to the respective maturity schedules set forth above.

At the option of the City, the Bonds maturing on September 1, 2029 and thereafter will be subject to redemption and payment prior to maturity on September 1, 2028, or thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed will be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the redemption date.

\$2,445,000* General Obligation Temporary Notes, Series 2020-I

The **Notes** will mature on May 1, 2021.

The Notes will not be subject to optional redemption in advance of their stated maturity date.

* *Preliminary; subject to change.*

CITY OF LAWRENCE, KANSAS

CITY COMMISSION

Jennifer Ananda
Brad Finkeldei
Stuart Boley
Lisa Larsen
Courtney Shipley

Mayor
Vice Mayor
Commissioner
Commissioner
Commissioner

CITY MANAGER

Craig Owens

FINANCE DIRECTOR

Jeremy Willmoth

MUNICIPAL ADVISOR

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

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

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 (collectively, the “Preliminary or Final Official Statement”), may be treated as a Preliminary or Final Official Statement with respect to the Obligations described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Obligations 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 Obligations 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 Obligations, other than as contained in the Preliminary or Final Official Statements, 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 Preliminary or Final Official Statements 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 ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF 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 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 or Final Official Statements, they will be furnished upon request.

Any CUSIP numbers for the Obligations included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Obligations have been 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 Obligations or as set forth in the Final Official Statement. No assurance can be given that the CUSIP numbers for the Obligations will remain the same after the date of issuance and delivery of the Obligations.

TABLE OF CONTENTS

	<u>Page(s)</u>
Notice of Sale.....	i-ix
Introductory Statement.....	1
Continuing Disclosure	2
The Obligations.....	2
The Bonds	8
The Notes	9
Risk Factors and Investment Considerations	10
Future Financing	13
Litigation.....	13
Legality	13
Tax Matters	13
Ratings	15
Municipal Advisor	16
Certification	16
City Property Values.....	17
City Indebtedness.....	18
City Tax Rates, Levies and Collections	21
Funds on Hand	24
Investments	25
General Information Concerning the City	25
Governmental Organization and Services.....	30
Proposed Forms of Legal Opinions	Appendix I
Form of Continuing Disclosure Undertakings	Appendix II
Summary of Property Valuation, Tax Levies, Payment Provisions, and the Cash-Basis Law	Appendix III
Excerpt of 2018 Comprehensive Annual Financial Report	Appendix IV

NOTICE OF SALE

CITY OF LAWRENCE, KANSAS

\$6,125,000*
GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2020-A

\$2,445,000*
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2020-I

(GENERAL OBLIGATION NOTES AND BONDS 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 Notes, Series 2020-I (the “Notes”) and General Obligation Improvement Bonds, Series 2020-A (the “Bonds,” and collectively with the Notes, the “Obligations”) of the City of Lawrence, Kansas (the “City” or the “Issuer”) herein described will be received on behalf of the Issuer by the Issuer’s Municipal Advisor, in the case of written bids, at the address hereinafter set forth, and in the case of electronic bids, via **PARITY**[®], on **April 7, 2020** (the “Sale Date”) until the following times:

<u>Issue</u>	<u>Bid Time (the “Submittal Hour”)</u>
Series 2020-A Bonds	10:00 a.m. Central Time
Series 2020-I Notes	10:00 a.m. Central Time

All bids will be publicly evaluated at said time and place and the award of the Obligations to the successful bidder(s) (the “Successful Bidder(s)”) will be acted upon by the governing body of the Issuer at its meeting to be held at 5:45 p.m. on the Sale Date. No oral or auction bids will be considered. Any qualified bidder may bid on one or both series of the Obligations. Capitalized terms not otherwise defined herein shall have the meanings set forth in the hereinafter referenced Preliminary Official Statement relating to the Obligations.

THE BONDS

Terms of the Bonds. The Bonds will consist of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof, (the “Authorized Denomination”). The Bonds will be dated April 30, 2020 (the “Dated Date”), and will become due in principal installments on September 1 in the years as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>
2021	\$235,000	2031	\$305,000
2022	275,000	2032	310,000
2023	275,000	2033	315,000
2024	280,000	2034	320,000
2025	280,000	2035	330,000
2026	285,000	2036	335,000
2027	290,000	2037	340,000
2028	290,000	2038	350,000
2029	295,000	2039	355,000
2030	300,000	2040	360,000

* Preliminary; subject to change as provided herein

The Bonds will bear interest from the Dated Date at rates to be determined when the Bonds are sold as hereinafter provided, which interest will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2021 (the “Interest Payment Dates”).

Authority, Purpose and Security for the Bonds. The Bonds are being issued pursuant to K.S.A. 10-101 *et seq.*, K.S.A. 10-620 *et seq.*, Charter Ordinance No. 40 of the City and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and an ordinance and a resolution adopted by the governing body of the Issuer (collectively the “Bond Resolution”) for the purpose of paying a portion of the cost of certain public improvement projects. The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

Redemption of Bonds Prior to Maturity.

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

Optional Redemption. At the option of the Issuer, Bonds maturing on September 1, 2029, and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2028, and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

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

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

Place of Payment. The principal of and interest on the Bonds will be payable in lawful money of the United States of America by check or draft of the Treasurer of the State of Kansas, Topeka, Kansas (the “Paying Agent” and “Bond Registrar”). The principal of each Bond will be payable at maturity or earlier redemption to the owner thereof whose name is on the registration books (the “Bond Register”) of the Bond Registrar (the “Registered Owner”) upon presentation and surrender at the principal office of the Paying Agent. Interest on each Bond will be payable to the Registered Owner of such Bond as of the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the “Record Date”) (a) mailed by the Paying Agent to the address of such Registered Owner as shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Registered Owner; or (b) in the case of an interest payment to Cede & Co. or any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by wire transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the wire transfer address to which such Registered Owner wishes to have such wire directed.

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

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 May 6, 2020 (the “Dated Date”), and will become due on May 1, 2021. 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 on at maturity (the “Interest Payment Dates”).

Authority, Purpose and Security. The Notes are being issued pursuant to K.S.A. 10-101 *et seq.*, particularly including K.S.A. 10-123, K.S.A. 10-620 *et seq.*, Charter Ordinance No. 46 of the City and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and a resolution adopted by the governing body of the City (the “Note Resolution”) for the purpose of paying a portion of the cost of certain public improvement projects. The Notes shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal of and interest on the Notes as the same become due.

Redemption of Notes Prior to Maturity. The Notes are **not** subject to redemption prior to maturity.

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 “Note Registrar”). The principal of each Note will be payable at maturity or earlier redemption to the owner thereof whose name is on the registration books of the Note Registrar (the “Registered Owner”) upon presentation and surrender at the principal office of the Paying Agent. Interest on each Note will be payable to the Registered Owner of such Note 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 Note 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 Registered 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.

Note Registration. The Notes will be registered pursuant to a plan of registration approved by the City and the Attorney General of the State of Kansas. The City 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 Registered Owners.

THE OBLIGATIONS

Adjustment of Issue Size. The Issuer reserves the right to increase or decrease the total principal amount of either the Notes or the Bonds, depending on the purchase price and interest rates bid and the offering prices specified by the Successful Bidder(s). The principal amount of any maturity may be adjusted by the Issuer in order to properly size the Notes and the Bonds based on the premium, discount and interest rates bid on the Obligations. The Successful Bidder(s) for the Notes or Bonds 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 Bonds 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 Bonds or the schedule of principal payments as described above, the Issuer will notify the Successful Bidder(s) 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 and Bonds shall be calculated by applying the percentage of par value bid by the Successful Bidder(s) against the final aggregate principal amount of the Obligations, as adjusted.

Book-Entry-Only System. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Obligations. The Obligations 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 Obligations. During the term of the Obligations, so long as the book-entry-only system is continued, the City will make payments of principal of, premium, if any, and interest on the Obligations to DTC or its nominee as the Registered Owner of the Obligations, 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 Obligations to its participants who shall be responsible for transmitting payments to beneficial owners of the Obligations in accordance with agreements between such participants and the beneficial owners. The City 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 Obligations, or (b) the City determines that continuation of the book-entry-only form of evidence and transfer of ownership of the Obligations would adversely affect the interests of the beneficial owners of the Obligations, the City will discontinue the book-entry-only form of registration with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will cause to be authenticated and delivered to the beneficial owners replacement Obligations in the form of fully registered certificates. Reference is made to the Preliminary Official Statement for further information regarding the book-entry-only system of registration of the Obligations and DTC.

Optional Bond Insurance. The Issuer has **not** applied for any policy of municipal bond insurance with respect to the Obligations. If the Obligations qualify for municipal bond insurance, and any bidder desires to purchase such policy, 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. All costs associated with the issuance of such policy and associated ratings and expenses (other than any independent rating requested by the Issuer) shall be paid by the Successful Bidder(s). Failure of the municipal bond insurer to issue the

policy after the award of the Obligations shall not constitute cause for failure or refusal by the Successful Bidder(s) to accept delivery of the Obligations.

Ratings. The outstanding general obligation debt of the City is currently rated “Aa2” by Moody’s Investors Service. The City has applied to Moody’s Investors Service for ratings on the Obligations.

CUSIP Numbers. CUSIP identification numbers will be assigned and printed on the Obligations, but neither the failure to print such number on any Obligation 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 Obligations 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 Obligations will be paid by the City.

Delivery and Payment. The City will pay for preparation of the Obligations. The City will deliver the Obligations properly prepared, executed and registered without cost on or about **APRIL 30, 2020** for the Bonds and **MAY 6, 2020** for the Notes (respectively, the “Closing Date”), to DTC for the account(s) of the Successful Bidder(s). The Successful Bidder(s) will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Obligations and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Obligations affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Obligations shall be made in federal reserve funds, immediately available for use by the City. The Issuer will deliver one security of each maturity registered in the nominee name of DTC.

Establishment of Issue Price.

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(s) will be required to assist the Issuer in establishing the “issue price” of the Obligations and complete, execute and deliver to the Issuer prior to the Closing Date, a written certification in a form acceptable to the Successful Bidder(s), the Issuer and Bond Counsel (each, an “Issue Price Certificate”) containing the following for the Notes or for each maturity of the Bonds: (1) the interest rate; (2) the reasonably expected initial offering price to the “public” (as said term is used in Treasury Regulation Section 1.148-1(f) (the “Regulation”)) or the sale price; and (3) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Successful Bidder has purchased the Obligations for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Obligations 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.

The Issuer intends that the sale of the Obligations pursuant to this Notice shall each 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 for each series of the Obligations from at least three bidders that have established industry reputations for underwriting municipal securities such as the Obligations; and (4) the Issuer anticipates awarding the sale of the Obligations, as applicable, to the bidder that provides a bid with the lowest TIC in accordance with the section hereof entitled “Basis of Award.”

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Obligations as specified therein. The Successful Bidder(s) shall constitute an “underwriter” as said term is defined in the Regulation. By submitting its bid, each bidder confirms (1) 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 Obligations, to include provisions requiring compliance with provisions of the Code and the Regulation regarding the initial sale of the Obligations, and (2) that it has an established industry reputation for underwriting municipal securities such as the Obligations.

If all of the requirements of a “competitive sale” are not satisfied for a series of the Obligations, the Issuer shall advise the applicable Successful Bidder of such fact at the time of award of such Obligation to the Successful Bidder and the following provisions shall apply to such Obligation. ***In such event, any bid submitted will not be subject to cancellation or withdrawal.*** Within 20 minutes of a request by the Issuer, the Successful Bidder(s) shall advise the Issuer if a “substantial amount” (as defined in the Regulation (10%)) of any maturity of the Bonds and the Notes has been sold to the public and the price at which such substantial amount was sold. The Issuer will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The Issuer will ***not*** require the Successful Bidder(s) to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Successful Bidder(s) may elect such option. If the Successful Bidder(s) exercise such option, the Issuer will apply the initial offering price to the public provided in the bid as the issue price for the Obligations. If the Successful Bidder(s) do not exercise that option, it shall thereafter promptly provide the Issuer the prices at which a substantial amount of such maturities are sold to the public. ***Any change in the issue price of any of the Obligations after the Submittal Hour will not affect the purchase price for the Obligations submitted in the bid of the Successful Bidder(s).***

After the Closing Time, the Successful Bidder(s) agree to provide to the Issuer all reasonably requested information related to establishing the issue price of the Obligations 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.

BIDS FOR THE OBLIGATIONS

Submission of Bids. Written bids must be made on forms which may be procured from the Clerk or Municipal Advisor, and shall be addressed to the undersigned, and marked “Proposal for General Obligation Improvement Bonds, Series 2020-A” or “Proposal for General Obligation Temporary Notes, Series 2020-I,” as applicable. Bidders must submit separate bids for each series of Obligations. 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. If provisions of this Notice of Sale conflict with those of PARITY®, this Notice of Sale shall control. Bids for the Obligations must be received prior to the Submittal Hour on the Sale Date. The Issuer shall not be responsible for any failure, misdirection or error in the means of transmission selected by any bidder.

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 and from the following website: www.newissuehome.i-deal.com.

Conditions of Bids. Bids shall be submitted separately each of the Obligations. Proposals will be received for the Obligations bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions:

For the Bonds: (a) the same rate shall apply to all Bonds of the same maturity year; (b) no interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond published by **THE BOND BUYER**, in New York, New York, on the Monday next preceding the day on which the Bonds are sold, plus

3%; (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 for each maturity must be 98.0% or greater. No bid for less than **99.00%** of the principal amount of the Bonds and accrued interest thereon to the date of delivery will be considered. Each bid shall specify the total interest cost (expressed in dollars) during the term of the Bonds on the basis of such bid, the 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.

For the Notes: (a) the same rate shall apply to all Notes; (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%; (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 reoffering price to the public for the Notes shall be 98.0% or greater. No bid for less than **99.50%** 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 on the basis of such bid, the premium, if any, offered by the bidder, and the net interest cost (expressed in dollars) on the basis of such bid 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 City the correctness of the information contained on the Official Bid Form; the City will be entitled to rely on such certification. Each bidder agrees that, if it is awarded the Notes or the Bonds, it will provide the certification as to initial offering prices described under the caption "Establishment of Issue Price" in this Notice.

Good Faith Deposit.

For the Bonds: The Successful Bidder for the Bonds must supply a good faith deposit (the "Bond Deposit") in the amount of \$122,500 payable to the order of the Issuer to secure the Issuer from any loss resulting from the failure of the Successful Bidder to comply with the terms of its bid.

For the Notes: The Successful Bidder for the Notes must supply a good faith deposit (the "Note Deposit," collectively referred to hereinafter with the Bond Deposit as the "Deposit") in the amount of \$48,900 payable to the order of the Issuer to secure the Issuer from any loss resulting from the failure of the Successful Bidder to comply with the terms of its bid.

The Deposit must be received by the Issuer by 1:00 p.m. Central Time on the Sale Date. The Deposit shall be submitted by wire transfer in Federal Reserve funds, immediately available for use by the Issuer (wire transfer information may be obtained from the Issuer or the Municipal Advisor at the addresses set forth below).

If a bid is accepted, the Deposit, or the proceeds thereof, will be held by the Issuer until the Successful Bidder(s) have 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(s) or deducted from the purchase price at the option of the Issuer. If a bid is accepted but the Issuer fails to deliver the Obligations to the Successful Bidder(s) in accordance with the terms and conditions of this Notice, said Deposit, or the proceeds thereof, will be returned to the Successful Bidder(s). If a bid is accepted but the Successful Bidder(s) default in the performance of any of the terms and conditions of this Notice, the proceeds of such Deposit will be retained by the Issuer as and for liquidated damages.

Basis of Award. Subject to the timely receipt of the Deposit set forth above, the award of each series of the Obligations 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 applicable series of Bonds or the Notes, from the payment dates to the Dated Date, produces an amount equal to the price bid, including any adjustments for discount or premium, if any. Present value will be computed on the basis of semiannual compounding and a 360-day year of twelve 30-day months. Bidders are requested to supply an estimate of the TIC for the Obligations 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 City. 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 for the respective series of Obligations are received, the governing body of the City will determine which bid, if any, will be accepted, and its determination is final.

The City reserves the right to reject any and/or all bids and to waive any irregularities in a submitted bid. Any bid for the Obligations received after the Submittal Hour on the Sale Date will not be considered. Any disputes arising hereunder shall be governed by the laws of Kansas, and any party submitting a bid agrees to be subject to jurisdiction and venue of the federal and state courts within Kansas 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 Obligations in accordance with this Notice of Sale shall constitute a purchase agreement between the Issuer and the Successful Bidder(s) for purposes of the laws of the State and a contract between the Issuer and the Successful Bidder(s) for the purposes of Rule 15c-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 of the Issuer.

ADDITIONAL INFORMATION

Preliminary Official Statement and Official Statement. The City has prepared a Preliminary Official Statement dated March 20, 2020, “deemed final” by the City except for the omission of certain information as provided in the Rule, copies of which may be obtained from the Clerk or Municipal Advisor. Upon the sale of the Obligations, the City will adopt the final Official Statement and will furnish the Successful Bidder(s), without cost, within seven business days of the acceptance of the Successful Bidder(s)’ proposal, with a sufficient number of copies thereof, which may be in electronic format, in order for the Successful Bidder(s) to comply with the requirements of the Rule and Rule G-32 (collectively, the “Rules”). Additional copies may be ordered by the Successful Bidder(s) at its expense. The City’s acceptance of the Successful Bidder(s)’ proposal for the purchase of the Obligations, as applicable, shall constitute a contract between the City and the Successful Bidder(s) for purposes of the Rules.

Continuing Disclosure. The Securities and Exchange Commission (the “SEC”) has promulgated amendments to the Rule requiring continuous secondary market disclosure for certain issues. In the Note Resolution and the Bond Resolution, the City 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 Obligations. 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 was \$1,195,637,659. The total general obligation indebtedness of the Issuer as of the issue date, including the Obligations but excluding the notes to be repaid with proceeds of the Bonds, is \$139,603,000.

Legal Opinion. The Obligations will be sold subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the City, which opinion will be furnished and paid for by the City and will accompany the Obligations, as applicable, and will be delivered to the Successful Bidder(s) when the Obligations are delivered. The opinion will also include the opinion of Bond Counsel relating to the interest on the Obligations being excludable from gross income for federal income tax purposes and 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 Obligations.

Additional Information. Additional information regarding the Obligations may be obtained from the Clerk, the City's Finance Director or the Municipal Advisor.

DATED: March 20, 2020.

CITY OF LAWRENCE, KANSAS

By: Jeremy Willmoth, Finance Director
City Hall
6 East 6th Street
Lawrence, Kansas 66044
Phone No.: (785) 832-3214
Fax No.: (785) 832-3405
Email: jwillmoth@lawrenceks.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 No.: (651) 226-3000
Fax No.: (651) 223-3046
Email: bond_services@bakertilly.com

OFFICIAL STATEMENT

CITY OF LAWRENCE, KANSAS

\$6,125,000*

GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020-A

\$2,445,000*

GENERAL OBLIGATION TEMPORARY NOTES, SERIES 2020-I

(GENERAL OBLIGATIONS PAYABLE FROM UNLIMITED AD VALOREM TAXES)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

General

This Official Statement provides certain information relating to the City of Lawrence, Kansas (the “City”) and its issuance of \$6,125,000* General Obligation Improvement Bonds, Series 2020-A (the “Bonds”) and \$2,445,000* General Obligation Temporary Notes, Series 2020-I (the “Notes,” and, together with the Bonds, the “Obligations”). The Obligations are general obligations of the City for which the City pledges its full faith and credit to levy unlimited ad valorem taxes. See “THE BONDS,” and “THE NOTES” herein.

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

All financial and other information presented herein has been compiled by the City’s Municipal Advisor, Baker Tilly Municipal Advisors, LLC (the “Municipal Advisor”). Such information has been provided by the City and other sources deemed to be reliable. The presentation of information herein is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the City, has not assisted in the preparation of this Official Statement, except for the sections titled “INTRODUCTORY STATEMENT” (except “INTRODUCTORY STATEMENT – Potential Impacts Resulting from Coronavirus (COVIS-19)”), “THE OBLIGATIONS” (except “THE OBLIGATIONS – Book Entry System”), “THE BONDS” (except for “THE BONDS – Sources and Uses of Funds”), “THE NOTES” (except for “THE NOTES – Sources and Uses of Funds”), “TAX MATTERS,” “APPENDIX I – PROPOSED FORMS OF LEGAL OPINIONS,” and “APPENDIX II – FORM OF CONTINUING DISCLOSURE UNDERTAKINGS” and, accordingly, expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

Inquiries may be directed to Mr. Jeremy Willmoth, Finance Director, City of Lawrence, City Hall, 6 East 6th Street, Lawrence, KS 66044, by telephoning (785) 832-3214, or by e-mailing jwillmoth@lawrenceks.org. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC of Saint Paul, Minnesota and Kansas City, Missouri, 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 matter is desired, requests may be directed to Ms. Gina Riekhof, Gilmore & Bell P.C., 2405 Grand Boulevard, Suite 1100, Kansas City, Missouri 64108, by telephoning (816) 221-1000, or by e-mailing griekhof@gilmorebell.com.

Potential Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local

* Preliminary; subject to change.

commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state, and local governments, including the City, continue efforts to contain and limit the spread COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the City and its ability to fund debt obligations, including the Obligations in accordance with their terms. The City is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the City or its financial position.

CONTINUING DISCLOSURE

In order to permit bidders for the Obligations and other participating underwriters in the primary offering of the Obligations to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Obligations, in the Resolutions (as defined herein), to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Continuing Disclosure Undertaking”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and other provisions of the Continuing Disclosure Undertaking, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

To the best of its knowledge, the City has complied for the past five years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except as follows:

- The City’s annual continuing disclosure filings are required to be made within 180 days of the City’s fiscal year end for certain outstanding obligations. The annual filing for the fiscal year ended December 31, 2014 was filed one (1) day later than the required filing deadline. Additionally, within the past five years, certain limited additional operating data was either omitted from the annual filings or not presented in the format shown in prior official statements. The City has issued general obligation debt annually in each of the past five years which produced official statements that have been filed with EMMA containing certain omitted information and can be incorporated by reference for such information. Other certain omitted information is no longer available and cannot be provided.

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

THE OBLIGATIONS

General Description

The Obligations will be dated as of their respective dates of delivery (the “Dated Date”) and will be issued as fully registered Obligations in book entry only form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature each September 1 as set forth on the inside front cover of this Official Statement. Interest on the Bonds is payable on March 1 and September 1, commencing March 1, 2021. The Notes will mature on May 1, 2021. Interest on the Notes is payable at maturity. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar 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 Obligations will be paid as described in the section herein entitled “Book Entry System.”

Designation of Paying Agent and Registrar

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

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

Method and Place of Payment of the Obligations

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

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

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

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

Book-Entry Obligations; Securities Depository

The Obligations shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Obligations, except in the event the Registrar issues Replacement Obligations. It is anticipated that during the term of

the Obligations, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Obligations to the Participants until and unless the Registrar authenticates and delivers Replacement Obligations to the Beneficial Owners as described in the following paragraphs.

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

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

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

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

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

Payments Due on Saturdays, Sundays and Holidays

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

Redemption Provisions

Optional Redemption

At the option of the City, the Bonds maturing on September 1, 2029 and thereafter will be subject to redemption and payment prior to their Stated Maturity on September 1, 2028, and thereafter, in whole or in part at any time (selection of maturities and the amount of Bonds of each maturity to be redeemed will be determined by the City in such equitable manner as it may determine), at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

The Notes will not be subject to redemption in advance of their stated maturity date.

