

FINAL OFFICIAL STATEMENT DATED APRIL 11, 2023

**NEW ISSUES
BOOK ENTRY ONLY**

**MOODY'S RATING ON THE BONDS: Aa1
MOODY'S RATING ON THE NOTES: MIG 1**

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 Bonds and the Notes (collectively, 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. Bond Counsel notes that for tax years beginning after December 31, 2022, interest on the Obligations may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See "TAX MATTERS" herein.

CITY OF LAWRENCE, KANSAS

**\$10,455,000 General Obligation
Improvement Bonds, Series 2023-A
(the "Bonds")**

**\$34,575,000 General Obligation
Temporary Notes, Series 2023-I
(the "Notes")**

(General Obligations Payable From Unlimited Ad Valorem Taxes)

| | |
|----------------------|---|
| Dated Date | Date of Delivery (anticipated to be April 25, 2023) |
| Security | <p><u>The Bonds.</u> The Bonds shall 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 of and interest on the Bonds as the same become due.</p> <p><u>The Notes.</u> The Notes shall be general obligations of the City payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of certain public improvements or from the proceeds of the City's general obligation bonds and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal of and interest on the Notes as the same become due.</p> |
| Authorization | <p><u>The Bonds.</u> The Bonds are being issued pursuant to K.S.A. 10-101 <i>et seq.</i>, K.S.A. 10-620 <i>et seq.</i>, Charter Ordinance No. 40 of the City, 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 an ordinance and a resolution adopted by the governing body of the City.</p> <p><u>The Notes.</u> The Notes are being issued pursuant to K.S.A. 10-101 <i>et seq.</i>, particularly including K.S.A. 10-123, K.S.A. 10-620 <i>et seq.</i>, K.S.A. 12-6a01 <i>et seq.</i>, 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.</p> |

| | |
|--|---|
| Purpose | The proceeds of the Bonds will be used for the purpose of providing permanent financing for the cost of certain public improvement projects within the City which were previously financed, in part, by the City's General Obligation Temporary Notes, Series 2022-I (the "Series 2022-I Notes"). The proceeds of the Notes will be used to pay for a portion of the costs of certain public improvement projects within the City a portion of which were previously financed, in part, by the Series 2022-I Notes. See "Purpose of the Issue and Use of Funds" herein. |
| Principal and Interest Payments | <p><u>The Bonds.</u> Principal will be paid annually on September 1, beginning September 1, 2024. Interest will be payable semiannually on March 1 and September 1, beginning March 1, 2024.</p> <p><u>The Notes.</u> Principal will be paid at maturity on May 1, 2024. Interest will be payable on November 1, 2023 and at maturity.</p> |
| Redemption Provisions | <p><u>The Bonds.</u> At the option of the City, the Bonds maturing on September 1, 2033 and thereafter will be subject to redemption and payment prior to maturity on September 1, 2032, 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.</p> <p><u>The Notes.</u> The Notes will not be subject to optional redemption in advance of their stated maturity date.</p> |
| Book Entry | Investors will not receive physical certificates representing their interest in the Obligations purchased. The Obligations (as defined herein) will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See Appendix B for "Book Entry". |
| Denominations | The Obligations are being issued in the denomination of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). |
| Paying Agent and Registrar | Treasurer of the State of Kansas, located in Topeka, Kansas (Paying Agent and Registrar). |
| Underwriter | Please see the "PURCHASER/UNDERWRITING" section herein for discussion regarding the Underwriters of the Obligations. |

MATURITY SCHEDULE
(Base CUSIP(1) 520121)