Selection of Bonds to be Redeemed

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

Notice and Effect of Call for Redemption

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

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

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

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

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

Book Entry System

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

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations 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 payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC 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 Obligations at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor securities 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.

Debt Service Source; City Tax Revenues

The Obligations are general obligations of the City payable as to both principal and interest, if necessary, 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 and/or sales taxes within the State. The effects of such legislative changes could affect the City's property tax collections, and the impact could be material. Other future events, such as the loss of a major taxpayer, reductions in assessed value, increases in property tax rates of overlapping taxing units, or a decrease in sales tax revenues could increase effective property tax rates and the resulting increase could be material. Taxpayers may also challenge the value of property assigned by the county appraiser. If a taxpayer valuation challenge is successful, the liability of the City to refund property taxes previously paid under protest may have a material adverse effect on the City's financial situation. See "CITY TAX RATES, LEVIES AND COLLECTIONS" herein.

THE BONDS

Authority and Purpose

The Bonds are being issued pursuant to and in full compliance with the Constitution and the laws of the State of Kansas (the "State"), including without limitation K.S.A. 10-101 *et seq.*, K.S.A. 10-620 *et seq.*, Charter Ordinance No. 40 of the City, and Article 12, Section 5 of the Constitution of the State, all as amended and supplemented, and an ordinance and resolution adopted by the governing body of the City (the "Bond Resolution"). The proceeds of the Bonds will be used to finance the renovation of Fire Station #1 within the City, more specifically described as follows:

<u>Project</u>	<u>Resolution/ Ordinance No.</u>	<u>Authority</u>	<u>Estimated Improvement Fund Deposit</u>
First Station #1	7192	Charter Ordinance 40	\$6,000,000

Sources and Uses

The following table itemizes the sources and uses of funds for the Bonds. All amounts are preliminary and are subject to change.

Sources of Funds:

Principal Amount	\$6,125,000
Available City Funds on Hand	<u>52,500</u>
Total Sources of Funds	\$6,177,500

Uses of Funds:

Deposit to Improvement Fund	\$6,000,000
Costs of Issuance*	125,000
May 1, 2020 Interest Payment on Series 2017-I Notes	<u>52,500</u>
Total Uses of Funds	\$6,177,500

* Includes estimated attorney fees, municipal advisor fees, paying agent fees, rating agency fees, and underwriter's compensation.

Security

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

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

The governing body of the City shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes upon all of the taxable tangible property, real and personal, within territorial limits of the City in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the City 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 City, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

THE NOTES

Authority and Purpose

The Notes are being issued pursuant to and in full compliance with the Constitution and the laws of the State, including without limitation K.S.A. 10-101 *et seq.* (specifically including K.S.A. 10-123), K.S.A. 10-620 *et seq.*, Charter Ordinance No. 40 of the City, and Article 12, Section 5 of the Constitution of the State, all as amended and supplemented, and a resolution adopted by the governing body of the City (the “Note Resolution”). The proceeds of the Notes will be used for the purpose of paying a portion of the cost of certain public improvement projects within the City, more specifically described as follows:

<u>Project</u>	<u>Resolution/ Ordinance No.</u>	<u>Authority</u>	<u>Estimated Improvement Fund Deposit</u>
Fire Truck	7293	Charter Ordinance 46	\$1,350,000
Traffic Signal Maintenance and Improvements (2020)	7293	Charter Ordinance 46	500,000
Queens Road Street Improvements	TBD	Charter Ordinance 46	<u>550,000</u>
		Approximate Total:	\$2,400,000

Sources and Uses

The following table itemizes the sources and uses of funds for the Notes. All amounts are preliminary and are subject to change.

Sources of Funds:	
Principal Amount	<u>\$2,445,000</u>
Total Sources of Funds	\$2,445,000
Uses of Funds:	
Deposit to Improvement Fund	\$2,400,000
Costs of Issuance*	<u>45,000</u>
Total Uses of Funds	\$2,445,000

* Includes estimated attorney fees, municipal advisor fees, paying agent fees, rating agency fees, and underwriter's compensation.

Security

The Notes will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the 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.

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

The governing body of the City shall annually make provision for the payment of principal of, premium, if any, and interest on the Notes as the same become due by, to the extent necessary, levying and collecting the necessary taxes upon all of the taxable tangible property, real and personal, within the territorial limits of the City in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the City 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 City, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Notes as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

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

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Obligations. 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.

Limitations on Remedies Available to Owners of Obligations

The enforceability of the rights and remedies of the owners of Obligations, and the obligations incurred by the City in issuing the Obligations, 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 Obligations to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Debt Service Source

The Obligations are general obligations of the City payable as to both principal and interest, if necessary, 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 City to refund property taxes previously paid under protest may have a material impact on the City's financial situation. See "CITY TAX RATES, LEVIES AND COLLECTIONS" herein.

Kansas Public Employees Retirement System

As described in "GOVERNMENTAL ORGANIZATION AND SERVICES – Employee Pensions," the City participates in the Kansas Public Employees Retirement System ("KPERS"), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERS administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The City participates in the Police and Firemen's Retirement System ("KP&F") and the Public Employees Retirement System – Local Group (the "Plan"). Under existing law, employees make contributions and the City makes all employer contributions to the Plan; neither the employees nor the City are directly responsible for any unfunded accrued actuarial liability ("UAAL"). However, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS' Valuation Report, the Local Group had an UAAL of approximately \$1.501 billion in calendar year 2018 and KP&F had an UAAL of approximately \$933 million.

Taxation of Interest on the Obligations

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

The City has covenanted in the Resolutions and in other documents and certificates to be delivered in connection with the issuance of the Obligations 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 Obligations. Because the existence and continuation of the excludability of the interest on the Obligations depends upon events occurring after the date of issuance of the Obligations, 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 Obligations 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 Obligations to become includable in gross income as of the date of issuance.

Premium on Bonds

[The initial offering prices of certain maturities of the Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof.] Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under "THE OBLIGATIONS – Redemption Provisions."

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

Suitability of Investment

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

Market for the Obligations

Ratings. The Obligations have been assigned the financial ratings set forth in the section hereof entitled "RATINGS." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Obligations.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Obligations. Prices of securities 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 Obligations 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 Obligations are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

FUTURE FINANCING

The City anticipates issuing additional long-term general obligation debt in the fall of 2020.

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 Obligations, or the constitutionality or validity of the indebtedness represented by the Obligations shown to be authorized in said transcript, or the validity of the Obligations, 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.

LEGALITY

All matters incident to the authorization and issuance of the Obligations are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the City. 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 “INTRODUCTORY STATEMENT” (except “INTRODUCTORY STATEMENT – Potential Impacts Resulting from Coronavirus (COVIS-19)”), “THE OBLIGATIONS” (except “THE OBLIGATIONS – Book Entry System”), “THE BONDS” (except for “THE BONDS – Sources and Uses of Funds”), “THE NOTES” (except for “THE NOTES – Sources and Uses of Funds”), “TAX MATTERS,” “APPENDIX I – PROPOSED FORMS OF LEGAL OPINIONS,” and “APPENDIX II – FORM OF CONTINUING DISCLOSURE UNDERTAKINGS”.

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Obligations. 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 owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Obligations 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 Obligations in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Obligations.

Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the Dated Date of the Obligations:

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

Bank Qualification. The Obligations have **not** been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

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

Bond Counsel’s opinions are provided as of the date of the original issue of the Obligations, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Obligations 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 Obligations in gross income for federal income tax purposes retroactive to the date of issuance of the Obligations. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Obligations, but has reviewed the discussion under the heading “TAX MATTERS.”

Other Tax Consequences

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

[Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of an Obligation over its stated redemption price at maturity. The issue price of an Obligation is generally the first price at which a substantial amount of the Obligations of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Obligation

using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Obligation and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Obligation prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

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

RATINGS

Application for ratings of the Obligations has been made to Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York. If ratings are assigned, they will reflect only the opinion of Moody's. Any explanation of the significance of the ratings may be obtained only from Moody's.

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 Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Obligations.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota, and Kansas City, Missouri as municipal advisor in connection with certain aspects of the issuance of the Obligations. 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 Obligations and a Final Official Statement following award of the Obligations. 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.

(The Balance of This Page Has Been Intentionally Left Blank)

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	93.2% ^(c)	\$9,177,944,033	\$1,101,253,008	\$94,384,651	\$1,195,637,659
2018/19	93.2	8,751,406,999	1,047,780,345	92,337,645	1,140,117,990
2017/18	90.4	8,203,586,040	985,103,931	89,899,533	1,075,003,464
2016/17	93.7	7,871,330,504	936,593,968	86,389,994	1,022,983,962
2015/16	96.1	7,592,218,894	913,000,125	82,923,084	995,923,209

(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 sales ratio; most recent information 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: \$1,195,637,659

Real Property	\$1,059,297,783	96.2%
Personal Property	12,152,502	1.1
State Assessed Utilities	<u>29,802,723</u>	<u>2.7</u>
Total Taxable Assessed Valuation	\$1,101,253,008	100.0%
Motor Vehicles	<u>94,384,651</u>	
Total Equalized Assessed Tangible Valuation	\$1,195,637,659	

Source: Douglas County Clerk's Office, February 2020.

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019/20 Taxable Assessed Value</u>
Every Inc.	Public Utility	\$21,055,433
Wal-Mart	Retail	6,205,713
ARC PRLAWKS001 LLC	Rental Real Estate	5,954,175
Links at Kansas	Real Estate	5,531,167
Cherry Hill Properties	Rental Real Estate	5,494,467
HERE Lawrence Property	Real Estate	4,841,725
Menard Inc.	Retail	4,541,180
Black Hills Corp.	Public Utility	4,473,429
IREIT Lawrence Iowa Street LLC	Real Estate	4,330,700
UP Connection Lawrence SPE LLC	Apartments	<u>4,083,267</u>
 Total		 \$66,511,256*

* *Every Inc. represents 1.8% of the City's 2019/20 equalized assessed tangible valuation of \$1,195,637,659. The remaining nine taxpayers represent 3.8% of the City's 2019/20 equalized assessed tangible valuation.*

CITY INDEBTEDNESS

Debt Limitations

2019/20 Total Equalized Assessed Tangible Valuation	\$1,195,637,659
Debt Limit Ratio	<u>30%</u>
Debt Limit	\$ 358,691,298
Outstanding Debt Subject to Debt Limit	<u>(124,247,998)</u>
Debt Authority Remaining as of May 6, 2020	\$ 234,443,300

NOTE: General obligation bonds and temporary notes issued to finance utility improvements, revenue bonds, and certain refunding bonds are not subject to the debt limit pursuant to K.S.A. 10-301 et seq.

(The Balance of This Page Has Been Intentionally Left Blank)

General Obligation Bonds

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 5-6-2020</u>	<u>% Subject to the Debt Limit</u>	<u>Amount Subject to the Debt Limit</u>
9-15-08	\$11,890,000	Refunding & Improvements	9-1-2020	\$ 1,320,000	100.00%	\$ 1,320,000
9-15-09	3,250,000	Improvements	9-1-2021	620,000	100.00	620,000
1-15-10	2,975,000	Tax Improvements	9-1-2034	2,405,000	100.00	2,405,000
9-15-10	8,920,000	Improvements	9-1-2022	2,435,000	91.58	2,229,973
9-15-10	8,305,000	Refunding	9-1-2023	2,645,000	0.00	0
9-15-11	3,895,000	Improvements	9-1-2023	1,415,000	89.47	1,266,001
9-15-12	7,710,000	Improvements & Refunding	9-1-2024	2,535,000	95.71	2,426,249
9-26-13	4,405,000	Improvements	9-1-2025	2,285,000	100.00	2,285,000
9-25-14	25,065,000	Improvements	9-1-2034	20,380,000	100.00	20,380,000
9-25-14	18,440,000	Improvements	9-1-2034	14,970,000	100.00	14,970,000
9-29-15	9,450,000	Improvements	9-1-2030	7,295,000	100.00	7,295,000
6-29-16	13,385,000	Refunding	11-1-2021	5,250,000	0.00	0
5-24-17	3,030,000	Improvements	9-1-2027	2,485,000	73.47	1,825,730
5-24-17	11,375,000	Energy Improvements	9-1-2039	10,110,000	100.00	10,110,000
5-24-17	654,000	Fire Truck	9-1-2027	533,000	100.00	533,000
9-28-17	13,975,000	Improvements	9-1-2038	12,845,000	72.12	9,263,814
3-26-19	3,880,000	Improvements	9-1-2039	3,880,000	91.30	3,542,440
4-30-20	6,125,000	Fire Station (the Bonds)	9-1-2040	6,125,000	100.00	6,125,000
Total				\$99,533,000		\$86,597,207

General Obligation Temporary Notes

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 5-6-2020</u>	<u>% Subject to the Debt Limit</u>	<u>Amount Subject to the Debt Limit</u>
5-24-17	\$ 6,000,000	Improvements	5-1-2020	\$ 6,000,000	100.00%	\$ 6,000,000
3-29-19	28,655,000	Improvements	5-1-2021	28,655,000	100.00	28,655,000
12-19-19	8,970,000	Improvements	5-1-2021	8,970,000	73.03	6,550,791
5-6-20	2,445,000	Improvements (the Notes)	5-1-2021	2,445,000	100.00	2,445,000
		Subtotal		\$46,070,000		\$43,650,791
		Less: Issue that Matures on May 1, 2020*		(6,000,000)		(6,000,000)
		Total		\$40,070,000		\$37,650,791

* To be aid with proceeds of the Bonds.

Utility System Revenue Bonds

<u>Dated Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 5-6-2020</u>
4-28-15	\$89,900,000	Water & Sewage Improvements	11-1-2040	\$ 80,570,000
8-18-15	8,960,000	Water & Sewage Refunding	11-1-2025	5,360,000
6-29-16	60,310,000	Water & Sewage Improvements and Refunding	11-1-2036	53,535,000
12-28-17	17,195,000	Water & Sewage Improvements and Refunding	11-1-2037	15,810,000
11-28-18	20,070,000	Water & Sewage Improvements	11-1-2038	19,385,000
Total				\$174,660,000

Other Obligations

Capital Leases

In July 2016, the City entered into a five-year capital lease agreement for vehicles in the amount of \$244,259. The lease carries an interest rate of 1.53%. Semi-annual lease payments of \$25,312 are due each March and September.

In November 2017, the City entered into a ten-year capital lease agreement for equipment and vehicles in the amount of \$1,064,200. The lease carries an interest rate of 2.264%. Semi-annual lease payments of \$62,954 are due each March and September.

In November 2019, the City entered into a five-year capital lease agreement for police equipment in the amount of \$1,261,999.89. Annual payments of \$461,999.94 are due in year one, with payments of \$199,999.98 in years two through five.

Estimated Calendar Year Debt Service Payments Including the Bonds and Excluding all Temporary Notes

<u>Year</u>	<u>General Obligation Bonds</u>		<u>Utility System Revenue Bonds</u>	
	<u>Principal</u>	<u>Principal & Interest^(a)</u>	<u>Principal</u>	<u>Principal & Interest</u>
2020 (at 5-6)	\$10,943,000	\$ 12,604,579	\$ 7,560,000	\$ 11,068,169
2021	10,254,000	13,288,521	7,915,000	14,570,038
2022	7,535,000	10,139,435	7,835,000	14,111,388
2023	6,736,000	9,070,440	8,215,000	14,117,238
2024	6,047,000	8,147,773	8,520,000	14,103,338
2025	5,588,000	7,482,245	8,865,000	14,108,888
2026	5,354,000	7,070,792	8,240,000	13,102,738
2027	5,471,000	7,014,107	8,605,000	13,103,738
2028	4,630,000	5,975,408	8,980,000	13,098,138
2029	4,795,000	5,981,035	9,115,000	12,828,538
2030	4,910,000	5,941,440	9,475,000	12,841,875
2031	4,315,000	5,187,640	9,825,000	12,847,263
2032	4,465,000	5,195,535	8,930,000	11,594,488
2033	4,630,000	5,212,083	9,275,000	11,609,913
2034	4,795,000	5,222,994	9,615,000	11,603,088
2035	1,720,000	1,986,648	9,400,000	11,054,475
2036	1,790,000	2,007,128	9,730,000	11,049,963
2037	1,860,000	2,024,401	7,290,000	8,263,388
2038	1,940,000	2,048,939	6,510,000	7,200,800
2039	1,395,000	1,445,089	5,275,000	5,705,400
2040	<u>360,000</u>	<u>367,740</u>	<u>5,485,000</u>	<u>5,704,400</u>
Total	\$99,533,000^(b)	\$123,413,972	\$174,660,000^(c)	\$243,687,264

^(a) Includes the Bonds at an assumed average annual interest rate of 1.81%.

^(b) 67.7% of this debt will be retired within ten years.

^(c) 48.0% of this debt will be retired within ten years.

Overlapping Debt

Taxing Unit ^(a)	Est. G.O. Debt As of 5-6-2020 ^(b)	Debt Applicable to Value in City	
		Percent	Amount
Douglas County	\$ 15,300,000	75.0%	\$ 11,475,000
USD No. 497 (Lawrence)	180,015,000	88.2	<u>158,773,230</u>
Total			\$170,248,230

(a) Only those units with outstanding general obligation debt are shown here.

(b) Excludes revenue supported debt and general obligation revenue supported debt.

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
2019/20 Appraised Valuation (\$9,177,944,033)	1.52%	3.38%
2019/20 Equalized Assessed Tangible Valuation (\$1,195,637,659)	11.68%	25.92%
Per Capita – (96,892 - 2018 U.S. Census Bureau Estimate)	\$1,441	\$3,198

* Excludes revenue bonds.

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 (or October 1 if the City must conduct an election to increase property taxes above the tax lid described herein). 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.

Taxpayers may challenge the appraised value of their property by paying property taxes under protest. Such challenges are subject to administrative and judicial review. Taxes paid under protest are distributed to taxing jurisdictions in the same manner as all other property tax collections. If a taxpayer's challenge to the appraiser's valuation is successful, the county is liable to refund the amount of property taxes attributable to the protested value that was previously paid under protest. The county will then withhold from future property tax distributions to other taxing jurisdictions an amount equal to the jurisdiction's pro rata share of such refund. Any such withholdings from future property tax distributions may have a material adverse effect on the City's financial situation.

Budgeting Procedures

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are

recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of the City prior to August 25 of each year (or October 1 if the City must conduct an election to increase property taxes above the tax lid described herein). Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The Kansas Legislature passed legislation in 2015 and 2016 that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the "Tax Lid"). The Tax Lid 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. The Tax Lid does not require an election in the following situations:

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

- (4) The property tax revenues levied by the city or county have declined:
- (A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or
 - (B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals.”

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

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

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

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

Tax Rates (Expressed in Mills)

Tax Rates of the City

<u>Levy Year</u>	<u>Budget Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Library</u>	<u>Total City</u>
2019	2020	19.952	9.322	4.045	33.319
2018	2019	19.928	9.310	4.040	33.278
2017	2018	19.482	9.757	4.040	33.279
2016	2017	19.475	8.504	4.039	32.018
2015	2016	19.227	8.504	3.757	31.488

Tax Rates for Jurisdictions Overlapping with the City

<u>Levy Year</u>	<u>Budget Year</u>	<u>City of Lawrence</u>	<u>Douglas County</u>	<u>USD 497 (Lawrence)</u>	<u>State</u>	<u>Total</u>
2019	2020	33.319	46.430	52.984	1.500	134.233
2018	2019	33.278	46.015	54.427	1.500	135.220
2017	2018	33.279	46.018	55.950	1.500	136.747
2016	2017	32.018	44.092	53.360	1.500	130.970
2015	2016	31.488	41.098	56.906	1.500	130.992

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*	\$36,602,608	\$20,658,061	56.4%	\$115,191	\$20,773,252	56.8%
2018/19	34,625,270	34,277,385	99.0	236,688	34,514,073	99.7
2017/18	33,052,477	32,814,650	99.3	237,828	33,052,478	100.0
2016/17	30,027,937	29,831,720	99.3	114,772	29,946,492	99.7
2015/16	28,430,518	28,125,139	98.9	257,466	28,382,605	99.8

* Collections through January 31, 2020.

Source: Douglas County Treasurer's Office.

Special Assessment Collections

<u>Levy Year/ Budget Year</u>	<u>Total Current Levy</u>	<u>Total Collections as of 1-31-2020</u>	<u>Ratio Collection Versus Levy</u>
2019/20	\$1,277,254	\$ 994,581	77.9%
2018/19	1,531,917	1,523,926	99.5
2017/18	956,177	952,079	99.6
2016/17	1,591,678	1,590,230	99.9
2015/16	2,088,190	2,015,507	96.5

Source: Douglas County Treasurer's Office.

FUNDS ON HAND As of January 31, 2020

<u>Fund</u>	<u>Cash and Investments</u>
General Fund	\$ 33,848,614
Special Revenue Funds	41,877,176
Debt Service Fund	18,145,503
Enterprise Funds	77,204,352
Internal Service Funds	<u>16,334,981</u>
Total	\$187,410,626

INVESTMENTS

The City has a formal investment policy, the purpose of which is to set forth the general public policy objectives of the City as it relates to City investments and cash management. The objectives of the City's investment policy are safety of principal, maintenance of adequate liquidity and maximizing earnings on the investment portfolio. The governing body of the City has authority to invest all operating funds of the City pursuant to K.S.A. 12-1675, a state law that governs the investment of public funds by governmental subdivisions, units, and entities. City investments are the responsibility of its Director of Financial Services who has established written procedures and internal controls and maintains a list of financial institutions authorized to provide investment services.

As of January 31, 2020, the City's funds were invested as follows:

Fixed Income Investments	\$124,906,864
Certificates of Deposit	84,000,000
Overnight Municipal Investment Pool	33,848
 Total	 \$208,940,712

GENERAL INFORMATION CONCERNING THE CITY

The City is the county seat of Douglas County in the northeastern portion of the State of Kansas, and is 38 miles west of the City of Kansas City, Missouri. The City encompasses an area of approximately 34.3 square miles (21,952 acres).

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 U.S. Census Estimate	96,892	10.6%
2010 U.S. Census	87,643	9.4
2000 U.S. Census	80,098	22.1
1990 U.S. Census	65,608	24.4
1980 U.S. Census	52,738	--

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

The City's estimated 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	18,151	38,727	29,706	11,148
2018/19	18,127	39,181	29,683	10,743
2017/18	17,853	39,435	29,058	10,189
2016/17	17,747	39,071	28,749	9,701
2015/16	17,405	39,311	28,118	9,296

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

Transportation

The City is accessible by five major highways. I-70 runs east-west through the north part of the City; Highways 40, 59, 24, and 10 all are through the City. This highway network allows accessibility to the Lawrence Municipal Airport, the Kansas City International Airport, and the Topeka Municipal Airport.

Rail service is provided by Burlington Northern Santa Fe Railroad, Union Pacific Railroad, and AMTRAK. The City is also served by the Greyhound Bus Lines.

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
University of Kansas	Higher education	10,116
Maximus (formerly GDIT)	Call Center	2,100
USD #497	K-12 Education	2,015
Lawrence Memorial Hospital (LMH Health)	Hospital	1,450
Hallmark Cards	Manufacturer	900
City of Lawrence	City government	860
Amarr Garage Doors	Manufacturer	800
Berry Global	Manufacturer	750
Baker University	Higher education	500
DST Systems	Data services	405
Douglas County	County government	384
USA 800	Call center	300
DCCCA	Social service agency	295
Allen Press	Printer/publisher	265
Haskell Indian Nations University	Higher education	250
P1 Group, INC	Construction	242
Cottonwood Incorporated	Social services agency	225
Community Living Opportunities	Social services agency	222
Grandstand Sportswear & Glassware	Manufacturer	218
Lawrence Paper Company	Manufacturer	205

Source: Lawrence Chamber of Commerce.

Labor Force Data

	<u>Annual Average</u>				<u>December</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Force:					
City of Lawrence	51,838	52,404	52,556	52,564	53,700
Douglas County	64,800	65,276	65,186	65,199	66,598
State of Kansas	1,490,689	1,485,321	1,478,713	1,482,220	1,496,270
Unemployment Rate:					
City of Lawrence	3.7%	3.5%	3.2%	3.0%	2.5%
Douglas County	3.7	3.5	3.2	3.1	2.5
State of Kansas	4.2	4.0	3.7	3.4	3.2

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

Retail Sales and Effective Buying Income (EBI)

City of Lawrence

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2019/20	\$1,826,317	\$2,543,112	\$47,251
2018/19	1,775,282	2,409,330	45,160
2017/18	1,857,213	2,473,635	45,042
2016/17	1,735,280	2,131,965	40,766
2015/16	1,532,195	2,203,592	43,953

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	\$2,129,341	\$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.*

Sales Tax

Effective April 1, 2019, the current total sales tax rate within the City is 9.30%, of which the State's portion is 6.50%, the County's portion is 1.25%, and the City's portion is 1.55%. By State law the City receives a majority of the County's 1.0% general sales taxes. In 2019, that proportion was approximately 57% of the taxes. These receipts come directly from the State, are not restricted for specific purposes and are receipted in the City's General Operating Fund.

Of the City's 1.55% sales tax, 1.0% is for general purposes are receipted into the General Fund and does not have a sunset provision.

On April 1, 2009, retailers in the City began collecting an additional 0.55% sales tax that was approved by voters in November 2008 and sunset March 31, 2019. The proceeds of this sales tax were restricted for Infrastructure and Emergency Equipment purposes (0.3%); Transit Operations (0.2%); and Transit Expansion (0.05%). A renewal of the 0.55% sales tax was approved by voters in November 2017. The renewed sales tax took effect April 1, 2019 and will sunset March 31, 2028. Proceeds of the renewed 0.55% sales tax are restricted for Infrastructure and Fire Apparatus/Equipment (0.3%); Transit Operations (0.2%); and Affordable Housing (0.05%).

The following table represents the City's share of the sales taxes generated.

<u>Year</u>	<u>City Sales and Use Tax</u>	<u>County Sales and Use Tax</u>
2019	\$28,900,194	\$11,649,614
2018	28,060,812	11,309,470
2017	27,852,478	11,146,504
2016	27,396,576	11,037,450
2015	25,563,595	10,510,321
2014	24,635,194	10,155,857
2013	23,360,471	9,596,190
2012	23,007,680	9,401,628
2011	21,953,262	8,881,904

NOTE: Retail sales subject to local sales tax.

Source: The City.

Permits Issued by the City

<u>Year</u>	<u>New Single Family Residential</u>		<u>New Commercial/Industrial</u>		<u>Total Value^(a) (All Permits)</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2019	153	\$ 45,173,958	13	\$39,216,051 ^(b)	\$213,984,111
2018	285	99,343,420	14	99,478,244 ^(c)	276,589,268
2017	173	60,503,549	16	39,056,790	165,923,864
2016	245	126,310,466	28	37,717,200	220,882,201
2015	246	140,936,024	22	35,494,368	227,899,792
2014	122	42,278,168	18	25,270,632	99,707,903
2013	155	57,549,685	9	49,927,401	171,995,682
2012	148	49,032,140	12	11,839,853	100,656,131
2011	118	58,971,627	15	23,412,046	107,767,956
2010	162	50,599,952	9	13,609,341	85,005,034

^(a) *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

^(b) *Approximately \$15,500,000 of these permits are exempt from property taxation.*

^(c) *Approximately \$10,450,000 of these permits are exempt from property taxation.*

Source: The City.

Recent Development

The largest permitted projects in 2019, as of February 28, 2020, are as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
Lawrence High School Addition and Renovations	\$44,463,425*
Opus Group Multi-Family Development	21,513,067
Lawrence Police Headquarters Building	15,500,000*
West Middle School renovations	8,460,000*
Grandstand Glassware & Apparel addition	5,150,000
Bishop Seabury Academy addition	4,400,000
Lake Estates Apartments	4,177,496
Fairfield Inn & Suites	4,000,000
Liberty Memorial Central Middle School renovations	3,800,000*
Target Renovation	3,500,000
Lawrence Memorial Hospital Sterile Processing addition	3,000,000*
Casey's General Store	2,500,000
Heritage Tractor	2,500,000
Hetrick Air Services hangar and business office	2,109,732
Home Sweet Home Dog Daycare & Resort	1,855,750
Fairfield Office and Warehouse building, 2460 Fairfield Street	1,850,000
Commercial Multi-Family, 935 Michigan Street	1,700,000
Douglas County Tier III Independent Living	1,613,000*
Casey's General Store, 3111 Nieder Road	1,563,679
Douglas County Tier II Group Home, 1000 W 2 nd Street	1,366,700*
Single-Family Dwelling, 153 N Wilderness Way	1,345,000
Bar Screen Replacement, Kansas River Wastewater Treatment Plant	1,320,547*
LMH Health Interior Remodel, 3211 Iowa Street	1,290,411*
Single-Family Dwelling, 1710 Lake Alvarado Drive	1,239,734
Remodel and Exterior Addition, 728 Massachusetts Street	1,200,000
Hawker II Clubhouse	1,166,200
Dunco Heating & Cooling, 1920 Delaware Street	1,100,000

* *These projects are exempt from property taxation.*

Some other larger building permit projects current under review and not yet issued include:

<u>Project Description</u>	<u>Construction Valuation</u>
Bethel Estates Phase II (7 new Multi-Family dwellings)	4,025,000
USD #497 Administrative Office addition/renovation	2,100,000
Hetrick Hangar Phase 2	2,001,973
Chi Omega renovation	1,200,000
Stone Meadows Square Commercial Remodel	1,000,000

Financial Institutions

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

	<u>Deposits</u> <u>As of 12-31-19</u>
Great American Bank	\$161,926,000
The University National Bank of Lawrence	<u>69,907,000</u>
Total	\$231,833,000

In addition, branch offices of Bank of America, National Association; Capitol Federal Savings Bank; Central Bank of the Midwest; Central National Bank; Commerce Bank; Emprise Bank; First State Bank and Trust; Intrust Bank, National Association; Landmark National Bank; Mid-America Bank; NBH Bank; RBC Bank; Silver Lake Bank; Sunflower Bank, National Association; U.S. Bank National Association; and UMB Bank, National Association are located throughout the City.

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

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

Health Care Facilities

The following is a summary of health care facilities located in the City:

<u>Facility</u>	<u>Location</u>	<u>No. of Beds</u>
Lawrence Memorial Hospital	City of Lawrence	148

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

Education

Public Education

The following school district serves the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2019/20 Enrollment</u>
USD No. 497 (Lawrence)	City of Lawrence	K-12	11,631

Source: Kansas K-12 Reports, <http://svapp15586.ksde.org/k12/k12org.aspx>.

Post-Secondary Education

Post-secondary education is available to City residents at the University of Kansas, located in the City. Haskell Indian Nations University is also located on the eastern edge of the City.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was founded in 1854 and became a City of the First Class in the year 1946. The City has had a Commissioner-City Manager form of government since 1951, with the five member Commission being elected at large. The City Manager serves at the discretion of the Commission. Each year the Commission chooses one of its members to serve as the Mayor.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Jennifer Ananda	Mayor	December 7, 2021
Brad Finkeldei	Vice Mayor	December 5, 2023
Stuart Boley	Commissioner	December 7, 2021
Lisa Larsen	Commissioner	December 7, 2021
Courtney Shipley	Commissioner	December 5, 2023

<u>Key Appointed Officials</u>		<u>Employed Since</u>
Craig Owens	City Manager	July 1, 2019
Jeremy Willmoth	Finance Director	November 19, 2018
Sherri Riedemann	City Clerk	March 14, 2011
Dave Wagner	Municipal Services and Operations Director	June 30, 1980
Toni R. Wheeler, Esq.	City Attorney	August 9, 1999

The daily administration of City operations is the responsibility of the appointed City Manager. Mr. Owens became the City Manager on July 1, 2019. Previously, Mr. Owens served as the City Manager of the City of Clayton, Missouri and over the past 25 years has held similar positions for the cities of Rowlett, Texas; O’Fallon, Illinois; and Hazelwood, Missouri. Mr. Owens holds a Bachelor’s Degree from Knox College and a Master of Public Administration Degree from the University of Kansas. Mr. Owens is an International City/County Management Association (ICMA) Credentialed Manager.

Mr. Jeremy Willmoth, Finance Director, is responsible for the City’s financial services. Mr. Willmoth has been the Finance Director for the City since November 2018. Mr. Willmoth holds a Master’s Degree in Public Affairs from Park University, and has 19 years of municipal finance experience. He began his career as the Budget Administrator for Jackson County, Missouri in 2000. Mr. Willmoth became the Finance Director for the City of Raytown, Missouri in 2008. In 2011, Mr. Willmoth became the County Administrator for Cowley County, Kansas. In 2017, Mr. Willmoth was the City Manager for the City of Winfield, Kansas.

The City has 860 regular full-time and part-time employees.

Services

The City provides a full range of services which include police and fire protection, construction and maintenance of infrastructure, community development and planning, and recreational and cultural activities. The City also operates both the water and sewage utilities. In addition, the City provides both residential and commercial sanitation services to its citizens. In October 2014, the City began a curbside recycling service. All revenues to enable the City to provide water, sewer and sanitation service are generated exclusively by user fees.

Other utility services in the City are provided by private companies. Natural gas is provided by Black Hills. Every Inc. sells electricity to both urban and rural customers in and around the City. AT&T serves the City with over 34,000 access lines and 13 exchanges. In 1986, AT&T installed nearly 63 miles of underground fiber optics cable in the City. The current franchise agreement with AT&T was adopted on March 6, 2007. Equal carrier access is provided for long distance service outside the City. AT&T and Midco provide telephone, cable and internet services to the City. Cellular telephone service is also available.

Labor Contracts

Employees of the City have never been on strike against the management. The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Lawrence Police Officers Association	128	December 31, 2020
Local 1596 International Association of Firefighters	<u>112</u>	December 31, 2020
Subtotal	240	
Non-unionized employees	<u>620</u>	
Total employees	860	

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.

The State contribution varies based on longevity of participant service: (a) 3% for less than 5 years; (b) 4% for at least 5 years but less than 12 years; (c) 5% for at least 12 years but less than 24 years; and (d) 6% for 24 or more years. Such account shall receive an interest credit of 5.25% per annum, and under certain circumstances, shall receive additional interest credits. Subject to certain exceptions, a Tier 3 participant, upon retirement, shall receive a single life annuity benefit.

The 2012 Kansas legislature adopted a number of other changes to KPERS including: (a) increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014, 1.0% in 2015, 1.1% in 2016, and 1.2% in 2017 and 2018, (b) providing additional contribution flexibility for Tier 1 participants with corresponding benefit adjustments (effective January 1, 2014), (c) eliminating COLA adjustments for Tier 2 participants with corresponding benefit adjustments (effective January 1, 2014), and (d) providing additional flexibility for alternative investments for the plan.

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. In addition, the City contributes 1.00% of the employee's gross salary for Death and Disability Insurance. Beginning January 1, 2019, the City's contribution changed to 8.89% of gross compensation for calendar year 2019.

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, 2019, 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. KPERS’ actuaries project the required employer contribution rate to increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2018 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 the year beginning January 1, 2019, employees contributed 7.15% of gross compensation and the City contributed 20.23% of employees’ gross compensation.

In 2013, the Kansas Legislature adopted a number of changes to the KP&F which included (a) raising the cap on maximum KP&F benefits from 80% to 90% of final average salary and (b) permitting certain active KP&F members to pay a lump sum amount prior to or on their retirement date to enhance the individual retirement benefit at their own cost.

The City’s contributions to KPERS and KP&F for the past five years are shown below:

	<u>KPERS</u>	<u>KP&F</u>
2018	\$2,459,149	\$5,064,566
2017	2,463,442	4,723,704
2016	2,687,252	4,919,631
2015	2,783,814	5,137,753
2014	2,640,896	4,525,297

For more information regarding the liability of the City with respect to its employees, please reference “Note 7. Defined Benefit Pension Plan” of the City’s Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, an excerpt of which is included as Appendix V of this Official Statement. (The City’s Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019 is not yet available.)

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	1.613%	\$22,476,271	4.889%	\$47,041,107
2017	1.722	24,948,735	5.130	48,108,856
2016	1.683	26,042,494	4.954	46,013,453
2015	1.678	22,038,579	5.068	36,797,128

For more information regarding the liability of the City with respect to its employees, please reference "Note 7. Defined Benefit Pension Plan" of the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, an excerpt of which is included as Appendix V of this Official Statement. (The City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019 is not yet available.)

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 Comprehensive Annual Financial Reports.

Other Post-Employment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). The implementation of GASB 75 required the restatement of the City's beginning net position for the fiscal year ended December 31, 2017. Please see "Note 14 – Restatement" in the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018 for this calculation.

The following employees were covered by the benefit terms as of December 31, 2018:

Inactive employees/beneficiaries	
currently receiving benefit payments	78
Active employees	<u>774</u>
Total	852

The City’s net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was based on the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 year indexes. Components of the City’s OPEB liability and related ratios for the fiscal year ended December 31, 2018 are as follows:

Service cost	\$ 701,279
Interest	410,745
Changes of benefit terms	0
Changes of assumptions	(147,396)
Benefit payments	<u>(236,456)</u>
Net change in total OPEB liability	\$ 728,172
Total OPEB liability – beginning of year	<u>\$12,094,278</u>
Total OPEB liability – end of year (a)	<u>\$12,822,450</u>
Covered Payroll	\$46,574,172
Total OPEB liability as a percentage of covered payroll	27.53%

For more information regarding the liability of the City with respect to its employees, please reference “Note 12, Postemployment Health Care Plan” of the City’s Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix V of this Official Statement. (The City’s Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019 is not yet available.)

Sources: *City’s Comprehensive Annual Financial Reports.*

(The Balance of This Page Has Been Intentionally Left Blank)

General Fund Budget Summary

	2019 Revised Budget	2019 Estimated	2020 Budget
Fund Balance January 1:	\$ 24,663,579	\$ 24,663,579	\$ 20,883,579
Revenues:			
Taxes	\$ 60,356,000	\$ 60,356,000	\$ 62,438,000
Licenses and Permits	1,981,000	1,981,000	2,138,000
Charges for Services	7,693,000	7,693,000	878,000
Fines, Forfeitures and Penalties	2,015,000	2,015,000	2,000,000
Interest	192,000	192,000	192,000
Intergovernmental	1,299,000	1,299,000	8,332,000
Miscellaneous	412,000	412,000	427,000
Transfers In	<u>3,649,000</u>	<u>3,649,000</u>	<u>4,770,000</u>
Total Revenues	\$ 77,597,000	\$ 77,597,000	\$ 81,175,000
Expenditures:			
General Government	\$ 12,779,000	\$ 12,746,000	\$ 11,302,000
Public Safety	48,509,000	46,925,000	51,662,000
Public Works	7,602,000	7,288,000	8,050,000
Health	1,031,000	1,031,000	1,099,000
Culture and Recreation	4,626,000	4,596,000	4,586,000
Airport	167,000	167,000	\$ -
Capital Outlay	683,000	1,969,000	1,218,000
Transfers Out	<u>6,622,000</u>	<u>6,655,000</u>	<u>4,226,000</u>
Total Expenditures	\$ 82,019,000	\$ 81,377,000	\$ 82,143,000
Fund Balance December 31:	\$ 20,241,579	\$ 20,883,579	\$ 19,915,579
Fund Balance as % of Expenditures	24.68%	25.66%	24.25%

Sources: *The City and the 2020 Budget.*

Major General Fund Revenue Sources

Revenue	2014	2015	2016	2017	2018
Taxes	\$49,361,379	\$51,156,290	\$50,000,451	\$56,435,000	\$58,155,437
Charges for Services	4,609,303	5,273,573	6,337,010	6,465,000	7,747,170
Fines, Forfeitures, and Penalties	3,177,454	2,895,570	2,382,974	2,400,000	2,173,673
Licenses and Permits	974,690	1,525,191	1,873,080	1,495,000	2,065,644
Intergovernmental	11,335,239	11,388,676	923,673	1,373,000	894,921

Sources: *City's Comprehensive Annual Financial Reports.*

PROPOSED FORMS OF LEGAL OPINIONS

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

April 30, 2020

Governing Body
City of Lawrence, Kansas

Re: \$ _____ General Obligation Improvement Bonds, Series 2020-A of the City
of Lawrence, Kansas, Dated April 30, 2020

We have acted as Bond Counsel to the City of Lawrence, Kansas (the “Issuer”), in connection with its issuance of the above-captioned bonds (the “Bonds”). 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 prescribing the details of the Bonds.

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 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. The interest on the Bonds [(including any original issue discount properly allocable to an owner thereof)]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 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The interest on the Bonds 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 Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds 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.

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

May 6, 2020

Governing Body
City of Lawrence, Kansas

Re: \$ _____ General Obligation Temporary Notes, Series 2020-I of the City
 of Lawrence, Kansas, Dated May 6, 2020

We have acted as Bond Counsel to the City of Lawrence, Kansas (the “Issuer”), in connection with its issuance 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 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 thereof)]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 have not been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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.

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

The Bonds

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of April 30, 2020 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by the **CITY OF LAWRENCE, 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 **[\$[Principal Amount] General Obligation Improvement Bonds, Series 2020-A** (the “**Bonds**”), pursuant to an Ordinance and Resolution adopted by the governing body of the Issuer (collectively, the “**Bond Resolution**”).

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

The Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the [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, which may include the Issuer’s CAFR, so long as the CAFR contains the financial information and operating data described in **Section 2(a)(1)** and **(2)**.

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

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

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

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

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

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

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

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

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

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

Section 2. Provision of Annual Reports.

- (a) The Issuer shall, not later than the **June 30** immediately following 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, in substantially the format contained in the Official Statement relating to the Bonds. A more detailed explanation of the accounting basis and method of preparation of the financial statements is contained in the Official Statement relating to the Bonds. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the summary unaudited financial information contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.
 - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Issuer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 LAWRENCE, KANSAS

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
Clerk

**EXHIBIT A
TO CONTINUING DISCLOSURE UNDERTAKING**

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

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

CITY PROPERTY VALUES – Trend of Values, Ten of the Largest Taxpayers in the City
CITY INDEBTEDNESS – Debt Limitations, General Obligation Bonds, General Obligation Temporary Notes, Utility System Revenue Bonds, Other Obligations, Overlapping Debt
CITY TAX RATES, LEVIES AND COLLECTIONS – Tax Rates, Tax Levies and Collections
GENERAL INFORMATION CONCERNING THE CITY – Major Employers, Sales Tax, Permits Issued by the City
GOVERNMENTAL ORGANIZATION AND SERVICES – General Fund Budget Summary, Major General Fund Revenue Sources

The Notes

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of May 6, 2020 (the “Continuing Disclosure Undertaking”), is executed and delivered by **CITY OF LAWRENCE, 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 Notes, Series 2020-I (the “Notes”), pursuant to a 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:

“**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.

“**Material Events**” means any of the events listed in *Section 2* 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. 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.

Section 3. 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 2*.

Section 4. 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 5. 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 by providing a notice to the MSRB, through EMMA, in the same manner as for a Material Event under *Section 2*.

Section 6. 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 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 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 notice of occurrence of a Material Event.

Section 7. 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 8. 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 9. 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 10. 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 11. 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 LAWRENCE, KANSAS

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
Clerk

**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 11½%
- (2) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to Section 12 of Article 11 of the Constitution 30%
- (3) Vacant lots 12%
- (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 in this subclass by law 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 not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985 30%
- (5) Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost 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, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property 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. 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 September 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 and June 5, respectively, 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 but not less than the actual amount collected as of not more than 20 days prior to such distribution dates. A final distribution is made on October 31, just prior to the receipt by the treasurer of the following year's tax roll.

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, audited by Mize Houser & Company PA. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019 is 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.

The City's comprehensive annual financial reports for the years ending 1990 through 2018 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council of the
City of Lawrence, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrence-Douglas County Housing Authority (the Authority), the Lawrence Memorial Hospital (the Hospital), or the Lawrence Public Library (the Library), discretely presented component units of the City, which collectively represent all of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of eXplore Lawrence, which is a blended component unit and non-major governmental fund of the City. The financial statements of eXplore Lawrence comprise 0.53 percent of total assets and 0.24 percent of total revenues of the aggregate remaining fund information and represent 0.08 percent of total assets and 0.09 percent of total revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Authority, the Hospital, the Library and eXplore Lawrence, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Notes 12 and 14 to the basic financial statements, the City adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which restated beginning net position of the governmental activities, business-type activities, the aggregate discretely presented component units, the water and sewer fund, the sanitation fund and aggregate remaining fund information, to record the total OPEB liability. Our opinions are not modified with respect to this matter.

Also as explained in Note 14 to the basic financial statements, the City restated beginning net position of the governmental activities to correct certain capital asset transactions from prior years. Beginning net position of the governmental activities and aggregate remaining fund information was also restated to correct certain revenue transactions from prior years. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the pension and postemployment information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules, listed in the table of contents as supplementary information, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RSN US LLP

Kansas City, Missouri
July 22, 2019

Management's Discussion and Analysis

As management of the City of Lawrence, Kansas (City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-iv of this report, the City's basic financial statements which begin on page 11, and the related notes to the basic financial statements which begin on page 25.

Financial Highlights

- The assets and deferred outflows of the City of Lawrence exceeded its liabilities and deferred inflows at the end of 2018 by \$419 million. This is our total net position. Of this amount, \$21.5 million is not specifically assigned for restricted purposes and may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$44.1 million. Increases to net position include: Cash in the Enterprise Funds increasing \$12.8 million; and value of capital assets increasing \$38.4 million. Decreases to net position include: unearned revenue increasing \$3.4 million; and our OPEB obligation increasing \$7.4 million.
- As of December 31, 2018, the City's governmental activities reported combined ending net position of \$234 million, an increase of \$33 million in comparison with the prior year. This was due to an increase in capital assets.
- As of December 31, 2018, the City's business-type activities funds reported combined ending net position of \$184 million, an increase of \$10.5 million in comparison with the prior year. This was due primarily to cash increasing \$12.8 million.
- At December 31, 2018, the fund balance for the general fund was \$25 million or 37% of expenditures.
- The City's total debt, including temporary notes increased by \$0.7 million to a total of \$289.3 million. The key factor in this increase was a \$14 million increase to revenue bonds, and a decrease of \$12.9 million to general obligation debt.
- The total Other Post Employment Benefits (OPEB) liability as of the close of December 31, 2018 is \$14.59 million.
- The net pension liability as of the close of December 31, 2018 is \$69.5 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lawrence's basic financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Based on this criteria, the City's financial position continues to improve.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and community services. The business-type activities include the water and sanitary sewer, sanitation, storm sewer, parking, and golf course operations.

The government-wide financial statements include not only the City (known as the primary government), but also the legally separate entities for which the City is financially accountable. The City has four component units. The Lawrence Public Library, Lawrence Housing Authority, and Lawrence Memorial Hospital are considered discretely presented and are shown separately on the face of the financial statements. eXplore Lawrence is considered a blended component unit and is therefore combined within the City's primary government statements as a Special Revenue Fund.

The City also has an advised foundation fund held at the Douglas County Community Foundation. The funds in the Foundation are from grants and donations. This fund is reported as a Special Revenue Fund in the City's financial statements.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Lawrence maintains 45 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Debt Service Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 79-86 of this report.

Budgets were adopted by the governing body for 2018 operations for the general fund plus eight additional governmental funds that are legally required to be adopted. A budgetary comparison statement has been provided for the budgeted governmental funds to demonstrate compliance with this budget.

Proprietary funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The city uses enterprise funds to account for its water and sewer operations, solid waste operations, public parking, storm water, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for health care costs, fleet maintenance, office supplies and workers compensation and liability expenses. These activities have been included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, storm water, and solid waste operations. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of combining statements on pages 96-104 of this report.

Agency funds

These funds are used to account for assets held by the city as an agent for individuals or other funds. The City has three agency funds: payroll clearing, municipal court bonds, and fire insurance proceeds.

Notes to the financial statements

The notes to the basic financial statements begin on page 25. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information concerning the City's progress in funding its obligation to fund its outstanding debt.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$418 million at December 31, 2018. The City's net position increased by \$43 million. Governmental activities increased net position by \$33 million while business-type activities increased net position by \$10 million in 2018.

	Governmental Activities		Business-type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 142,752,997	\$ 143,330,834	\$ 108,982,234	\$ 93,304,700	\$ 251,735,231	\$ 236,635,534
Capital assets	303,067,848	271,915,016	312,150,813	304,833,711	615,218,661	576,748,727
Total assets	445,820,845	415,245,850	421,133,047	398,138,411	866,953,892	813,384,261
Deferred outflows of resources	11,664,642	13,314,362	1,831,774	2,230,767	13,496,416	15,545,129
Long-term liabilities	163,244,000	169,390,647	219,262,835	206,781,237	382,506,835	376,171,884
Other liabilities	25,096,611	20,767,676	18,067,282	19,486,166	43,163,893	40,253,842
Total liabilities	188,340,611	190,158,323	237,330,117	226,267,403	425,670,728	416,425,726
Deferred inflows of resources	34,590,944	37,034,584	1,097,930	575,322	35,688,874	37,609,906
Net position						
Invested in capital assets	203,909,143	174,116,398	163,615,909	109,887,927	367,525,052	284,004,325
Restricted	22,642,527	16,124,317	7,463,508	2,007,755	30,106,035	18,132,072
Unrestricted	8,002,262	11,126,590	13,457,357	61,630,771	21,459,619	72,757,361
Total net position	\$ 234,553,932	\$ 201,367,305	\$ 184,536,774	\$ 173,526,453	\$ 419,090,706	\$ 374,893,758

The largest portion of the City's net position (87.70%) reflects its investments in capital assets (e.g. land, buildings, infrastructure, machinery, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$30.1 million (7.18%), represents resources that are subject to external restrictions on how they may be used. Future debt service payments of \$18.1 million are restricted. This increased \$4.9 million over the prior year.

The remaining balance of the net position of \$21.5 million (\$8.0 million governmental activities and \$13.5 million business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

	City of Lawrence, Kansas Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 18,467,050	\$ 15,867,290	\$ 70,676,124	\$ 62,351,657	\$ 89,143,174	\$ 78,218,947
Operating grants and contributions	11,118,873	12,026,288	-	-	11,118,873	12,026,288
Capital grants and contributions	1,728,558	16,914,876	-	-	1,728,558	16,914,876
General revenues:						
Property taxes	37,134,285	33,414,884	-	-	37,134,285	33,414,884
Other taxes	47,994,021	46,594,971	-	-	47,994,021	46,594,971
Interest	1,069,632	493,557	1,077,026	802,034	2,146,658	1,295,591
Other	1,080,652	4,144,464	858,835	1,310,446	1,939,487	5,454,910
Total Revenues	118,593,071	129,456,330	72,611,985	64,464,137	191,205,056	193,920,467
Expenses:						
General government	23,127,516	23,993,685	-	-	23,127,516	23,993,685
Public safety	44,961,424	44,199,155	-	-	44,961,424	44,199,155
Public works	13,078,042	31,784,194	-	-	13,078,042	31,784,194
Community services	2,784,172	3,930,099	-	-	2,784,172	3,930,099
Culture and recreation	11,767,715	11,851,021	-	-	11,767,715	11,851,021
Economic development & tourism	3,396,667	5,118,029	-	-	3,396,667	5,118,029
Interest on long-term debt	3,399,543	3,440,221	-	-	3,399,543	3,440,221
Water and Sewer	-	-	39,047,713	37,356,134	39,047,713	37,356,134
Sanitation	-	-	11,332,783	11,448,107	11,332,783	11,448,107
Nonmajor business-type activities	-	-	5,037,999	4,772,580	5,037,999	4,772,580
Total expenses	102,515,079	124,316,404	55,418,495	53,576,821	157,933,574	177,893,225
Excess before transfers	16,077,992	5,139,926	17,193,490	10,887,316	33,271,482	16,027,242
Transfers	3,685,635	3,801,983	(3,685,635)	(3,801,983)	-	-
Change in net position	19,763,627	8,941,909	13,507,855	7,085,333	33,271,482	16,027,242
Net position, beginning of year, as previously reported	201,367,305	188,038,829	173,526,456	166,366,610	374,893,761	354,405,439
Prior period adjustment	13,423,000	4,386,567	(2,497,537)	74,510	10,925,463	4,461,077
Net position, beginning of year, restated	214,790,305	192,425,396	171,028,919	166,441,120	385,819,224	358,866,516
Net position, end of year	\$ 234,553,932	\$ 201,367,305	\$ 184,536,774	\$ 173,526,453	\$ 419,090,706	\$ 374,893,758

Governmental activities

Governmental activities revenues decreased by \$10.86 million in 2018 (-8.39%). Property taxes increased \$3.7 million (11.13%) due to overall increased property valuations and sales tax increased \$1.16 million (2.95%) due to the smaller tax not being accrued previously. Capital grants and contributions decreased \$15.19 million (-89.78%) mostly due to 2017 special assessments for farmland/venture park presented in the 2017 statement of activities.

Governmental expenses decreased by \$21.80 million (17.54%). Culture and recreation expenses decreased \$83.3 thousand (.70%). Public Works decreased \$18.7 million (-58.85%) primarily due to capital projects being expensed in the governmental fund in FY 2017, but classified as capital assets in FY 2018.

Business-type activities

Business-type activities increased the City's net position by \$11 million (6.43%). A key element of the changes between 2017 and 2018 was due to cash increasing \$12.8 million.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the City. As of December 31, 2018, unassigned fund balance of the general fund was \$24.99 million, and the total fund balance was \$25.45 million which is 37.09% and 37.77% of the total general fund expenditures, respectively.

The fund balance of the City's general fund increased by \$2.07 million (8.86%) during 2018. The revenues increased by \$1.8 million (2.69%). Taxes increased by \$2.2 million (4.18%) and is the main reason for the increase. Expenditures increased by \$0.46 million (0.68%). Public Safety increased by \$2.5 million (6.18%) primarily due to moving emergency communications expense from general government to public safety.

The debt service fund has a total fund balance of \$10.8 million, all of which is restricted for debt service. The net decrease in fund balance during the current year was -\$434 thousand. The primary source of revenue for the debt service fund is property taxes currently at 9.31 mills.

Proprietary funds

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of 2018 was \$428 thousand. The unrestricted net position of the Sanitation Fund at the end of 2018 was \$7.3 million. The change in net position for the Water and Sewer Fund was \$9.7 million. The Sanitation Fund had an increase in net position of \$3.8 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund budgetary highlights

During the year, revenues were more than budgetary estimates by \$643 thousand. Licenses and permit fees was \$544 thousand (34.71%) more than budget. Taxes was \$426 thousand (-0.70%) less than budget. Total expenditures were less than budgetary estimates by \$4.7 million (6.07%).

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, totaled \$615.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and recreation facilities, storm sewers, roads, bridges, water and sewer lines. For additional information on the City's capital assets, refer to Note 6 to the basic financial statements.

	Governmental Activities		Business-type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,434,737	\$ 16,434,737	\$ 6,983,631	\$ 6,983,631	\$ 23,418,368	\$ 23,418,368
Buildings	111,623,410	100,118,187	89,138,753	88,874,763	200,762,163	188,992,950
Improvements	52,694,081	47,438,076	319,203,811	234,342,952	371,897,892	281,781,028
Equipment	47,422,447	43,566,502	24,401,176	21,837,384	71,823,623	65,403,886
Infrastructure	250,384,704	236,735,282	-	-	250,384,704	236,735,282
Construction in progress	17,862,986	8,165,831	18,981,598	88,649,462	36,844,584	96,815,293
Total capital assets	496,422,365	452,458,615	458,708,969	440,688,192	955,131,334	893,146,807
Less accumulated depreciation	193,354,517	180,543,599	146,558,156	135,854,481	339,912,673	316,398,080
Total capital assets (net)	\$ 303,067,848	\$ 271,915,016	\$ 312,150,813	\$ 304,833,711	\$ 615,218,661	\$ 576,748,727

Major additions to capital assets this year include:

- Wildlife fence at the City airport
- Improvements to Wakarusa Drive and Harvard Road
- Wakarusa Wastewater Treatment Plant
- Energy efficient building improvements

Long-term debt

As of December 31, 2018, the City had total bonded debt outstanding of \$283.4 million. Of this amount, \$101 million is comprised of debt backed by the full faith and credit of the City (general obligation debt). The remainder of the City's bonded debt represents bonds secured solely by revenue generated by specific revenue sources (revenue bonds). For additional information on the city's debt, refer to Note 5 to the basic financial statements.

	Governmental Activities		Business-type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
General obligation	\$ 89,610,000	\$ 99,057,483	\$ 11,800,000	\$ 15,251,517	\$ 101,410,000	\$ 114,309,000
Revenue	-	-	181,965,000	168,340,000	181,965,000	168,340,000
Total bonded debt	\$ 89,610,000	\$ 99,057,483	\$ 193,765,000	\$ 183,591,517	\$ 283,375,000	\$ 282,649,000

The City's total debt increased \$726 thousand (0.26%) during 2018. In governmental activities, \$9.4 million in general obligation bonds was retired. In business-type activities, \$3.5 million in general obligation bonds was retired. \$20.07 million in revenue bonds were issued to finance water and sewer improvements, and \$6.4 million in revenue bonds was retired.

The City of Lawrence maintained its rating of Aa1 on its general obligation debt by Moody's. The City's revenue bonds have been rated Aa2 by Moody's.

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2018 the debt limitation for the City of Lawrence was \$311 million. The City's general obligation debt as of December 31, 2018 was \$101.4 million. This is only 30% of the maximum allowed under statutes. More information on debt may be found in the statistical section of this CAFR beginning with table 13 and on the City's Investor Relations Site <http://lawrenceksbonds.com>.

Requests for Information

This financial report is designed to provide a general overview of the City of Lawrence's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Lawrence, Finance Director, P.O. Box 708, Lawrence, KS 66044. The City's website can be found at www.lawrenceks.org.

City of Lawrence, Kansas

Statement of Net Position
December 31, 2018

	Primary Government			Component Units
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	
Assets and deferred outflows of resources				
Current assets:				
Cash and investments	\$ 86,467,260	\$ 31,410,215	\$ 117,877,475	\$ 55,541,457
Receivables (net of allowance for uncollectibles):				
Accounts	1,903,807	7,107,353	9,011,160	39,004,737
Taxes	38,498,398	-	38,498,398	-
Special assessments	14,726,099	-	14,726,099	-
Intergovernmental	2,383,066	-	2,383,066	-
Franchise fees	427,300	-	427,300	-
Loans	275,110	-	275,110	-
Accrued interest	559,615	557,417	1,117,032	-
Internal balances	(2,935,088)	2,935,088	-	-
Inventory	367,083	2,835,840	3,202,923	4,393,839
Due from other entities	-	-	-	2,505,593
Prepays	80,347	506,822	587,169	8,123,459
Other assets	-	-	-	840,401
Total current assets	142,752,997	45,352,735	188,105,732	110,409,486
Noncurrent assets:				
Restricted cash and investments	-	63,629,499	63,629,499	134,663,281
Capital assets, nondepreciable				
Land	16,434,737	6,983,631	23,418,368	13,641,043
Construction in progress	17,862,986	18,981,598	36,844,584	25,322,613
Capital assets, depreciable	462,124,642	432,743,740	894,868,382	276,287,827
Less: accumulated depreciation	(193,354,517)	(146,558,156)	(339,912,673)	(142,801,668)
Total noncurrent assets	303,067,848	375,780,312	678,848,160	307,113,096
Total assets	445,820,845	421,133,047	866,953,892	417,522,582
Deferred outflows of resources:				
Pension related amounts	11,664,642	1,831,774	13,496,416	627,885
OPEB related amounts	-	-	-	23,046
Total deferred outflows of resources	11,664,642	1,831,774	13,496,416	650,931
Total assets and deferred outflows of resources	457,485,487	422,964,821	880,450,308	418,173,513
Liabilities and deferred inflows of resources				
Liabilities:				
Current liabilities:				
Accounts payable	7,551,951	3,628,904	11,180,855	12,016,392
Accrued payroll	1,394,228	435,798	1,830,026	16,787,072
Interest payable	1,048,235	1,342,288	2,390,523	2,265,928
Meter deposits payable	-	1,196,649	1,196,649	-
Due to other entities	-	-	-	1,096,363
Unearned revenue	3,375,549	-	3,375,549	94,471
Other liabilities	-	-	-	1,024,534
Current portion of compensated absences payable	2,847,933	1,003,043	3,850,976	103,740
Current portion of revenue bonds payable	-	7,305,000	7,305,000	386,592
Current portion of general obligation bonds payable	8,726,400	3,155,600	11,882,000	-
Current portion of capital lease payable	152,315	-	152,315	-
Total current liabilities	25,096,611	18,067,282	43,163,893	33,775,092
Noncurrent liabilities:				
Compensated absences payable	3,541,143	1,058,831	4,599,974	257,465
Total OPEB liability	9,975,691	4,614,869	14,590,560	67,395
Net pension liability	57,632,046	11,885,332	69,517,378	3,287,308
Claims payable	1,815,130	-	1,815,130	-
Temporary notes payable	6,018,520	-	6,018,520	-
General obligation bonds payable	83,270,094	9,451,765	92,721,859	-
Revenue bonds payable	-	192,252,038	192,252,038	95,667,817
Capital lease payable	991,376	-	991,376	-
Total noncurrent liabilities	163,244,000	219,262,835	382,506,835	99,279,985
Total liabilities	188,340,611	237,330,117	425,670,728	133,055,077
Deferred inflows of resources:				
Property taxes	31,174,306	-	31,174,306	-
Pension related amounts	3,256,823	1,023,999	4,280,822	278,097
OPEB related amounts	159,815	73,931	233,746	19,857
Total deferred inflows of resources	34,590,944	1,097,930	35,688,874	297,954
Total liabilities and deferred inflows of resources	222,931,555	238,428,047	461,359,602	133,353,031
Net position				
Net investment in capital assets	203,909,143	163,615,909	367,525,052	147,121,137
Restricted for:				
Debt service	10,832,304	7,352,080	18,184,384	183,769
Improvements	11,591,271	111,428	11,702,699	3,992,216
Other purposes	218,952	-	218,952	15,066
Unrestricted	8,002,262	13,457,357	21,459,619	133,508,294
Total net position	\$ 234,553,932	\$ 184,536,774	\$ 419,090,706	\$ 284,820,482

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

City of Lawrence, Kansas
Statement of Activities
Year Ended December 31, 2018

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Total Governmental Activities	Total Business-type Activities		
Governmental activities								
General government	\$ 23,127,516	\$ 5,932,189	\$ 3,913,515	\$ -	\$ (13,281,812)	\$ -	\$ (13,281,812)	\$ -
Public safety	44,961,424	7,382,054	65,111	781,742	(36,732,517)	-	(36,732,517)	-
Public works	13,078,042	1,291,769	2,941,401	860,229	(7,984,643)	-	(7,984,643)	-
Health	1,081,903	143,827	-	-	(938,076)	-	(938,076)	-
Social services	1,702,269	209,150	1,699,790	-	206,671	-	206,671	-
Culture and recreation	11,767,715	3,504,515	796,314	86,587	(7,380,299)	-	(7,380,299)	-
Tourism	1,675,004	3,546	1,702,742	-	31,284	-	31,284	-
Economic development	1,721,663	-	-	-	(1,721,663)	-	(1,721,663)	-
Interest on long-term debt	3,399,543	-	-	-	(3,399,543)	-	(3,399,543)	-
Total governmental activities	102,515,079	18,467,050	11,118,873	1,728,558	(71,200,598)	-	(71,200,598)	-
Business-type activities								
Water and sewer	39,047,713	50,217,334	-	-	-	11,169,621	11,169,621	-
Sanitation	11,332,783	14,618,244	-	-	-	3,285,461	3,285,461	-
Stormwater	2,423,210	3,564,261	-	-	-	1,141,051	1,141,051	-
Public parking	1,764,009	1,345,293	-	-	-	(418,716)	(418,716)	-
Golf course	850,780	930,992	-	-	-	80,212	80,212	-
Total business-type activities	55,418,495	70,676,124	-	-	-	15,257,629	15,257,629	-
Total primary government	157,933,574	89,143,174	11,118,873	1,728,558	(71,200,598)	15,257,629	(55,942,969)	-
Component units								
Lawrence-Douglas County Housing Authority	9,150,869	1,714,413	7,200,134	561,561	-	-	-	325,239
Lawrence Memorial Hospital	271,735,097	277,963,624	-	6,828,958	-	-	-	13,057,485
Lawrence Public Library	4,781,879	175,525	4,828,037	-	-	-	-	221,683
Total component units	285,667,845	279,853,562	12,028,171	7,390,519	-	-	-	13,604,407
General Revenues								
Property tax					37,134,285	-	37,134,285	-
Sales tax					40,528,022	-	40,528,022	-
Franchise tax					7,465,999	-	7,465,999	-
Unrestricted grants and contributions					796,314	-	796,314	-
Interest income					1,069,632	1,077,026	2,146,658	1,820,750
Miscellaneous					284,338	858,835	1,143,173	130,753
Transfers, net					3,685,635	(3,685,635)	-	-
Subtotal general revenues and transfers					90,964,225	(1,749,774)	89,214,451	1,951,503
Change in net position					19,763,627	13,507,855	33,271,482	15,555,910
Net position - beginning, as restated					214,790,305	171,028,919	385,819,224	269,264,572
Net position - ending					\$ 234,553,932	\$ 184,536,774	\$ 419,090,706	\$ 284,820,482

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

City of Lawrence, Kansas

Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 23,071,151	\$ 11,626,435	\$ 36,431,054	\$ 71,128,640
Receivables:				
Taxes	24,048,227	8,721,327	5,728,844	38,498,398
Special assessments	-	14,726,099	-	14,726,099
Intergovernmental	4,644	-	2,378,422	2,383,066
Accounts (net allowance for uncollectibles)	1,189,280	-	648,806	1,838,086
Franchise fees	427,300	-	-	427,300
Loans	-	-	275,110	275,110
Accrued interest	169,027	143,425	237,934	550,386
Due from other funds	746,221	-	-	746,221
Prepaid expenses	-	-	80,347	80,347
Restricted assets, cash	-	-	3,411,130	3,411,130
Total assets	\$ 49,655,850	\$ 35,217,286	\$ 49,191,647	\$ 134,064,783
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 2,341,407	\$ 200	\$ 4,779,626	\$ 7,121,233
Accrued payroll	1,189,094	850	176,147	1,366,091
Due to other funds	-	-	679,574	679,574
Unearned revenue	2,004,586	936,506	434,457	3,375,549
Total liabilities	5,535,087	937,556	6,069,804	12,542,447
Deferred inflows of resources, unavailable revenue	18,668,163	23,447,426	3,784,816	45,900,405
Total liabilities and deferred inflows of resources	24,203,250	24,384,982	9,854,620	58,442,852
Fund balance:				
Nonspendable	-	-	80,347	80,347
Restricted	-	10,832,304	39,277,893	50,110,197
Assigned	456,504	-	-	456,504
Unassigned	24,996,096	-	(21,213)	24,974,883
Total fund balances	25,452,600	10,832,304	39,337,027	75,621,931
Total liabilities, deferred inflows of resources and fund balances	\$ 49,655,850	\$ 35,217,286	\$ 49,191,647	\$ 134,064,783

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

City of Lawrence, Kansas

**Reconciliation of the Total Governmental Fund Balance to Net Position of Governmental Activities
December 31, 2018**

Total governmental fund balances	\$ 75,621,931
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	495,183,326
Accumulated depreciation	<u>(192,358,021)</u>
	302,825,305
Internal service funds are used by the City's management to charge the costs of various services to other funds. The assets and liabilities of certain internal service funds are included with governmental activities.	
	6,285,942
Pension and OPEB related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:	
Deferred outflows of resources - pension	11,563,557
Deferred inflows of resources - pension	(3,198,424)
Deferred inflows of resources - OPEB	(155,332)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
	14,726,099
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Compensated absences	(6,246,680)
Total OPEB liability	(9,695,821)
Net pension liability	(56,965,705)
General obligation bonds payable	(91,996,494)
Temporary note	(6,018,520)
Capital lease payable	(1,143,691)
Accrued interest on the bonds	<u>(1,048,235)</u>
	(173,115,146)
Net position of governmental activities	<u>\$ 234,553,932</u>

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

City of Lawrence, Kansas

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 55,780,448	\$ 10,569,118	\$ 18,778,740	\$ 85,128,306
Special assessments	-	889,070	-	889,070
Licenses and permits	2,065,644	-	-	2,065,644
Charges for services	7,747,170	-	3,756,890	11,504,060
Fines, forfeitures and penalties	2,173,673	-	63,959	2,237,632
Interest	349,971	235,752	448,367	1,034,090
Intergovernmental	894,921	-	13,040,882	13,935,803
Reimbursements	376,193	203,531	1,042,999	1,622,723
Miscellaneous	86,358	141,711	856,145	1,084,214
Total revenues	69,474,378	12,039,182	37,987,982	119,501,542
Expenditures:				
Current expenditures:				
General government	10,673,450	-	12,489,489	23,162,939
Public safety	43,018,728	-	1,109,182	44,127,910
Public works	7,040,398	-	4,871,615	11,912,013
Health	1,001,065	-	122,876	1,123,941
Social services	-	-	1,604,816	1,604,816
Culture and recreation	5,134,474	-	6,527,880	11,662,354
Tourism	-	-	1,674,768	1,674,768
Economic development	-	-	1,721,663	1,721,663
Capital outlay	516,472	-	15,549,041	16,065,513
Debt service:				
Principal retirement	-	9,314,557	225,318	9,539,875
Interest and fiscal charges	-	3,678,856	8,280	3,687,136
Total expenditures	67,384,587	12,993,413	45,904,928	126,282,928
Excess (deficiency) of revenues over expenditures	2,089,791	(954,231)	(7,916,946)	(6,781,386)
Other financing sources (uses):				
Transfers in	3,657,000	520,000	4,730,554	8,907,554
Transfers out	(3,674,000)	-	(1,544,554)	(5,218,554)
Total other financing sources (uses)	(17,000)	520,000	3,186,000	3,689,000
Net change in fund balance	2,072,791	(434,231)	(4,730,946)	(3,092,386)
Fund balance - beginning, as restated	23,379,809	11,266,535	44,067,973	78,714,317
Fund balance - ending	\$ 25,452,600	\$ 10,832,304	\$ 39,337,027	\$ 75,621,931

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

City of Lawrence, Kansas

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in
Fund Balance with the Government-Wide Statement of Activities
Year Ended December 31, 2018**

Total net change in fund balances - governmental funds	\$	(3,092,386)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	27,467,670	
Depreciation expense	<u>(12,831,423)</u>	14,636,247
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resource of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Change in accrued interest payable		123,751
General obligation and temporary notes principal payments		9,447,483
Capital lease principal payments		92,392
Amortization of premiums		163,842
Internal service funds are used by the City's management to charge the costs of certain activities to the individual funds. The revenues and expenses of certain internal service funds are reported with governmental activities.		796,313
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,708,608)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences		754,296
Pension expense		(900,304)
Change in claims and judgements payable		42,038
OPEB expense		<u>(591,437)</u>
Changes in net position of governmental activities	\$	<u>19,763,627</u>

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

City of Lawrence, Kansas

General Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Year Ended December 31, 2018

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget
Revenues				
Taxes	\$ 58,581,000	\$ 58,581,000	\$ 58,155,437	\$ (425,563)
Licenses and permits	1,522,000	1,522,000	2,065,644	543,644
Charges for services	7,220,000	7,220,000	7,747,170	527,170
Fines, forfeitures, and penalties	2,050,000	2,050,000	2,173,673	123,673
Interest	192,000	192,000	349,971	157,971
Intergovernmental	1,329,000	1,329,000	894,921	(434,079)
Miscellaneous	312,000	312,000	462,551	150,551
Total revenues	71,206,000	71,206,000	71,849,367	643,367
Expenditures				
General government	11,456,000	11,456,000	10,653,139	(802,861)
Public safety	45,962,000	45,975,508	42,942,382	(3,033,126)
Public works	7,765,000	7,765,000	7,032,639	(732,361)
Culture and recreation	4,707,000	4,748,000	4,475,577	(272,423)
Health	1,000,000	1,000,000	1,001,066	1,066
Capital outlay	826,000	771,492	912,274	140,782
Total expenditures	71,716,000	71,716,000	67,017,077	(4,698,923)
Excess (deficiency) of revenues over (under) expenditures	(510,000)	(510,000)	4,832,290	5,342,290
Other financing sources (uses)				
Transfers in	3,657,000	3,657,000	3,657,000	-
Transfers out	(6,112,000)	(6,112,000)	(6,083,989)	28,011
Total other financing sources (uses)	(2,455,000)	(2,455,000)	(2,426,989)	28,011
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	\$ (2,965,000)	\$ (2,965,000)	2,405,301	\$ 5,370,301
Fund balance, beginning of year			23,379,809	
Fund balance, beginning of year, budget basis			25,785,110	
Adjustments, encumbrances			(332,510)	
Fund balance, end of year, GAAP basis			\$ 25,452,600	

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

City of Lawrence, Kansas

Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities: Enterprise Funds				
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Assets and deferred outflows of resources					
Current assets:					
Cash	\$ 6,657,487	\$ 11,506,896	\$ 4,744,183	\$ 22,908,566	\$ 11,927,490
Receivables (net of allowances for uncollectibles):					
Accounts	5,106,620	1,609,147	391,586	7,107,353	65,721
Accrued interest	467,536	61,955	27,926	557,417	127,128
Inventory	2,828,033	-	7,807	2,835,840	367,083
Prepays	506,822	-	-	506,822	-
Restricted cash:					
Customer deposits	1,175,391	21,258	-	1,196,649	-
Current portion of revenue bonds	7,305,000	-	-	7,305,000	-
Total current assets	<u>24,046,889</u>	<u>13,199,256</u>	<u>5,171,502</u>	<u>42,417,647</u>	<u>12,487,422</u>
Noncurrent assets,					
restricted cash and investments	63,629,499	-	-	63,629,499	-
Total restricted assets	<u>63,629,499</u>	<u>-</u>	<u>-</u>	<u>63,629,499</u>	<u>-</u>
Capital assets:					
Land	4,659,085	-	2,324,546	6,983,631	-
Building and improvements	383,693,653	3,286,243	21,362,668	408,342,564	762,567
Construction in progress	18,981,598	-	-	18,981,598	-
Equipment	8,823,971	11,011,327	4,565,878	24,401,176	476,472
Less: accumulated depreciation	(122,428,493)	(9,388,491)	(14,741,172)	(146,558,156)	(996,496)
Total capital assets	<u>293,729,814</u>	<u>4,909,079</u>	<u>13,511,920</u>	<u>312,150,813</u>	<u>242,543</u>
Total noncurrent assets	<u>357,359,313</u>	<u>4,909,079</u>	<u>13,511,920</u>	<u>375,780,312</u>	<u>242,543</u>
Total assets	<u>381,406,202</u>	<u>18,108,335</u>	<u>18,683,422</u>	<u>418,197,959</u>	<u>12,729,965</u>
Deferred outflows of resources,					
pension related amounts	1,058,411	500,280	273,083	1,831,774	101,085
Total deferred outflows of resources	<u>1,058,411</u>	<u>500,280</u>	<u>273,083</u>	<u>1,831,774</u>	<u>101,085</u>
Total assets and deferred outflows of resources	<u>\$ 382,464,613</u>	<u>\$ 18,608,615</u>	<u>\$ 18,956,505</u>	<u>\$ 420,029,733</u>	<u>\$ 12,831,050</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	\$ 3,054,264	\$ 490,716	\$ 83,924	\$ 3,628,904	\$ 430,718
Interest payable	1,332,234	10,054	-	1,342,288	-
Claims payable	-	-	-	-	1,815,130
Accrued payroll	261,989	127,701	46,108	435,798	28,137
Compensated absences	605,470	271,406	126,167	1,003,043	66,549
Due to other funds	-	-	-	-	66,647
Current portion of general obligation bonds payable	3,115,000	40,600	-	3,155,600	-
Total unrestricted current liabilities	<u>8,368,957</u>	<u>940,477</u>	<u>256,199</u>	<u>9,565,633</u>	<u>2,407,181</u>
Current liabilities payable from restricted assets:					
Customer deposits	1,175,391	21,258	-	1,196,649	-
Current portion of revenue bonds	7,305,000	-	-	7,305,000	-
Total current liabilities payable from restricted assets	<u>8,480,391</u>	<u>21,258</u>	<u>-</u>	<u>8,501,649</u>	<u>-</u>
Total current liabilities	<u>16,849,348</u>	<u>961,735</u>	<u>256,199</u>	<u>18,067,282</u>	<u>2,407,181</u>
Noncurrent liabilities:					
Compensated absences	636,761	263,347	158,723	1,058,831	75,847
General obligation bonds payable	8,702,365	749,400	-	9,451,765	-
Revenue bonds payable	192,252,038	-	-	192,252,038	-
Net pension liability	6,976,926	3,297,807	1,610,599	11,885,332	666,341
Total OPEB liability	2,518,830	1,517,643	578,396	4,614,869	279,870
Total noncurrent liabilities	<u>211,086,920</u>	<u>5,828,197</u>	<u>2,347,718</u>	<u>219,262,835</u>	<u>1,022,058</u>
Total liabilities	<u>227,936,268</u>	<u>6,789,932</u>	<u>2,603,917</u>	<u>237,330,117</u>	<u>3,429,239</u>
Deferred inflows of resources:					
Pension related amounts	611,472	289,027	123,500	1,023,999	58,399
OPEB related amounts	40,352	24,314	9,265	73,931	4,483
Total deferred inflows of resources	<u>651,824</u>	<u>313,341</u>	<u>132,765</u>	<u>1,097,930</u>	<u>62,882</u>
Total liabilities and deferred inflows of resources	<u>\$ 228,588,092</u>	<u>\$ 7,103,273</u>	<u>\$ 2,736,682</u>	<u>\$ 238,428,047</u>	<u>\$ 3,492,121</u>
Net position					
Net investment in capital assets	\$ 145,984,910	\$ 4,119,079	\$ 13,511,920	\$ 163,615,909	\$ 242,543
Restricted for:					
Debt service	7,352,080	-	-	7,352,080	-
Capital outlay	111,428	-	-	111,428	-
Unrestricted	428,103	7,386,263	2,707,903	10,522,269	9,096,386
Total net position	<u>\$ 153,876,521</u>	<u>\$ 11,505,342</u>	<u>\$ 16,219,823</u>	<u>\$ 181,601,686</u>	<u>\$ 9,338,929</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				2,935,088	
Net position of business-type activities				<u>\$ 184,536,774</u>	

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

City of Lawrence, Kansas

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities: Enterprise Funds				
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue					
Charges for services	\$ 49,878,618	\$ 14,618,244	\$ 5,790,062	\$ 70,286,924	\$ 16,970,688
Other sales	338,716	-	27,500	366,216	-
Total operating revenues	50,217,334	14,618,244	5,817,562	70,653,140	16,970,688
Operating expenses					
Continuing operations	70	10,059,089	4,083,061	14,142,220	5,269,764
Transmission and distribution	18,044,759	-	-	18,044,759	-
General administration	5,551,977	169,496	37,636	5,759,109	1,914,742
Health insurance claims	-	-	-	-	9,485,715
Depreciation	8,980,757	886,572	864,991	10,732,320	43,225
Total operating expense	32,577,563	11,115,157	4,985,688	48,678,408	16,713,446
Operating income	17,639,771	3,503,087	831,874	21,974,732	257,242
Nonoperating revenues (expenses)					
Interest income	902,225	117,666	49,022	1,068,913	161,095
Interest expense	(6,173,524)	(38,821)	(646)	(6,212,991)	-
Gain on sale of capital assets	54,504	-	-	54,504	5,029
Miscellaneous	406,556	271,437	97,013	775,006	27,537
Total nonoperating revenues (expenses)	(4,810,239)	350,282	145,389	(4,314,568)	193,661
Income before transfers	12,829,532	3,853,369	977,263	17,660,164	450,903
Transfers in	-	-	-	-	-
Transfers out	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(8,000)
Total transfers	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(8,000)
Change in net position	9,744,532	3,836,369	398,263	13,979,164	442,903
Net position, beginning, as restated	144,131,989	7,668,973	15,821,560	167,622,522	8,896,026
Net position, ending	<u>\$ 153,876,521</u>	<u>\$ 11,505,342</u>	<u>\$ 16,219,823</u>	181,601,686	<u>\$ 9,338,929</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(471,309)	
Change in net position of business-type activities				<u>\$ 13,507,855</u>	

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

City of Lawrence, Kansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities: Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	
Cash flows from operating activities:					
Cash received from customers and users	\$ 48,159,576	\$ 14,241,163	\$ 5,668,463	\$ 68,069,202	\$ 16,961,277
Cash paid to suppliers of goods and services	(16,991,667)	(5,980,165)	(2,191,730)	(25,163,562)	(14,944,711)
Cash paid to employees	(8,093,710)	(4,293,481)	(1,588,029)	(13,975,220)	(809,968)
Net cash provided by operating activities	23,074,199	3,967,517	1,888,704	28,930,420	1,206,598
Cash flows from capital and related financing activities:					
Purchase and construction of capital assets	(15,815,030)	(1,249,696)	(984,696)	(18,049,422)	-
Proceeds from sale of capital assets	54,504	-	-	54,504	5,029
Proceeds from other capital activities	406,556	271,437	97,013	775,006	18,455
Proceeds from issuance of debt	21,328,576	-	-	21,328,576	-
Principal payments on general obligation bonds	(2,985,000)	(445,000)	(21,517)	(3,451,517)	-
Principal payments on revenue bonds	(6,445,000)	-	-	(6,445,000)	-
Interest payments on debt	(7,242,925)	(43,150)	(933)	(7,287,008)	-
Net cash provided by (used in) capital and related financing activities	(10,698,319)	(1,466,409)	(910,133)	(13,074,861)	23,484
Cash flows from noncapital financing activities:					
Interfund loan	-	-	-	-	(16,333)
Transfers in	1,638,750	-	-	1,638,750	-
Transfers out	(4,723,750)	(17,000)	(579,000)	(5,319,750)	(8,000)
Net cash used in noncapital financing activities	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(24,333)
Cash flows from investing activities:					
Interest received	549,255	92,179	39,942	681,376	84,758
Net cash provided by investing activities	549,255	92,179	39,942	681,376	84,758
Net increase in cash and cash equivalent	9,840,135	2,576,287	439,513	12,855,935	1,290,507
Cash and cash equivalents, beginning	68,927,242	8,951,867	4,304,670	82,183,779	10,636,983
Cash and cash equivalents, ending	\$ 78,767,377	\$ 11,528,154	\$ 4,744,183	\$ 95,039,714	\$ 11,927,490

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

City of Lawrence, Kansas
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities: Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 17,639,771	\$ 3,503,087	\$ 831,874	\$ 21,974,732	\$ 257,242
Net cash provided by operating activities:					
Depreciation expense	8,980,757	886,572	864,991	10,732,320	43,225
(Increase) decrease in accounts receivable	(2,074,854)	(375,472)	(149,099)	(2,599,425)	(9,603)
(Increase) decrease in inventory	(243,204)	-	(2,258)	(245,462)	(57,425)
(Increase) decrease in prepaids	(60,481)	-	-	(60,481)	-
(Increase) decrease in deferred outflows	189,218	175,976	33,799	398,993	28,521
Increase (decrease) in meter deposits payable	17,096	(1,609)	-	15,487	-
Increase (decrease) in accounts payable	(1,599,069)	275,577	30,703	(1,292,789)	212,894
Increase (decrease) in claims payable	-	-	-	-	767,747
Increase (decrease) in accrued payroll	66,487	21,306	11,565	99,358	9,225
Increase (decrease) in net pension liability	(381,202)	(707,908)	1,212	(1,087,898)	(96,494)
Increase (decrease) in total OPEB liability	113,292	68,261	26,014	207,567	12,588
Increase (decrease) in deferred inflows	324,787	133,855	63,966	522,608	29,108
Increase (decrease) in accrued compensated absences	101,601	(12,128)	175,937	265,410	9,570
Net cash provided by operating activities	\$ 23,074,199	\$ 3,967,517	\$ 1,888,704	\$ 28,930,420	\$ 1,206,598
Noncash capital activities-capital assets in accounts payable	\$ 1,871,883	\$ 112,145	\$ 27,741	\$ 2,011,769	\$ -
Cash consists of:					
Cash	\$ 6,657,487	\$ 11,506,896	\$ 4,744,183	\$ 22,908,566	\$ 11,927,490
Restricted cash - customer deposits	1,175,391	21,258	-	1,196,649	-
Restricted cash - revenue bonds	7,305,000	-	-	7,305,000	-
Restricted cash - noncurrent	63,629,499	-	-	63,629,499	-
	\$ 78,767,377	\$ 11,528,154	\$ 4,744,183	\$ 95,039,714	\$ 11,927,490

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

City of Lawrence, Kansas
Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2018

	Agency Funds
<hr/>	
Assets	
Cash	\$ 1,063,074
Total assets	<u>\$ 1,063,074</u>
Liabilities	
Accounts payable	\$ 1,063,074
Total liabilities	<u>\$ 1,063,074</u>

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

City of Lawrence, Kansas

Statement of Net Position
Discretely Presented Component Units
December 31, 2018

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Assets and deferred outflows of resources				
Current assets:				
Cash	\$ 6,526,785	\$ 47,643,493	\$ 1,371,179	\$ 55,541,457
Receivables (net of allowances for uncollectibles) accounts	39,530	38,965,207	-	39,004,737
Due from other entities	169,207	2,336,386	-	2,505,593
Inventory	84,145	4,309,694	-	4,393,839
Prepays	90,802	8,032,657	-	8,123,459
Other assets	-	840,401	-	840,401
Restricted cash	186,755	2,265,928	-	2,452,683
Total current assets	7,097,224	104,393,766	1,371,179	112,862,169
Noncurrent assets:				
Restricted cash and investments	-	132,210,598	-	132,210,598
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	12,512,364	-	13,641,043
Construction in progress	679,599	24,643,014	-	25,322,613
Capital assets, depreciable	26,400,513	244,752,056	5,135,258	276,287,827
Less: accumulated depreciation	(14,949,742)	(125,498,853)	(2,353,073)	(142,801,668)
Total capital assets	13,259,049	156,408,581	2,782,185	172,449,815
Total noncurrent assets	13,259,049	288,619,179	2,782,185	304,660,413
Total assets	20,356,273	393,012,945	4,153,364	417,522,582
Deferred outflows of resources:				
Pension related amounts	188,844	-	439,041	627,885
OPEB related amounts	10,264	-	12,782	23,046
Total deferred outflows of resources	199,108	-	451,823	650,931
Total assets and deferred outflows of resources	\$ 20,555,381	\$ 393,012,945	\$ 4,605,187	\$ 418,173,513
Liabilities and deferred inflows of resources				
Liabilities:				
Current liabilities				
Accounts payable	\$ 38,013	\$ 11,946,039	\$ 32,340	\$ 12,016,392
Interest payable	-	2,265,928	-	2,265,928
Accrued payroll and expenses	86,150	16,699,249	1,673	16,787,072
Due to other entities	96,265	1,000,098	-	1,096,363
Unearned revenue	94,471	-	-	94,471
Other liabilities	183,603	840,931	-	1,024,534
Current portion of compensated absences	10,344	-	93,396	103,740
Current portion of revenue bonds payable	-	386,592	-	386,592
Total current liabilities	508,846	33,138,837	127,409	33,775,092
Noncurrent liabilities:				
Compensated absences	93,098	-	164,367	257,465
Revenue bonds payable	-	95,667,817	-	95,667,817
Net pension liability	1,423,156	-	1,864,152	3,287,308
Total OPEB liability	26,659	-	40,736	67,395
Total noncurrent liabilities	1,542,913	95,667,817	2,069,255	99,279,985
Total liabilities	2,051,759	128,806,654	2,196,664	133,055,077
Deferred inflows of resources:				
Pension related amounts	209,559	-	68,538	278,097
OPEB related amounts	14,754	-	5,103	19,857
Total deferred inflows of resources	224,313	-	73,641	297,954
Total liabilities and deferred inflows of resources	\$ 2,276,072	\$ 128,806,654	\$ 2,270,305	\$ 133,353,031
Net position				
Net investment in capital assets	\$ 13,259,058	\$ 131,079,894	\$ 2,782,185	\$ 147,121,137
Restricted for:				
Debt service	-	183,769	-	183,769
Hospital - capital acquisition	-	3,992,216	-	3,992,216
Hospital - specific operating activities	-	15,066	-	15,066
Unrestricted	5,020,251	128,935,346	(447,303)	133,508,294
Total net position	\$ 18,279,309	\$ 264,206,291	\$ 2,334,882	\$ 284,820,482

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

City of Lawrence, Kansas

Statement of Activities
Discretely Presented Component Units
Year Ended December 31, 2018

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position			Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital		Lawrence Public Library
Component units								
Lawrence-Douglas County Housing Authority	\$ 9,150,869	\$ 1,714,413	\$ 7,200,134	\$ 561,561	\$ 325,239	\$ -	\$ -	\$ 325,239
Lawrence Memorial Hospital	271,735,097	277,963,624	-	6,828,958	-	13,057,485	-	13,057,485
Lawrence Public Library	4,781,879	175,525	4,828,037	-	-	-	221,683	221,683
Total component units	\$ 285,667,845	\$ 279,853,562	\$ 12,028,171	\$ 7,390,519	325,239	13,057,485	221,683	13,604,407
General Revenues								
Interest income					24,028	1,762,168	34,554	1,820,750
Miscellaneous					-	122,131	8,622	130,753
Subtotal general revenues and transfers					24,028	1,884,299	43,176	1,951,503
Change in net position					349,267	14,941,784	264,859	15,555,910
Net position - beginning, restated					17,930,042	249,264,507	2,070,023	269,264,572
Net position - ending					\$ 18,279,309	\$ 264,206,291	\$ 2,334,882	\$ 284,820,482

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Lawrence, Kansas (the City) is a municipal corporation governed by an elected five-member commission. These basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported as a separate column in the basic financial statements to emphasize they are legally separate. The more significant of the City's accounting policies are described below.

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from certain business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are due and are expected to be liquidated with expendable available financial resources.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service funds account for operations that provide services to other departments and agencies of the government on a cost-reimbursement basis. The City has five internal service funds. The General Liability Fund accounts for the payment of auto and general liability insurance claims. The Workers Comp Liability Fund accounts for the payment of workers compensation claims. The Central Maintenance Fund accounts for the repairs and maintenance expenses of the City's fleet of vehicles and equipment. The Stores Fund accounts for the purchase of office supplies. The Health Insurance Fund accounts for the payments of health insurance claims.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting. Agency funds are used by the City of Lawrence for payroll withholdings, court bonds and to record proceeds from fire insurance claims.

The City reports the following major governmental funds:

General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. This is the City's primary operating fund.

Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest, and other related costs from governmental resources and special assessment bond principal, and interest from special assessment levies when the City is obligated in some manner for this payment.

The City reports the following major proprietary funds:

Water and Sewer Fund is used to account for the operations of the City's water and sewer operations.

Sanitation Fund is used to account for the operations of the City's refuse collection service.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories: Inventories are valued at cost, which approximates market, using the average cost method. The costs of the Governmental Fund type inventories are recorded as expenditures when consumed rather than when purchased.

Budgetary procedures: Kansas Statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute) and Debt Service Funds.

A legal annual operating budget is not required for the Capital Projects Fund, Internal Service Funds and some of the Special Revenue Funds. The City prepares and adopts budgets for all funds except for internal service and agency funds, however, only those funds with a legally required budget have been included in this report.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- Preparation of budget for the succeeding calendar year on or before August 1 of each year.
• Publication of proposed budget and notice of public hearing on or before August 5 of each year.
• Public hearing on or before August 15 of each year, but at least ten days after public notice.
• Adoption of final budget on or before August 25 of each year.

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The City Commission amended the budget for the following funds in 2018:

Table with 2 columns: Capital Improvement Reserve Fund, 9 NH South TDD/TIF Fund, 9 NH North TDD/TIF Fund, 720 LLC NRA Fund, City Parks Memorial Fund, Housing Trust Fund.

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 (the legal level of budgetary control). Budget comparison statements 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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pooled cash and investments: The City maintains a cash and investment pool that is available for use by all funds managed by the City, excluding the agency funds, whose cash is not included in the pool. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments, unless specifically designated, are allocated to the investing fund at the end of each fiscal year, based on the percentage of funds invested to total investment. All investments are carried at fair value.

Receivables and payables:

Accounts receivable: The City records revenues when services are provided. All receivables are shown net of an allowance for doubtful accounts.

Taxes receivable: Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivables are not available as a resource that can be used to finance the current year operations of the City and, therefore, are susceptible to accrual, but not recognized as revenue until the year for which they are levied. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2019. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County. In accordance with state statute, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due to the County November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. The County receives 10% in December and then all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

Special assessments receivable: Special assessments receivable reflects the property taxes collectable by the City for the purpose of repaying the Special Assessment debt held by the City. The amount collectable by the City is reduced each year as the taxes are levied against the property and, subsequently, collected by the City. Special assessments receivable is expressed net of allowances for doubtful accounts, based on foreclosed properties. At December 31, 2018, the City had \$14,726,099 in special assessments receivable in the Debt Service Fund. In the governmental funds, this receivable is reported as unavailable revenue, and recognized as revenue in the period the amounts become available.

Interfund activity: Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The City has the following types of interfund activity:

Due to/from other funds—amounts provided with a requirement for repayment. Advances to other funds are reported as receivables in lender funds and payables in borrower funds, and are considered long-term in nature.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Capital assets: Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life of two or more years and an initial, individual cost of more than \$20,000 for property, plant and equipment, or \$50,000 for infrastructure assets. Such assets are stated at actual or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Depreciation of plant and equipment is provided on the straight-line basis over the estimated useful lives of the respective assets as follows:

Water treatment plant and water sewer mains	50 years
Buildings	10-50 years
Improvements other than buildings	10-50 years
Office equipment	3-20 years
Machinery	3-20 years
Infrastructure	50-80 years

The costs of normal maintenance and repairs are charged to expenses. Major expenditures for renewals and betterments are capitalized and depreciated over their estimated useful lives.

Cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement and any resulting gain or loss is reflected in the basic financial statements.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERs) and additions to/deductions from KPERs fiduciary net position have been determined on the same basis as they are reported by KPERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond premiums, discounts and issuance costs: In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expense in the year in which the costs were incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and any related premiums or discounts are reported as other financing sources/uses. Issuance costs are reported as a debt service expenditure in the year in which the costs were incurred.

Compensated absences: Under the terms of the City's personnel policy, employees are granted vacation and sick leave in varying amounts based upon the length of service. In the event of termination, an employee with over six months of service will receive all accumulated vacation and one-fourth accumulated sick leave. All vacation and sick leave is accrued when incurred in the government wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid from the fund in which the employees are paid.

Capitalization of interest: Prior to fiscal year 2018, interest costs associated with constructed assets in enterprise funds were capitalized as part of the cost of the asset.

As a result of the adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*, no interest costs were capitalized in the current year and none will be capitalized going forward.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unearned revenue: Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, revenue is recognized.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The deferred outflow related to pension consists of unrecognized items not yet charged to pension expense related to the net pension obligation, and contributions paid by the City after the measurement date but before the end of the City's reporting period. The deferred outflow related to OPEB consists of unamortized items not yet charged to OPEB expense.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues from two sources: property taxes and special assessments. In the City's government-wide statements, the property tax revenues remain as a deferred inflow of resources and will become an inflow in the year for which the taxes are levied. The City's government-wide and proprietary fund statements include unamortized portion of the difference between expected and actual experience, changes in assumptions and the change in proportion and differences between the City's contribution and proportionate share of contributions all related to the net pension liability. The City's government-wide statements and proprietary fund statements also include unamortized items not yet charged to OPEB expense. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund equity: In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city commission. Any modification of the commitment requires the same type of action. Assigned fund balances include amounts that are constrained by the City management's or governing body's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that governmental fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned. The following is the detail for fund balance classifications in the financial statements:

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

	Major Governmental Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
Fund balances:				
Nonspendable for:				
Prepays	\$ -	\$ -	\$ 80,347	\$ 80,347
Restricted for:				
Capital outlay	-	-	7,661,193	7,661,193
Debt service	-	10,832,304	-	10,832,304
General government	-	-	16,476,409	16,476,409
Public safety	-	-	140,089	140,089
Public works	-	-	11,305,014	11,305,014
Social service	-	-	218,952	218,952
Culture and recreation	-	-	2,053,249	2,053,249
Tourism	-	-	940,026	940,026
Economic development	-	-	482,961	482,961
Assigned for:				
General government	170,646	-	-	170,646
Public safety	54,133	-	-	54,133
Public works	59,257	-	-	59,257
Culture and recreation	172,468	-	-	172,468
Unassigned	24,996,096	-	(21,213)	24,974,883
	<u>\$ 25,452,600</u>	<u>\$ 10,832,304</u>	<u>\$ 39,337,027</u>	<u>\$ 75,621,931</u>

Net position:

Net position classifications: In the government-wide and proprietary fund financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is classified into three components:

Net investment in capital assets—consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position—consisting of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities for which restricted and unrestricted net position is available. Net position restricted through enabling legislation consists of \$18,058,344 for debt service, \$11,492,266 for improvements and \$218,952 for other purposes.

Unrestricted net position—all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 2. Reporting Entity

The City has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would be misleading or incomplete. This consideration relied on the underlying concept that elected officials are accountable for the actions of those they appoint to govern other organizations and that the City's financial statements should report this accountability. Although elected officials are accountable for the actions of all appointees, generally accepted accounting principles establish financial accountability as the threshold for including an organization in the financial statements of the reporting entity. Financial accountability results from one of the following criteria:

1. The City of Lawrence, as the primary government, is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization. There also is a potential for the organization to provide specific financial benefits to or impose burdens on the primary government.
2. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of other circumstances.

Based on this analysis, the following organizations have been classified as component units of the City of Lawrence and are presented on the discrete basis to emphasize that they are separate from the City:

The Lawrence Housing Authority, created by State Statutes with a variety of corporate powers, operates the City's low income housing programs, serving Lawrence and Douglas County. The Housing Authority is governed by a five-member board appointed by the Mayor with approval of the City Commission. It is considered a component unit because it satisfies criterion 1 above.

The Lawrence Memorial Hospital, created by State Statutes with a variety of corporate powers, operates the city hospital. The hospital is governed by a nine-member board appointed by the Mayor with approval of the City Commission. It is considered a component unit because it satisfies criterion 1 above.

The Lawrence Public Library, created by State Statutes as a body corporate, operates the City's public library, serving primarily Lawrence and Douglas County. The library is governed by a seven-member board appointed by the Mayor with approval by the City Commission. It is considered a component unit because it satisfies criteria 1 & 2 above.

Based on this analysis, the following organization has been classified as a component unit of the City of Lawrence and is presented on the blended basis:

eXplore Lawrence is a private, not-for-profit organization with the purpose to promote, support, foster and develop programs which endeavor to increase general tourism and visitations to Lawrence. eXplore Lawrence's primary funding is through a contract with the City of Lawrence. eXplore Lawrence is governed by seven voting members appointed by the Mayor with approval by the City Commission. Additionally, the Organization has three ex-officio members: the City Manager or designee from the City Manager's Office; the Director of Downtown Lawrence, Inc. or staff designee; and the Lawrence Chamber of Commerce CEO or staff designee. eXplore Lawrence is considered a blended component unit and is therefore combined within the City's primary governing statements as a Special Revenue Fund.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 2. Reporting Entity (Continued)

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Lawrence Housing Authority 1600 Haskell Avenue Lawrence, Kansas 66044	Lawrence Memorial Hospital 325 Main Street Lawrence, Kansas 66044
---	---

Lawrence Public Library 707 Vermont Street Lawrence, Kansas 66044	eXplore Lawrence 200 W. 9th Street Lawrence, Kansas 66044
---	---

Note 3. Deposits and Investments

At December 31, 2018, the City's carrying values of cash and investments are summarized as follows:

Cash and cash equivalents:	
Deposits	\$ 25,746,922
Certificates of deposit	116,092,562
Petty cash	7,560
Total cash and cash equivalents	<u>141,847,044</u>
Investments:	
Kansas Municipal investment pool	30,154
U.S. Treasury notes	5,442,867
U.S. Federal Agency issues	35,249,983
Total investments	<u>40,723,004</u>
Total cash and investments	<u>\$ 182,570,048</u>

Fair value measurements: The City categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the City's own assumptions as there is little, if any, related market activity.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the City, the following fair value techniques were utilized in measuring the fair value of its investments:

At December 31, 2018, the City held the following investments:

	Fair Value Measurement	Rating	Maturity	Fair Value Hierarchy Level
Investments by fair value level:				
Federal Agency issues:				
Federal Home Loan Bank (FHLB)	\$12,629,828	Moody's Aaa	01/16/2019 to 11/15/2019	2
Federal Home Loan Mortgage Corporation (FHLMC)	7,694,305	Moody's Aaa	03/27/2019 to 08/15/2019	2
Federal National Mortgage Association (FNMA)	14,925,850	Moody's Aaa	01/28/2019 to 10/24/2019	2
U.S. Treasury notes	5,442,867	Moody's Aaa	02/15/2019 to 05/31/2019	1
	40,692,850			
Investments measured by the net asset value (NAV)				
Kansas Municipal Investment Pool	30,154	N/A	Current	
	<u>\$40,723,004</u>			

The amount invested in the Kansas Municipal Investment Pool is measured at the net asset value, having an ongoing redemption frequency and liquidity fees or redemption gates are not imposed on any of the investments.

At December 31, 2018, the City had \$30,154 invested in the State of Kansas's municipal investment pool. The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

The City Commission has adopted an Investment and Cash Management Policy that is reviewed annually by the Pooled Money Investment Board. The City's policy was certified by the Association of Public Treasurers of the United States and Canada. The policy establishes performance standards, legal authority and procedures for the City's investments.

Interest rate risk: As a means of limiting exposure to fair value losses arising from rising interest rates, the City's investment policy limits its investment maturities to less than four years.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Credit risk: Kansas statutes and City policy limit the investment of public funds to certificates of deposit and U.S. Treasury obligations. The City of Lawrence has been granted expanded investment powers by the Pooled Money Investment Board of the State of Kansas and has adopted a policy detailing their ability to also invest in the obligation of government sponsored corporations. The obligations of government sponsored corporations are not liabilities of the U.S. government and do pose some credit risk. The City has no formal policy relating to the additional risks posed by implicitly guaranteed government agencies.

Concentration of credit risk: The City of Lawrence's investment policy does not allow for more than 30% of the City's cash and investment portfolio to be invested in the certificates of deposit of any one institution. Certificates of deposits held in one institution represent 39% of the City's cash and investment portfolio and certificates of deposit held in another institution represent 32% of the City's cash and investment portfolio.

As of December 31, 2018, the City's investments include FNMA, FHLB and FHLMC, which represent 37%, 31% and 19%, respectively, of total investments.

Custodial credit risk-deposit: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. Under State statute, deposits and certificates of deposit (CD) must be 100% collateralized except during certain limited times when counties are distributing property taxes to underlying taxing jurisdictions. State law permits banks to pledge a wide variety of instruments as collateral, including letters of credit and tradable securities. The City has an FHLB letter of credit pledged as collateral for all deposits held at US Bank. When the City opens a CD with a bank, the bank is required to provide the collateral pledge and the City's investment advisor confirms the value of the collateral using a third-party pricing service and confirms that the collateral pledge is sufficient to cover the amount of the CD. The City's investment advisor also marks to market the collateral each Friday and the last day of the month for all CDs owned by the City. If the value of the collateral has dropped below the required amount, the City's investment advisor coordinates with the appropriate bank to have additional collateral pledged.

Custodial credit risk-investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction the City will not be able to recover the value of investment. The City's investments in government securities are registered in the name of the City and therefore not exposed to custodial credit risk.

Note 4. Tax Revenue

Tax revenue for the year ended December 31, 2018 is as follows:

	Primary Government			Total
	General Fund	Debt Service Fund	Other Governmental Funds	
Property taxes	\$ 19,146,800	\$ 9,764,420	\$ 5,106,053	\$ 34,017,273
Motor vehicle taxes	1,834,287	804,698	375,669	3,014,654
Payment in lieu of taxes	102,358	-	-	102,358
Utility franchise taxes	7,465,999	-	-	7,465,999
Sales tax	27,231,004	-	13,297,018	40,528,022
Total	<u>\$ 55,780,448</u>	<u>\$ 10,569,118</u>	<u>\$ 18,778,740</u>	<u>\$ 85,128,306</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 4. Tax Revenue (Continued)

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2018 were as follows:

	Primary Government			Total
	General Fund	Debt Service Fund	Library Funds	
Levy	\$ 19.928	\$ 9.310	\$ 4.040	\$ 33.278

Note 5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

Type of Issue	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 99,057,483	\$ -	\$ 9,447,483	\$ 89,610,000	\$ 8,726,400
General obligation bonds premium	2,541,076	-	154,582	2,386,494	-
General obligation bonds, net	101,598,559	-	9,602,065	91,996,494	8,726,400
General obligation temporary note	6,000,000	-	-	6,000,000	-
General obligation temporary note premium	27,780	-	9,260	18,520	-
General obligation temporary note, net	6,027,780	-	9,260	6,018,520	-
Capital lease	1,236,083	-	92,392	1,143,691	152,315
Compensated absences	7,133,802	2,458,819	3,203,545	6,389,076	2,847,933
Net pension liability	60,084,361	-	2,452,315	57,632,046	-
Total OPEB liability	9,526,999	448,692	-	9,975,691	-
Total	\$ 185,607,584	\$ 2,907,511	\$ 15,359,577	\$ 173,155,518	\$ 11,726,648
Business-type activities:					
General obligation bonds	\$ 15,251,517	\$ -	\$ 3,451,517	\$ 11,800,000	\$ 3,155,600
General obligation premium	1,130,311	-	322,946	807,365	-
General obligation, net	16,381,828	-	3,774,463	12,607,365	3,155,600
Revenue bonds	168,340,000	20,070,000	6,445,000	181,965,000	7,305,000
Revenue bonds premium	17,187,794	1,258,576	854,332	17,592,038	-
Revenue bonds, net	185,527,794	21,328,576	7,299,332	199,557,038	7,305,000
Compensated absences	1,796,464	1,149,459	884,049	2,061,874	1,003,043
Net pension liability	12,973,230	-	1,087,898	11,885,332	-
Total OPEB liability	4,407,302	207,567	-	4,614,869	-
Total	\$ 221,086,618	\$ 22,685,602	\$ 13,045,742	\$ 230,726,478	\$ 11,463,643

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

The total OPEB liability is paid from the fund in which the employees are paid.

The general obligation temporary note matures in 2020 and the City does not intend to pay it off early.

Kansas statutes limit the amount of general obligation debt a city may issue to 30% of total assessed valuation. On December 31, 2018 the debt limitation for the City of Lawrence was \$311 million. The City's general obligation debt and temporary notes as of December 31, 2018 was \$107.4 million. This is approximately 30% of the maximum allowed under statutes. More information on the City's debt limit may be found in table 13 of the statistical section of this CAFR.

Capital leases: In July 2016, the City entered into a five-year capital lease agreement for vehicles in the amount of \$244,259. The lease carries an interest rate of 1.53%. Semiannual lease payments of \$25,312 are due each March and September. In November 2017, the City entered into a ten-year capital lease agreement for equipment and vehicles in the amount of \$1,064,200. The lease carries an interest rate of 2.264%. Semiannual lease payments of \$62,954 are due each March and September.

The cost and the accumulated depreciation of property under capital lease obligations was \$622,501 and \$245,080 as of December 31, 2018, respectively.

Arbitrage: The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2018.

Debt payable, other than claims and judgments and compensated absences, at December 31, 2018 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2007	2019	4.0-4.25	\$ 11,345,000	\$ 1,150,000	\$ 1,150,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	2,590,000	1,270,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	915,000	295,000
Internal improvement	2010A	2034	4.25-5.7	2,975,000	2,525,000	120,000
Internal improvement	2010B	2022	1.25-3.0	8,920,000	3,210,000	775,000
Internal improvement *	2010C	2023	1.25-3.0	8,305,000	3,320,000	675,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	1,740,000	325,000
Internal improvement	2012A	2024	2.0-3.0	7,710,000	3,145,000	610,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	2,645,000	360,000
Internal improvement *	2014A	2024	2.0-5.0	25,065,000	21,395,000	1,015,000
Internal improvement	2014B	2024	3.0-4.0	18,440,000	15,710,000	740,000
Internal improvement	2015	2030	3.0-3.0	9,450,000	7,850,000	555,000
Internal improvement *	2016	2021	3.0-5.0	13,385,000	7,690,000	2,440,000
Internal improvement	2017A	2027	2.0-2.5	3,030,000	2,770,000	285,000
Green internal improvement	2017B	2039	1.0-3.375	11,375,000	10,605,000	495,000
Internal improvement	2017C	2027	.95-2.4	654,000	595,000	62,000
Internal improvement	2017D	2038	2.875-5.0	13,975,000	13,555,000	710,000
					<u>101,410,000</u>	<u>11,882,000</u>

* The Series 2014A bonds is split with 96% (\$20,605,000) reported in governmental activities and 4% (\$790,000) reported in business-type activities. The Series 2010C and Series 2016 bonds are reported 100% in the business-type activities.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Debt Issue	Date Issued	Date Matures	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
General obligation temporary note	2017	2020	1.75	6,000,000	6,000,000	-
Revenue bonds:						
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	6,170,000	810,000
Water and sewerage improvement	2015	2040	2.0-5.0	85,375,000	83,020,000	2,450,000
Water and sewerage improvement	2016	2036	2.625-5.0	58,810,000	56,240,000	2,705,000
Water and sewerage improvement	2017	2037	1.32-5.0	17,195,000	16,465,000	655,000
Water and sewerage improvement	2018	2038	3.5-4.0	20,070,000	20,070,000	685,000
					181,965,000	7,305,000
					\$ 289,375,000	\$ 19,187,000

In 2018, the City issued \$20,070,000 in improvement bonds, revenue bond series 2018, for paying the costs of certain water and sewerage system improvements. The Revenue Bonds, Series 2018 are due in annual installments of \$685,000 to \$1,440,000 through November 2038, with interest due in semiannual installments at an interest rate ranging between 3.50% and 5.00%.

The future annual requirements for general obligation bonds outstanding as of December 31, 2018, are as follows:

Year ending:	Governmental Activities		Business-Type Activities		Total Due
	Principal	Interest	Principal	Interest	
2019	\$ 8,726,400	\$ 3,092,198	\$ 3,155,600	\$ 504,830	\$ 15,479,028
2020	7,391,400	2,808,372	3,291,600	365,987	13,857,359
2021	6,261,600	2,572,104	3,437,400	219,905	12,491,009
2022	6,165,600	2,343,478	769,400	63,898	9,342,376
2023	5,549,400	2,110,090	571,600	39,928	8,271,018
2024-2028	24,403,400	7,754,568	261,600	92,558	32,512,126
2029-2033	20,607,200	3,832,595	272,800	44,345	24,756,940
2034-2038	9,630,000	908,189	40,000	-	10,578,189
2039	875,000	29,531	-	-	904,531
	\$ 89,610,000	\$ 25,451,125	\$ 11,800,000	\$ 1,331,451	\$ 128,192,576

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

The future annual requirements for revenue bonds outstanding as of December 31, 2018, are as follows:

Year ending:	Principal Due	Interest Due	Total Due
2019	\$ 7,305,000	\$ 7,275,130	\$ 14,580,130
2020	7,560,000	7,016,338	14,576,338
2021	7,915,000	6,655,038	14,570,038
2022	7,835,000	6,276,388	14,111,388
2023	8,215,000	5,902,238	14,117,238
2024-2028	43,210,000	24,306,838	67,516,838
2029-2033	46,620,000	15,102,075	61,722,075
2034-2038	42,545,000	6,626,713	49,171,713
2039	10,760,000	649,800	11,409,800
	\$ 181,965,000	\$ 79,810,558	\$ 261,775,558

The Water and Sewerage System Revenue Bonds require that one-sixth of the next interest payment due, one-twelfth of the next principal payment due, and one-sixth of the agent charges next due be set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 120% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000. The City is in compliance with these requirements. For the year ending December 31, 2018, the City did not set aside funds on a monthly basis, but instead has established an internal bond reserve account of \$7,352,080, which is considered sufficient to meet this bond covenant requirement.

Conduit debt: The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprise are equal to the mortgage payment schedule related to the original debt. At December 31, 2018, total outstanding conduit debt was \$107,247,828.

Pledged revenues: The City has pledged future water and sewer operating revenues, net of specified operating expenses, to repay \$274,907,004 in water and sewer revenue and revenue refunding bonds. The bonds are payable solely from water and sewer net revenues and are payable through 2040. Annual principal and interest payments on the bonds have required an average of 63% of net revenues. The City's debt covenants require that 120% of the annual debt service payment be available in pledged revenues. Principal and interest paid for the current year and total net revenues for the current year were \$13,080,356 and \$20,737,820 respectively. This equates to a net revenue/debt ratio of 1.59 which meets the requirement. The City takes into consideration the 120% covenant requirement when establishing its utility rate model.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Lawrence Memorial Hospital component unit debt: The following is a summary of the long-term debt of the Lawrence Memorial Hospital, a proprietary fund type component unit. This debt is to be paid solely with Hospital revenues.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable:					
Series 2012	\$ 8,275,000	\$ -	\$ 8,275,000	\$ -	\$ -
Series 2013	1,365,000	-	1,365,000	-	-
Series 2018	-	77,520,000	-	77,520,000	-
	9,640,000	77,520,000	9,640,000	77,520,000	-
Unamortized premiums	-	8,096,929	254,085	7,842,844	-
Note from direct borrowing	-	10,000,000	217,555	9,782,445	246,595
Capital lease obligations	-	958,338	49,218	909,120	139,997
Total long-term debt	\$ 9,640,000	\$ 96,575,267	\$ 10,160,858	\$ 96,054,409	\$ 386,592

The City has issued Series 2018 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

Debt Issue	Date Matured	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
Series 2018	2048	3.50%-5.00%	\$ 77,520,000	\$ 77,520,000	\$ -

Note from direct borrowing: The Hospital's outstanding note from direct borrowing of \$9,782,445 is secured by, among other things, the Assignment, Mortgage and other Loan Documents (Security Instruments). This outstanding note contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if any payment of principal and interest or any other required payment is not received by the lender on or before five days after the date that such payment is due; and, (2) a provision that if the Hospital is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Debt service requirements on long-term debt other than capital lease obligations for the Hospital as of December 31, 2018, are as follows:

Year ending December 31,	Total to be Paid	Bonds		Direct Borrowings	
		Principal	Interest	Principal	Interest
2019	\$ 4,128,334	\$ -	\$ 4,128,334	\$ 246,595	\$ 386,809
2020	3,724,813	-	3,724,813	256,641	376,763
2021	5,019,813	1,295,000	3,724,813	267,097	366,307
2022	5,020,063	1,360,000	3,660,063	277,979	355,425
2023	5,022,063	1,430,000	3,592,063	289,305	344,100
2024-2028	25,104,315	8,290,000	16,814,315	1,633,226	1,533,795
2029-2033	25,104,065	10,580,000	14,524,065	1,994,164	1,172,857
2034-2038	25,104,615	13,185,000	11,919,615	2,434,867	732,154
2039-2043	25,892,500	16,900,000	8,792,500	2,382,571	203,831
2044-2048	28,271,500	24,460,000	3,791,500	-	-
	\$ 152,192,081	\$ 77,520,000	\$ 74,672,081	\$ 9,782,445	\$ 5,472,041

Capital lease obligations: The Hospital is obligated under leases for equipment that are accounted for as capital leases. The capital leases are secured by the related assets as collateral. Assets under capital leases at December 31, 2018 total \$908,521, net of accumulated depreciation of \$49,817. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 4% to 6.81% together with the present value of the future minimum lease payments as of December 31, 2018:

	Capital Lease Obligations
2019	\$ 174,953
2020	220,403
2021	242,376
2022	233,772
2023	132,393
	<u>1,003,897</u>
Less amount representing interest	(94,777)
Less current maturities	<u>(139,997)</u>
Noncurrent portion	\$ 769,123

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,434,737	\$ -	\$ -	\$ 16,434,737
Construction in progress	18,023,047	21,584,772	21,744,833	17,862,986
Total capital assets, not being depreciated	34,457,784	21,584,772	21,744,833	34,297,723
Capital assets being depreciated:				
Buildings	100,118,187	11,505,223	-	111,623,410
Improvements other than buildings	47,438,076	5,256,005	-	52,694,081
Machinery and equipment	43,566,502	4,056,467	200,522	47,422,447
Infrastructure	243,574,668	6,810,036	-	250,384,704
Total capital assets, being depreciated	434,697,433	27,627,731	200,522	462,124,642
Less accumulated depreciation for:				
Buildings	45,824,829	3,293,600	-	49,118,429
Improvements other than buildings	20,296,983	1,891,337	-	22,188,320
Machinery and equipment	30,546,184	3,121,484	200,522	33,467,146
Infrastructure	84,012,395	4,568,227	-	88,580,622
Total accumulated depreciation	180,680,391	12,874,648	200,522	193,354,517
Total capital assets being depreciated, net	254,017,042	14,753,083	-	268,770,125
Governmental activities capital assets, net	\$ 288,474,826	\$ 36,337,855	\$ 21,744,833	\$ 303,067,848
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,983,631	\$ -	\$ -	\$ 6,983,631
Construction in progress	88,649,462	13,468,854	83,136,718	18,981,598
Total capital assets, not being depreciated	95,633,093	13,468,854	83,136,718	25,965,229
Capital assets being depreciated:				
Buildings	88,874,763	263,990	-	89,138,753
Improvements other than buildings	234,342,952	84,860,859	-	319,203,811
Machinery and equipment	21,837,384	2,592,663	28,871	24,401,176
Total capital assets, being depreciated	345,055,099	87,717,512	28,871	432,743,740
Less accumulated depreciation for:				
Buildings	29,918,657	1,946,225	-	31,864,882
Improvements other than buildings	90,193,000	6,966,058	-	97,159,058
Machinery and equipment	15,742,824	1,820,037	28,645	17,534,216
Total accumulated depreciation	135,854,481	10,732,320	28,645	146,558,156
Total capital assets being depreciated, net	209,200,618	76,985,192	226	286,185,584
Business-type activities capital assets, net	\$ 304,833,711	\$ 90,454,046	\$ 83,136,944	\$ 312,150,813

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely presented component units:				
Capital assets, not being depreciated:				
Land	\$ 5,069,270	\$ 8,571,773	\$ -	\$ 13,641,043
Construction in progress	5,900,237	21,755,698	2,333,322	25,322,613
Total capital assets, not being depreciated	10,969,507	30,327,471	2,333,322	38,963,656
Capital assets being depreciated:				
Buildings	158,705,502	19,252,492	3,471,464	174,486,530
Improvements other than buildings	3,097,713	369,320	-	3,467,033
Collection	3,157,871	665,394	208,629	3,614,636
Machinery and equipment	105,200,973	6,299,113	16,780,458	94,719,628
Total capital assets, being depreciated	270,162,059	26,586,319	20,460,551	276,287,827
Less accumulated depreciation for:				
Buildings	66,770,351	4,098,365	3,421,222	67,447,494
Improvements other than buildings	2,345,434	155,897	-	2,501,331
Collection	1,049,635	380,588	144,301	1,285,922
Machinery and equipment	82,582,611	5,592,010	16,607,700	71,566,921
Total accumulated depreciation	152,748,031	10,226,860	20,173,223	142,801,668
Total capital assets being depreciated, net	117,414,028	16,359,459	287,328	133,486,159
Component unit capital assets, net	\$ 128,383,535	\$ 46,686,930	\$ 2,620,650	\$ 172,449,815

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government		\$ 35,801
Public safety		625,745
Public works		10,637,389
Social services		934,422
Culture and recreation		593,269
Tourism		4,797
		<u>12,831,423</u>

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

43,225
\$ 12,874,648

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets (Continued)

Business-type activities:	
Water and sewer	\$ 8,980,757
Sanitation	886,572
Parking	135,961
Stormwater	616,560
Golf course	112,470
Total depreciation expense, business-type activities	<u>\$ 10,732,320</u>
Component units:	
Lawrence-Douglas County Housing Authority	\$ 741,007
Lawrence Memorial Hospital	8,881,314
Lawrence Public Library	604,539
Total depreciation expense, component units	<u>\$ 10,226,860</u>

Note 7. Defined Benefit Pension Plan

Description of pension plan: The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), administered by the Kansas Public Employees Retirement System (KPERs), a body corporate and an instrumentality of the State of Kansas. KPERs provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

Public employees, which includes:

- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local employees group and the Kansas Police and Firemen group.

KPERs issues a stand-alone comprehensive annual financial report, which is available on the KPERs website at www.kpers.org.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

Benefits: Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERs 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERs 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions: Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERs employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.20% of total payroll for the fiscal year ended June 30, 2018.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local government employees	8.39%	8.39%
Police and firemen	20.09%	20.09%

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

Member contribution rates as a percentage of eligible compensation for the fiscal year 2018 are 6.00% for Local employees and 7.15% for Police and Firemen.

Employer allocations: Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2018, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2018.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion for the Local employees group was 1.613%, which was a decrease of .109% from its proportion measured at June 30, 2017. At June 30, 2018, the City's proportion for the Police and Firemen group was 4.889%, which was a decrease of .241% from its proportion measured at June 30, 2017.

Net pension liability: At December 31, 2018, the City reported a liability of \$22,476,271 and \$47,041,107 for its total proportionate share of the net pension liability for the Local and Police and Firemen groups, respectively, for a total net pension liability of \$69,517,378 as of December 31, 2018.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018 as the measurement date, using the following actuarial assumptions:

Assumptions	Rate
Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50% to 12.00% including inflation
Long-term rate of return, net of investment expense and including price inflation	7.75%

Mortality rates were based on the RP-2014 Combined Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

IV-32

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2013, through December 31, 2015.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset	Long-Term Allocation	Long-Term Expected Rate of Return
Global equity	47.00%	6.85%
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Local	\$ 32,964,731	\$ 22,476,271	\$ 13,612,576
Police and firemen	67,042,930	47,041,107	30,295,171
Total	<u>\$ 100,007,661</u>	<u>\$ 69,517,378</u>	<u>\$ 43,907,747</u>

Pension expense: For the year ended December 31, 2018, the City recognized Local pension expense of \$1,817,569 and Police and Firemen pension expense of \$6,236,646, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred outflows of resources and deferred inflows of resources: At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Local:		
Differences between actual and expected experience	\$ 81,148	\$ 636,876
Net differences between projected and actual earnings on investments	525,791	-
Changes in assumptions	973,318	108,237
Changes in proportion	621,603	1,224,753
Total	<u>2,201,860</u>	<u>1,969,866</u>
Police and Firemen:		
Differences between actual and expected experience	2,874,344	217,335
Net differences between projected and actual earnings on investments	1,224,248	-
Changes in assumptions	2,477,153	129,835
Changes in proportion	1,021,084	1,963,786
Total	<u>7,596,829</u>	<u>2,310,956</u>
City contributions subsequent to measurement date for both groups	3,697,727	-
Total	<u>\$ 13,496,416</u>	<u>\$ 4,280,822</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

\$3,697,727 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Local Deferred (Inflows) Outflows Amount	Year ended December 31,	Police and Firemen Deferred (Inflows) Outflows Amount
2019	\$ 737,235	2019	\$ 2,950,479
2020	357,921	2020	1,860,459
2021	(530,945)	2021	217,930
2022	(260,571)	2022	271,367
2023	(71,646)	2023	(14,362)
	<u>\$ 231,994</u>		<u>\$ 5,285,873</u>

Deferred outflows and inflows of resources related to the difference between expected and actual plan experience, changes in proportionate share and changes in assumptions are being amortized over a closed period equal to the average of the expected service lives of all employees at the beginning of each measurement period. Deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments is being amortized over a closed five-year period.

Note 8. Interfund Transactions

Interfund receivables and payables: At December 31, 2018, the following funds had interfund receivables and payables to the following funds:

Due From	Amount Due to General Fund
Central maintenance fund	\$ 66,647
Home program fund	13,312
Outside agency fund	582,405
Community development fund	5,973
Transportation planning fund	77,884
	<u>\$ 746,221</u>

The City uses interfund receivables and payables as needed when pooled cash is negative within a fund until investments mature or grant proceeds are received. Management expects all payables to be cleared in less than one year.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 8. Interfund Transactions (Continued)

Interfund transfers: A summary of transfers for the year ended December 31, 2018 follows:

Fund	Transfers Out	Transfers In
General	\$ 3,674,000	\$ 3,657,000
Debt service	-	520,000
Nonmajor governmental	1,544,554	4,730,554
Water and sewer	3,085,000	-
Sanitation	17,000	-
Central maintenance	8,000	-
Nonmajor proprietary	579,000	-
	<u>\$ 8,907,554</u>	<u>\$ 8,907,554</u>

The City uses interfund transfers to share administrative costs between the enterprise and general funds. The water and sewer fund and the sanitation fund transferred \$3,085,000 and \$17,000, respectively, to the general fund in lieu of franchise fees for various utilities. The nonmajor governmental guest tax fund transferred \$1,060,000 tax revenue to the nonmajor governmental eXplore Lawrence fund. The general fund transferred approximately \$2.4 million to nonmajor governmental funds in support of recreational activities, \$375,000 to the Debt Service Fund and \$800,000 to the Housing Trust Fund. Beyond that, the City's policy is to transfer all fund balance in the general fund in excess of 25% to the capital improvement reserve and the equipment reserve annually.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 9. Commitments and Contingencies

Contract commitments: At December 31, 2018, the City had construction contract commitments totaling approximately \$13,260,466. The City expects to receive the contracted services during fiscal year 2019.

Description	Authorized	Expended	Remaining Authority
Construction of Training Tower	\$ 813,364	\$ 541,688	\$ 271,676
Access Layer Switch Replacements	19,320	-	19,320
Police Facility Phase 1	1,361,050	243,578	1,117,472
2018 MPO Transportation Planning	12,579	-	12,579
2018 Parks and Recreation Maintenance Projects	6,696	3,450	3,246
Community Building Improvements	40,762	-	40,762
2018 Lawrence Loop Trail	458	-	458
Downtown Master Plan	110,000	-	110,000
Riverfront Remodel PDS One Stop Shop & Municipal Court	344,162	115,906	228,256
9th, Delaware to Massachusetts Street Reconstruction (Conjunction w/ArtPlace)	2,220,586	969,031	1,251,555
Kasold Drive, BBP to 6th Street, Reconstruction and Geometric Improvements	5,215,579	4,245,041	970,537
Queens Road, 6th Street to N. City Limits	209,475	182,700	26,775
Safe Routes to School, Phase 2	317,392	310,768	6,625
Lawrence Municipal Airport, Wildlife Fence Install	94,800	90,100	4,700
Safe Routes to School 2018	65,415	60,498	4,917
19th and Iowa Underpass	2,757,819	-	2,757,819
23rd, Louisiana to Massachusetts Street, Geometric Improvements	2,119,786	564,083	1,555,703
Downtown Canopy Removal	460,185	-	460,185
COL & University of Kansas, Fiber Redundancy Project	120,000	119,694	307
City Hall Replacement of Carpet	21,985	20,160	1,825
2018 Sidewalk Gaps & ADA Ramps	46,635	30,725	15,910
2018 Bicycle Boulevards	119,595	8,341	111,254
6th and Tennessee Intersection, Geometric Improvements	39,600	35,648	3,952
Taste & Odor and Microtoxin Water Treatment Eval	562,076	547,586	14,490
Rapid Inflow/Infiltration Reduction	1,581,774	986,524	595,250
Oread Tank Replacement	4,513,790	4,002,168	511,623
Booster Pumping Improvements	142,225	125,251	16,974
19th Street Water/Sewer Relocations Total	78,162	73,385	4,777
Clinton WTP Sludge Building	22,828	-	22,828
Wastewater Flow Optimization	13,646	13,645	1
OSI Soft Analytics	4,650	2,025	2,625
CIS Replacement	1,859,131	900,185	958,946
Kasold WL Replacement (6th St-Bob Billings Pkwy)	629,862	570,153	59,709
Eagle Bend Golf Course Waterline Project	44,014	39,092	4,922
Manhole Rehab	569,370	160,934	408,436
2018 Manhole Replacement & Installation	41,045	37,190	3,856
20th Street & Kasold Drive Sewer Replacement	24,879	22,017	2,862
2018 Flow Monitoring	242,191	188,676	53,515
23rd & Massachusetts St Sewer Replacement	47,892	32,936	14,956
2018 CIPP	1,647,441	574,345	1,073,096
KRWWTB Bar Screen Replacement	171,611	37,576	134,035
Advanced Metering Infrastructure	58,600	45,211	13,389
W. 9th Waterline Replacement (Arkansas-Emery)	77,509	27,763	49,746
Lawrence Ave Waterline Replacement (8t St - BBPW)	183,957	82,044	101,913
Louisiana St WL Replace (19th-20th; 21st-23rd Strs)	86,393	32,469	53,924
14th St WL Replacement (Mass-Delaware Streets)	99,616	56,991	42,625
Naismith Valley Interceptor & PS8 Abandonment	118,425	94,777	23,648
2018 Vehicle Replacement	116,488	-	116,488
	<u>\$ 28,454,818</u>	<u>\$ 16,194,354</u>	<u>\$ 13,260,466</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 9. Commitments and Contingencies (Continued)

Encumbrance: The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as assigned or restricted fund balance. As of December 31, 2018, the City had a total of \$590,657 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	Assigned	Restricted	Total
General Fund	\$ 332,510	\$ -	\$ 332,510
Nonmajor governmental funds	-	258,147	258,147
	<u>\$ 332,510</u>	<u>\$ 258,147</u>	<u>\$ 590,657</u>

Insurance: 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. Under the City's risk management program, the City retains risk for general liability protection, automobile liability and up to \$300,000 per occurrence (\$1,000,000 in aggregate) for each worker's compensation claim. The City purchases commercial insurance for claims in excess of the maximum under an umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,288,975 at December 31, 2018 in the general liability and worker's comp liability funds. The primary government's claims liability reported in the Statement of Net Position at December 31, 2018 was \$495,886, for general and worker's comp liabilities. The liability reported in the financial statements at December 31, 2018 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of loss can be reasonably estimated.

Employee health care: The City has established a program to pay medical claims of covered current and former City employees and additional health insurance premiums. Liabilities are reported when it is probable that claims have been incurred and the amount of the liability can be reasonably estimated. Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available resources. This program is accounted for in an internal service fund.

	2018	2017
Unpaid claims, January 1	\$ 993,328	\$ 412,134
Incurred claims (including IBNRs)	8,179,634	9,983,064
Claim payments	7,853,718	9,401,870
Unpaid claims, December 31	<u>\$ 1,319,244</u>	<u>\$ 993,328</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 10. Cost Sharing Arrangements

In 1994, the City and the County agreed to combine their emergency communications services with the costs of the combined operations to be shared as follows: City 66% and County 34%. This agreement was modified in 1997 following the combination of the County emergency medical services and the City fire department in 1996 discussed below. This agreement was last modified in 2002.

In 1996, the County emergency medical services and the City fire department were combined with the City paying 73.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance services and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment, and furniture were transferred to the ownership of the City. This agreement was later modified in 1997, 1998 and 2005. The City received \$6.4 million from the County for this agreement for the year ending December 31, 2018.

The City and County participate in other cost sharing agreements as well, these have not been described as management does not consider them significant to the financial statements.

Note 11. Net Position

The amounts reported on the statement of net position identified as net investment in capital assets are as follows:

	Governmental Activities	Business-type Activities	Total
Total net capital assets	\$ 303,067,848	\$ 312,150,813	\$ 615,218,661
Less:			
Current portion of general obligation bonds	(8,726,400)	(3,155,600)	(11,882,000)
Current portion of revenue bonds	-	(7,305,000)	(7,305,000)
Current portion of capital lease payable	(152,315)	-	(152,315)
Noncurrent portion of temporary notes payable	(6,018,520)	-	(6,018,520)
Noncurrent portion of general obligation bonds	(83,270,094)	(9,451,765)	(92,721,859)
Noncurrent portion of revenue bonds	-	(192,252,038)	(192,252,038)
Noncurrent portion of capital lease payable	(991,376)	-	(991,376)
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	-	63,629,499	63,629,499
Net investment in capital assets	<u>\$ 203,909,143</u>	<u>\$ 163,615,909</u>	<u>\$ 367,525,052</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans

In addition to providing pension benefits the City provides postemployment health care benefits through two plans described below.

As a result of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the beginning net position of the governmental activities, business-type activities, water and sewer fund, sanitation fund and aggregate remaining fund information was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is disclosed in Note 14.

Below is a summary of amounts reported by the City:

	City Plan	KPERS Plan	Total
Total OPEB liability	\$ 12,822,450	\$ 1,768,110	\$ 14,590,560
Deferred inflows of resources	133,996	99,750	233,746
OPEB expense	1,098,624	161,628	1,260,252

Lawrence Other Postemployment Benefit Plan

Plan description: The City operates a single employer defined benefit healthcare plan administered by the City. The Employee Benefit Plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group healthcare plan to make participation available to all retirees and dependents until the retirees reaches the age of 65 years. The Health Insurance Fund has been used to liquidate net other postemployment benefit obligations in prior years through charges to other funds. No separate financial report is issued for the Plan. OPEB expenses are paid from the Health Insurance internal services fund.

Benefits provided: The City offers for a continuation of medical, prescription drug, vision and dental insurance benefits to retired employees that have not reached the age of sixty-five.

The City requires the retiree to pay 80% of group plan premium when Single or Family coverage is elected. Otherwise the retiree is required to 100% of the premium. Retirees and spouses have the same benefits as active employees. However, all retiree coverage terminates at the time the retiree became eligible for Medicare or if premium payment is not received on a timely basis. When the retiree attains Medicare eligibility age, it may be a COBRA qualifying event for the spouse.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Contributions: The city does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Retirees who elect to continue coverage in the medical and dental plans offered through Aetna are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the premium each year, the City's share of any premium costs is determined on the basis of a blended rate or implicit rate subsidy calculation. The benefits and benefit levels are government by City policy. Other postemployment liabilities attributable to governmental activities are generally liquidated by the General fund. The city made contributions of \$236,456 during the current year.

The amount of the monthly premium equivalent is determined actuarially on an annual basis. The city may contribute toward the premium equivalent for retired former employees and their dependents. However, the majority of the premium equivalent shall be paid by the retiree and based on a recommendation by the HealthCare Committee and approved by the City Commission.

Currently the City contributes 20% of the premium for individual and family covered. The retiree + Spouse and retiree + child coverage levels are not subsidized.

Employees covered by benefit terms: At December 31, 2018, the following employees were covered by the benefit terms:

Active employees:	
KPERS 1	255
KPERS 2	120
KPERS 3	109
Police and fire	290
Total active employees	<u>774</u>
Inactives:	
Retirees/disabled—subscribers	62
Spouses of retirees/disabled	16
Total inactive covered members	<u>78</u>
Total	<u><u>852</u></u>

Total OPEB liability: The City's total OPEB liability of \$12,822,450 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to rollforward the total OPEB liability to December 31, 2018.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Actuarial methods and assumptions: The total OPEB liability in the January 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Salary increases	2.50% general and 5.50% police and fire
Inflation rate	2.75%
Discount rate	3.68% measurement date 3.24% year preceding measurement date
Health care cost trend rates	7.0% decreasing to 4.5%
Dental cost trend rate	3.50%
Healthy mortality rates	Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2018 Full Generational Improvement
Disabled mortality rates	Society of Actuaries RPH-2014 adjusted to 2006 Disabled Retiree Headcount-weighted Mortality with MP-2018 Full Generational Improvement

The discount rate was based on the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes.

The financial information is based upon a GASB 75 actuarial valuation performed as of January 1, 2018 using the participant census as of that date. The results of the January 1, 2018 valuation were projected to the end of the year measurement date using standard actuarial techniques.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2017	<u>\$ 12,094,278</u>
Changes for the year:	
Service cost	701,279
Interest	410,745
Changes in benefit terms	-
Changes in assumptions	(147,396)
Benefit payments	<u>(236,456)</u>
Net changes	<u>728,172</u>
Balance as of December 31, 2018	<u><u>\$ 12,822,450</u></u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Changes in assumptions: The discount rate was changed from 3.24% at the beginning of the year to 3.68% at the end of the year. The mortality improvement scale was changed from MP-2017 at the beginning of the year to MP-2018 at the end of the year. The retiree contribution premiums, admin fees and stop-loss premiums were updated. This resulted in a reduction of costs by \$147,396.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.68%) or 1-percentage-point higher (4.68%) than the current discount rate:

	1% Decrease 2.68%	Discount Rate 3.68%	1% Increase 4.68%
Total OPEB liability	\$ 13,889,442	\$ 12,822,450	\$ 11,839,725

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 3.5%) or 1-percentage-point higher (8.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	(6.0% Decreasing to 3.5%)	Health Care Cost Trend Rates (7.0% Decreasing to 4.5%)	(8.0% Decreasing to 5.5%)
Total OPEB liability	\$ 11,435,405	\$ 12,822,450	\$ 14,457,901

OPEB expense and deferred inflows of resources related to OPEB: For the year ended December 31, 2018, the City recognized OPEB expense of \$1,098,624. At December 31, 2018, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Inflow of Resources
Changes of assumptions or other inputs	<u>\$ 133,996</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:		
2019	\$	(13,400)
2020		(13,400)
2021		(13,400)
2022		(13,400)
2023		(13,400)
Thereafter		(66,996)
	\$	<u>(133,996)</u>

KPERS Other Postemployment Benefit Plan

Plan description: The City participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis. For GASB Statement No. 75 purposes, the City is considered to be participating in a single employer long-term disability plan.

Benefits: Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60% of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees: The City has the following employees covered by the Plan as of June 30, 2018:

Active members	499
Disabled members	10
	<u>509</u>

Total OPEB liability: The City's total OPEB liability of \$1,768,110 was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018 as the measurement date, using the following actuarial assumptions:

Salary increases	3.50%
Inflation rate	2.75%
Discount rate	3.87% measurement date 3.58% year preceding measurement date

Mortality rates used for the death benefits were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using Scale AA. Mortality rates used for the disability benefits were based on the RP-2000 Disabled Life Table with generational mortality improvement using Scale AA.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

Changes in total OPEB liability

	Total OPEB Liability
Balance as of December 31, 2017	\$ 1,840,023
Changes for the year:	
Service cost	107,683
Interest	66,254
Effect of economic/demographic gains	(23,557)
Changes in assumptions	(26,501)
Benefit payments	(195,792)
Net changes	(71,913)
Balance as of December 31, 2018	<u>\$ 1,768,110</u>

Changes in assumptions: The discount rate was changed from 3.58% at the beginning of the year to 3.87% at the end of the year.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents The City's total OPEB liability calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB liability	\$ 1,859,977	\$ 1,768,110	\$ 1,680,260

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The health care cost trend rates do not affect liabilities related to the long-term disability benefits sponsored by KPERS.

OPEB expense: For the year ended December 31, 2018, The City recognized OPEB expense of \$161,628, which includes the changes in the total OPEB liability, and the amortization of deferred inflows of resources for the current period.

Deferred inflows of resources: At December 31, 2018, The City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual	\$ 21,126
Changes of assumptions or other inputs	78,624
	<u>\$ 99,750</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:	
2019	\$ (12,309)
2020	(12,309)
2021	(12,309)
2022	(12,309)
2023	(12,309)
Thereafter	(38,205)
	<u>\$ (99,750)</u>

Note 13. Pollution Remediation

On September 29, 2010, the City of Lawrence obtained the former Farmland site out of bankruptcy. The site includes 463.5 acres located in Northeast Lawrence adjacent to Kansas Highway 10. Of this acreage, 263 acres will require minimal action. Farmland used the location to produce nitrogen fertilizer from 1954 to 2001 and the groundwater, soil, sediments and surface and storm waters contain nitrate and ammonia levels that exceed current drinking water regulations. The City entered into a consent order with the Kansas Department of Health and Environment (KDHE) to remediate the pollution and received \$8.5 million from the Farmland Trust Account to pay the estimated cost of between \$11.2 million and \$11.8 million over 30 years. Originally the KDHE estimate for the remediation over a 30-year period was \$11.2 million with an additional \$2.1 million contingency. The EPA produced an estimate of \$11.8 million.

In September of 2017, the City of Lawrence and the Kansas Department of Health and Environment (KDHE) entered into conversations regarding the excess storage of nitrogen rich water collected on the Farmland site. After review by KDHE, they suggested a one-time, temporary, conditional discharge of this remediation water to the Kansas River. KDHE indicated that this in no way establishes a precedent for disposal of future water from the site, but allowed the City to regain storage capacity and begin the process of developing a more comprehensive and sustainable remediation strategy for the excess nitrogen. On April 16, 2018, the City entered into a contract with GHD to reassess the site and consider alternative remediation strategies.

Since approval of the original contract on April 3, 2018, the City has been pursuing changes to the long-term environmental remediation project at the former Farmland Nitrogen Fertilizer Plant. Phase one of this effort includes professional services related to site study, analysis of alternative remediation strategies and regulatory approvals for alternative strategies prepared by the selected firm, GHD Inc.

The project scope, as proposed by GHD in 2018, includes data review, existing remediation systems evaluation, remediation alternative evaluation and recommendation, and community engagement.

The City and GHD have worked continuously to produce a remediation alternative that may be presented to the Kansas Department of Health and Environment (KDHE). The first step in the approved contract with GHD included site data review and development of an updated conceptual site model. During their development of the static 3D model and detailed review of current systems and monitoring data, GHD and the City have identified data gaps and changes to the site conditions, which prevent the completion of the original scope of work as requested. To address these data gaps, the City and GHD prepared a data gap study work plan that was presented to KDHE on November 21, 2018. On January 23, 2019 the City received correspondence indicating that the data gap study work plan had been approved by KDHE.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 13. Pollution Remediation (Continued)

Until the data gap study has been performed, an alternative analysis and recommendation of remedial alternatives cannot be reasonably completed and presented to KDHE for review and approval. Upon completion of the approved data gap study, GHD will complete the static model and submit a final report containing remedial alternatives that will then be presented to KDHE for approval. Until the study is complete, an estimate of the environmental remediation liability is not estimable and therefore no liability has been recorded as of December 31, 2018.

Note 14. Restatement

During 2018, it was discovered that capital assets and certain revenues were incorrectly recorded in 2017. As disclosed in Note 12, beginning net position was restated as a result of the adoption of GASB Statement No. 75. The effects of all the adjustments are as follows:

	Governmental Activities	Business-Type Activities	Water & Sewer	Sanitation	Nonmajor Proprietary - Public Parking System
Net position and fund balance December 31, 2017, as previously reported	\$ 201,367,305	\$ 173,526,456	\$ 145,612,712	\$ 8,373,712	\$ 788,528
Total OPEB liability	(9,526,999)	(4,407,302)	(2,405,538)	(1,449,382)	(267,282)
Removal of net OPEB obligation	5,277,903	1,909,765	924,815	744,643	163,039
Capital assets	16,559,810	-	-	-	-
Revenue	1,112,286	-	-	-	-
Net position and fund balance December 31, 2017, as restated	\$ 214,790,305	\$ 171,028,919	\$ 144,131,989	\$ 7,668,973	\$ 684,285
	Nonmajor Proprietary - Golf Course	Nonmajor Proprietary - Stormwater	Internal Service Fund	Nonmajor governmental Guest Tax Fund	Special Gas Tax Fund
Net position and fund balance December 31, 2017, as previously reported	\$ 83,408	\$ 15,261,699	\$ (483,534)	\$ 703,529	\$ 1,481,775
Total OPEB liability	(98,003)	(187,097)	(267,282)	-	-
Removal of net OPEB obligation	5,872	71,396	-	-	-
Capital assets	-	-	-	-	-
Revenue	-	-	-	461,832	650,454
Net position and fund balance December 31, 2017, as restated	\$ (8,723)	\$ 15,145,998	\$ (750,816)	\$ 1,165,361	\$ 2,132,229

IV-40

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development

Property tax abatements: In 2018, the City of Lawrence participated in real property tax abatements for four local companies. Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy.

The City provides property tax abatements to encourage existing industry to expand, assist new business start-ups, recruit new companies from out-of-state or internationally, encourage high technology and research based businesses, encourage training and development of Lawrence area employees, and encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in the community through leadership and support of civic and philanthropic organizations. Property tax abatements reduce ad valorem property taxes. The percentage of reduction ranges from 50% to 100%, but in all cases, the maximum duration is for ten years as per state statute. To receive an abatement, applicants must submit an application, which undergoes due diligence and analysis before being considered by the City Commission. If the abatement is authorized, the applicant must sign a performance agreement that specifies annual compliance measures. Each year, the applicant must submit a renewal application, along with compliance information, which is reviewed by City staff for conformance with agreement provisions. If compliance is not met, details are reviewed by advisory boards and the City Commission to determine the amount of incentives, if any, to be received by the property owner. Compliance details are reported annually in the City's economic development report.

Company	Commitments	Type & percent Abatement in 2018	Amount Abated in 2018
Amarr Garage Doors	Job creation/retention	Personal Property Taxes, 55%	\$25,238
3840 Greenway Circle LLC/Screen-It Graphics (Grandstand)	Business relocation and expansion, job creation and retention	Real Property Taxes, 65%	\$102,575
Sunlite Science & Technology, Inc.	Business relocation and expansion, job creation and retention	Real Property Taxes, 50%	\$22,398
RCP, LLC, known as "Rock Chalk Park"	A property tax abatement was authorized to assist the University of Kansas (KU) in pursuing this project. KU would normally enjoy a 100% property tax abatement on their property for the duration of ownership. However, due to the structure of the project with KU Athletics entering into a long term lease with a private developer to construct the facilities, an automatic property tax exemption was not possible.	Real Property Taxes, 100%	\$438,472

No other governments have entered into tax abatement agreements that reduce the City's tax revenues.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

Neighborhood Revitalization Areas (NRA): During 2018, the City of Lawrence had eight established neighborhood revitalization areas. Six properties were eligible for an NRA rebate for the property taxes levied in 2018. The remaining NRA projects were either under construction or had not commenced construction by the end of the year and were not eligible for a rebate.

NRAs are provided to assist with spurring investment and revitalization of properties which can benefit a neighborhood and the general public. The program works by rebating a portion of the incremental increase in property taxes resulting from improvements back to the property owner. The base value, or what the property was valued at prior to improvements, is shielded from the rebate. Participation in the program and percentage of rebate and duration are determined separately by the City, County, and School District. In the majority of cases, the program is active for 10-15 years and provides rebates from 85% to 95%. To receive an NRA, applicants must submit an application, which undergoes due diligence and analysis before being considered by the City Commission, County Commission, and School Board. If the NRA is authorized, the district is subject to an NRA Plan. Each year, the applicant must submit a rebate application, along with proof that property taxes have been paid in full. Because the rebate is not given until after improvements are put in place and property taxes paid, there are no provisions for recapturing taxes. Details for NRA districts are reported annually in the City's economic development report.

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2018:

Neighborhood Revitalization Area	Purpose	Duration- percent of Increment Subject to NRA	Rebate Amount in 2018
8th and Pennsylvania District: (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	\$14,117
1040 Vermont (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2018 – Note 2	\$26,512
810/812 Pennsylvania (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	\$26,460
1106 Rhode Island (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%	\$11,753
1101/1115 Indiana (Mixed-Use, Student Housing)	Redevelopment of underutilized property for mixed-use commercial and residential space	10Y-85%	n/a: First rebate tax year will be 2019
900 Delaware (9 Del Lofts)	Redevelopment of vacant parcel into multi-family, affordable housing	15Y-95%	\$32,416
826 Pennsylvania Street (Mixed-use, Commercial/Residential)	Rehab and redevelopment of dilapidated structure into mixed-use commercial & residential	10Y, 85% County, 50% City	\$60,791
Vermont Place (Mixed-use, Commercial/Residential)	Rehab and development of vacant lot into mixed-use commercial & residential	10Y-75%	Project had not commenced construction in 2018. NRA rebate to start with the first full tax year after project completion.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

Note 1—The 8th & Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per agreement with the City, rebates are due until the maximum amount of \$324,673 has been rebated or 12-31-2032, whichever comes first.

Note 2—Years 1–4: 95%; Years 5–6: 85%; Year 7: 70%; Year 8: 50%; Year 9: 30%; Year 10: 20%

Tax Increment Financing (TIF): TIFs are an economic development tool established by the Kansas TIF Act (K.S.A. 12-1770 et seq.) and subject to City policy to aid in financing projects for substantial public benefit. Public benefits can include creating jobs or retaining existing employment, eliminating blight, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, upgrading older neighborhoods, facilitating economic self-sufficiency, promoting projects that are of community wide importance, or implementing the Comprehensive Plan and economic development goals of the City. The program works by reimbursing a portion of the incremental increase in property taxes resulting from improvements and a portion of local sales tax generated within the district to the property owner. The base value, or what the property was valued at prior to improvements, is shielded from the rebate.

To receive a TIF, applicants must submit a detailed, written proposal to the City Manager, which will undergo due diligence and analysis before being considered by the City Commission. The City Commission then determines if it will commence the statutory process to create a redevelopment district.

If the TIF district is authorized, the City and applicant will enter into an agreement that specifies performance, certification and reimbursement requirements. City Staff will work with the property owner to certify eligible expenses and compliance with agreement provisions. Once the project begins to generate TIF revenues (sales tax and/or property tax), City Staff works with the distributing agency and property owner to generate and track reimbursements. Because reimbursements are not paid until after improvements are put in place, agreement compliance is met, eligible expenses are certified and sales and/or property tax distributions are made to the City, there are no provisions for recapturing taxes. Details for TIF districts are reported annually in the City's economic development report.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2018:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2018
Downtown 2000 Redevelopment (Original 9 th and New Hampshire) – Note 1			
901 New Hampshire – TIF Property Tax	Aid Construction and funding of multi-level, City public parking garage	2020	\$28,085
The Oread TIF District			
The Oread: TIF Sales Tax	Fund public improvements for multi-level hotel project	2028	\$168,467
The Oread: TIF Property Tax			\$361,989
9th & New Hampshire TIF District			
TIF Sales Tax: South Project (900 New Hampshire)	Fund public improvements for development of vacant parcel into mixed-use hotel with on-site, underground parking	2032	\$112,208
TIF Property Tax: South Project (900 New Hampshire)			\$341,644
TIF Sales Tax: North Project (888 New Hampshire)	Fund public improvements for redevelopment of property into mixed-use apartment and banking center with on-site, underground parking.	2034	\$329
TIF Property Tax: North Project (888 New Hampshire)			\$228,303
City retained 5% – Note 2	The City retains 5% of TIF revenues for the Arts Common project, up to \$900,000	2022	\$35,975

Note 1—The Downtown 2000 TIF does not pay out to private entities except for \$28,085 per year reimbursement that was authorized via agreement for 901 New Hampshire Street.

Note 2—The City retains 5% of TIF revenue for the Arts Common project, up to \$900,000. At the end of 2018, the City had retained a total of \$85,975 in TIF revenue (\$3,880 in 2015, \$21,789 in 2016, \$24,386 in 2017 and \$35,920 in 2018)

Transportation Development District: Transportation Development Districts (TDD) are an economic development tool established by the Kansas TDD Act (K.S.A. 12-17,140 et seq.) and subject to City policy to assist with the development of transportation improvements which can benefit a development and the public. In all TDD districts, public improvements were financed initially by the developer and are reimbursed annually via a 1% transportation district sales tax on retail or taxable services occurring within the district.

To establish a TDD, the applicant first submits a TDD petition which is signed by the owners of all of the land within the proposed district. The City Commission then considers the request to establish a TDD.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

If the TDD is authorized, the City and applicant will enter into an agreement that specifies performance, certification and reimbursement requirements. City Staff will work with the property owner to certify eligible expenses and compliance with agreement provisions. Once the project begins to generate TDD revenues, City Staff works with the distributing agency and property owner to make and track reimbursements. Because reimbursements are not paid until after improvements are put in place, agreement compliance is met, eligible expenses are certified and TDD sales tax distributions are made to the City, there are no provisions for recapturing taxes. Details for TDD districts are reported annually in the City's economic development report.

The City of Lawrence negotiates TDDs on an individual basis. The City had the TDDs listed below in 2018.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2018
The Oread	Aid in funding transportation improvements related to The Oread Hotel TDD district.	2031	\$87,538
Free-State (Bauer Farms)	Aid in funding transportation improvements related to the Free-State TDD development district.	2031	\$248,184
9th & New Hampshire			
South Project: 900 New Hampshire St.	Aid in funding transportation improvements related to the 9th & New Hampshire TDD district.	2037	\$0 – Note 1
North Project: 888 New Hampshire St.			\$0

Note 1—The City retains the first \$850,000 as contribution toward the City parking garage at 10th and New Hampshire. As of December 31, 2018, the City had retained the entire amount of distributed 900 New Hampshire TDD tax revenue of \$47,664.

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements

The GASB has issued several statements that are not yet effective and have not yet been implemented by the City of Lawrence, Kansas. The statements which might impact the City are as follows:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending December 31, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

Notes to the Basic Financial Statements

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the City beginning with its fiscal year ending December 31, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending December 31, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the City must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

Notes to the Basic Financial Statements

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued March 2018, will be effective for the City beginning with its fiscal year ending December 31, 2019, with earlier adoption encouraged. Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

Note 17. Subsequent Event

On March 26, 2019, the City issued \$3,880,000 in General Obligation Improvement Bonds, Series 2019-A and \$28,655,000 in General Obligation Temporary Notes, Series 2019-1. The notes will mature on May 1, 2021 and bear interest at an annual rate of 2.0%. The bonds will mature on September 1, 2039 and bear interest at an annual rate of 3.0%. The proceeds will be used for the purpose of paying a portion of the cost of certain street, public building and facilities, storm sewer systems and other public improvement projects within the City.

City of Lawrence, Kansas

Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios—City Plan

	2018
Total OPEB liability	
Service cost	\$ 701,279
Interest	410,745
Changes of benefit terms	-
Changes of assumptions	(147,396)
Benefit payments	<u>(236,456)</u>
Net change in total OPEB liability	728,172
Total OPEB liability—beginning	12,094,278
Total OPEB liability—ending	<u>\$ 12,822,450</u>
Covered payroll	<u>\$ 46,574,172</u>
Total OPEB liability as a percentage of covered payroll	27.53%

Notes to schedule:

Changes of assumptions: The discount rate was changed from 3.24% at the beginning of the year to 3.68% at the end of the year. The mortality improvement scale was changed from MP-2017 to MP-2018 and the retiree contribution premiums, admin fees and stop-loss premiums were updated. This resulted in a reduction of costs by \$147,396.

2018 was the City's first year implementing GASB Statement No. 75 for the OPEB liability. This schedule will become a ten year schedule, as information becomes available, in accordance with GASB Statement No. 75 requirements.

City of Lawrence, Kansas

Required Supplementary Information (Continued)
 Schedule of Changes in Total OPEB Liability and Related Ratios—KPERs Plan

	2018
Total OPEB liability	
Service cost	\$ 107,683
Interest	66,254
Effect of economic/demographic gains	(23,557)
Changes of assumptions	(26,501)
Benefit payments	<u>(195,792)</u>
Net change in total OPEB liability	(71,913)
Total OPEB liability—beginning	1,840,023
Total OPEB liability—ending	<u>\$ 1,768,110</u>
Covered payroll	<u>\$ 27,873,554</u>
Total OPEB liability as a percentage of covered payroll	6.34%

Notes to schedule:

Changes of assumptions: The discount rate was changed from 3.58% at the beginning of the year to 3.87% at the end of the year. This resulted in a reduction of costs by \$26,501.

2018 was the City's first year implementing GASB Statement No. 75 for the OPEB liability. This schedule will become a ten year schedule, as information becomes available, in accordance with GASB Statement No. 75 requirements.

City of Lawrence, Kansas

Required Supplementary Information (Continued)
 Schedule of the City's Proportionate Share of the Net Pension Liability—KPERs
 December 31, 2018

	December 31,	
	Local 2018	Police and Firemen 2018
City's proportion of the net pension liability	1.613%	4.889%
City's proportionate share of the net pension liability	\$ 22,476,271	\$ 47,041,107
City's covered payroll	\$ 28,857,883	\$ 24,857,649
City's proportionate share of the net pension liability as a percentage of its covered payroll	77.89%	189.24%
Plan fiduciary net position as a percentage of the total net pension liability	74.22%	71.53%

	December 31,					
	Local 2017	Police and Firemen 2017	Local 2016	Police and Firemen 2016	Local 2015	Police and Firemen 2015
	1.722%	5.130%	1.683%	4.954%	1.678%	5.068%
	\$ 24,948,735	\$ 48,108,856	\$ 26,042,494	\$ 46,013,453	\$ 22,038,579	\$ 36,797,128
	\$ 29,272,989	\$ 24,092,226	\$ 29,365,147	\$ 24,053,146	\$ 27,253,827	\$ 22,717,357
	85.23%	199.69%	88.69%	191.30%	80.86%	161.98%
	72.15%	70.99%	68.55%	69.30%	71.98%	74.60%

The amounts presented for each fiscal year were determined as of December 31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore, 10 years of data is unavailable.

Schedule of the City's Contribution—KPERs
 December 31, 2018

	December 31,	
	Local 2018	Police and Firemen 2018
Contractually required contribution	\$ 2,459,149	\$ 5,064,566
Contributions in relation to the contractually required contribution	2,459,149	5,064,566
Contribution deficiency (excess)	\$ -	\$ -
City's covered payroll	\$ 29,310,477	\$ 25,209,388
Contributions as a percentage of covered payroll	8.39%	20.09%

	December 31,					
	Local 2017	Police and Firemen 2017	Local 2016	Police and Firemen 2016	Local 2015	Police and Firemen 2015
	\$ 2,463,442	\$ 4,723,704	\$ 2,687,252	\$ 4,919,631	\$ 2,783,814	\$ 5,137,753
	2,463,442	4,723,704	2,687,252	4,919,631	2,783,814	5,137,753
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 29,118,723	\$ 24,822,401	\$ 29,272,898	\$ 24,092,226	\$ 29,365,147	\$ 24,053,146
	8.46%	19.03%	9.18%	20.42%	9.48%	21.36%

Data became available with the inception of GASB 68 during fiscal year 2015, therefore, 10 years of data is unavailable.

City of Lawrence, Kansas

**Kansas Public Employees Retirement System (KPERs)
Notes to Required Supplementary Information**

Actuarial methods and assumptions used to determine the actuarially determined contributions:

The following actuarial methods and assumptions were used in the December 31, 2018 valuation to determine the actuarially determined contribution.

Valuation timing	December 31, 2017
Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed value
Inflation	2.75%
Salary increases including inflation	Police and firemen 3.50% to 12.00%, including price inflation Local, 3.50% to 10.00%, including price inflation
Long-term rate of return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2014 mortality tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using scale MP-2016.

OFFICIAL BID FORM

**PROPOSAL FOR THE PURCHASE OF CITY OF LAWRENCE, KANSAS
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020-A**

TO: Jeremy Willmoth, Finance Director
City of Lawrence, Kansas

April 7, 2020

For \$6,125,000.00* principal amount of General Obligation Improvement Bonds, Series 2020-A, of the City of Lawrence, Kansas, to be dated April 30, 2020, as described in the Notice of Sale (the "Notice") dated March 20, 2020, said Bonds to bear interest as follows:

<u>Stated</u> <u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>Stated</u> <u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>
2021	\$235,000	_____ %	_____ %	2031	\$305,000	_____ %	_____ %
2022	275,000	_____ %	_____ %	2032	310,000	_____ %	_____ %
2023	275,000	_____ %	_____ %	2033	315,000	_____ %	_____ %
2024	280,000	_____ %	_____ %	2034	320,000	_____ %	_____ %
2025	280,000	_____ %	_____ %	2035	330,000	_____ %	_____ %
2026	285,000	_____ %	_____ %	2036	335,000	_____ %	_____ %
2027	290,000	_____ %	_____ %	2037	340,000	_____ %	_____ %
2028	290,000	_____ %	_____ %	2038	350,000	_____ %	_____ %
2029	295,000	_____ %	_____ %	2039	355,000	_____ %	_____ %
2030	300,000	_____ %	_____ %	2040	360,000	_____ %	_____ %

the undersigned will pay the principal amount of the Bonds plus accrued interest to the date of delivery, less a total discount/plus a total premium in the amount set forth below.

Total interest cost to maturity at the rates specified \$ _____
 Discount (if any) (not to exceed 1.00%) \$ _____
 Premium (if any) \$ _____
 Net interest cost \$ _____
 True Interest Cost _____ %

The Bidder elects to purchase Municipal Bond Insurance from: [Assured] [AGM] [BAM] [_____].
Circle one or complete blank.

The Bidder elects to have the following Term Bonds:

Maturity Date	Years	Amount
September 1, _____	_____ to _____	\$ _____
September 1, _____	_____ to _____	\$ _____

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

This proposal is subject to all terms and conditions contained in the Notice, and if the undersigned is the Successful Bidder, the undersigned will comply with all of the provisions contained in the Notice, including delivery of a wire transfer in the amount of \$122,500.00 payable to the order of the Issuer, to be delivered by 1:00 p.m. Central Time, as an evidence of good faith. The acceptance of this proposal by the Issuer 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 Lawrence, Kansas, the above proposal is hereby accepted on April 7, 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 Finance Director, Jeremy Willmoth, Six East Sixth Street, Lawrence, Kansas 66044, facsimile bids may be filed with the Municipal Advisor, Fax No. (651) 223-3046 or electronic bids may be submitted via **PARITY**®, at or prior to 10:00 a.m., Central Time, on April 7, 2020. Any bid received after such time will not be considered.

* Preliminary; subject to change as provided in the Notice of Sale.

OFFICIAL BID FORM

PROPOSAL FOR THE PURCHASE OF CITY OF LAWRENCE, KANSAS
GENERAL OBLIGATION TEMPORARY NOTES, SERIES 2020-I

TO: Jeremy Willmoth, Finance Director
City of Lawrence, Kansas

April 7, 2020

For \$2,445,000* principal amount of General Obligation Temporary Notes, Series 2020-I, of the City of Lawrence, Kansas, to be dated May 6, 2020, as described in the Notice of Sale (the "Notice") dated March 20, 2020, said Notes to bear interest as follows:

<u>Maturity</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>
2021	\$2,445,000	_____ %

the undersigned will pay the total principal amount of the Notes plus accrued interest to the date of delivery, plus a total premium in the amount set forth below.

Total interest cost to maturity at the rates specified \$ _____
Plus Premium (if any) \$ _____
Net interest cost \$ _____
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, including delivery of a wire transfer in the amount of \$48,900.00 payable to the order of the Issuer, to be delivered by 1:00 p.m. Central Time, as an evidence of good faith. The acceptance of this proposal by the Issuer 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 Lawrence, Kansas, the above proposal is hereby accepted on April 7, 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 Finance Director, Jeremy Willmoth, Six East Sixth Street, Lawrence, Kansas 66044, facsimile bids may be filed with the Municipal Advisor, Fax No. (651) 223-3046 or electronic bids may be submitted via **PARITY**®, at or prior to 10:00 a.m., Central Time, on April 7, 2020. Any bid received after such time will not be considered.

* Preliminary; subject to change as provided in the Notice of Sale.