The Bonds

| <u>Maturity</u> <u>(September 1)</u> | <u>Principal</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP(1)</u> |
|---|------------------|--------------------------------|--------------|--------------|-----------------|
| 2024 | \$440,000 | 5.00% | 2.54% | 103.241% | UP7 |
| 2025 | \$645,000 | 5.00% | 2.43% | 105.832% | UQ5 |
| 2026 | \$675,000 | 5.00% | 2.31% | 108.620% | UR3 |
| 2027 | \$710,000 | 5.00% | 2.26% | 111.288% | US1 |
| 2028 | \$745,000 | 5.00% | 2.26% | 113.731% | UT9 |
| 2029 | \$620,000 | 5.00% | 2.25% | 116.184% | UU6 |
| 2030 | \$655,000 | 5.00% | 2.26% | 118.456% | UV4 |
| 2031 | \$685,000 | 5.00% | 2.29% | 120.487% | UW2 |
| 2032 | \$720,000 | 5.00% | 2.33% | 122.313% | UX0 |
| 2033 | \$755,000 | 5.00% | 2.37% | 121.937%(2) | UY8 |
| 2034 | \$305,000 | 5.00% | 2.47% | 121.004%(2) | UZ5 |
| 2035 | \$325,000 | 5.00% | 2.61% | 119.711%(2) | VA9 |
| 2036 | \$340,000 | 5.00% | 2.79% | 118.074%(2) | VB7 |
| 2037 | \$355,000 | 5.00% | 2.93% | 116.819%(2) | VC5 |
| 2038 | \$375,000 | 4.00% | 3.56% | 103.469%(2) | VD3 |
| 2039 | \$390,000 | 4.00% | 3.65% | 102.747%(2) | VE1 |
| 2040 | \$405,000 | 3.875% | 3.89% | 99.808% | VF8 |
| 2041 | \$420,000 | 3.875% | 3.92% | 99.411% | VG6 |
| 2042 | \$435,000 | 3.875% | 3.95% | 98.988% | VH4 |
| 2043 | \$455,000 | 4.00% | 4.00% | 100.000% | VJ0 |

The Notes

| <u>Maturity</u> <u>(May 1)</u> | <u>Principal</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP(1)</u> |
|-----------------------------------|------------------|--------------------------------|--------------|--------------|-----------------|
| 2024 | \$34,575,000 | 5.00% | 2.80% | 102.189% | VK7 |

(1) CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data (including CUSIP identifiers and related descriptive data) contained herein is provided by CUSIP Global Services (“CGS”), which is operated on behalf of the ABA by FactSet Research Systems Inc. CUSIP data is the valuable intellectual property of the ABA and the inclusion of CUSIP data herein is not intended to create a database and does not serve in any way as a substitute for any CUSIP Service provided by CGS. CUSIP data herein is provided for convenience of reference only. Neither the City, the Municipal Advisor, the Bond Underwriter, or the Note Underwriter nor their agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Obligations as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Obligations.

(2) Priced to the first optional call date of September 1, 2032.

The Official Statement dated April 11, 2023 is a Final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesperson, 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 Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The information and expressions of opinion in the Preliminary Official Statement and the Final Official Statement are subject to change, and neither the delivery of the Preliminary Official Statement nor the Final Official Statement nor any sale made under either such document shall create any implication that there has been no change in the affairs of the City since the respective date thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the Final Official Statement since its delivery.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds and the Notes (collectively, the "Obligations") are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Obligations, the City and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The City does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

CITY OF LAWRENCE, KANSAS

CITY COMMISSION

| | |
|------------------|--------------|
| Lisa Larsen | Mayor |
| Bart Littlejohn | Vice Mayor |
| Brad Finkeldei | Commissioner |
| Courtney Shipley | Commissioner |
| Amber Sellers | Commissioner |

CITY MANAGER

Craig Owens

FINANCE DIRECTOR

Jeremy Willmoth

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Overland Park, Kansas and Saint Paul, Minnesota

BOND COUNSEL

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

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OFFICIAL STATEMENT**CITY OF LAWRENCE, KANSAS**

\$10,455,000
General Obligation
Improvement Bonds, Series 2023-A
(the “Bonds”)

\$34,575,000
General Obligation
Temporary Notes, Series 2023-I
(the “Notes”)

(General Obligations Payable From Unlimited Ad Valorem Taxes)

PURPOSE OF THE ISSUE AND USE OF FUNDS**PURPOSE OF THE OBLIGATIONS**The Bonds

The proceeds of the Bonds will be used for the purpose of providing permanent financing for the cost of certain public improvement projects within the City, a portion of which were previously financed by the City's General Obligation Temporary Notes, Series 2022-I, more specifically described as follows:

| Project | Resolution No. | Authority | Improvement Fund Deposit |
|---|----------------------------|---|---------------------------------|
| 11 th Street – Indiana Street to Ohio Street; Louisiana Street – 11 th Street to 12 th Street | 7400 | Charter Ord. No. 46 | \$ 45,467.00 |
| 17 th and Alabama Drainage Improvements | 7293, 7351, 7356 & 7400 | Charter Ord. No. 46 | 3,835,386.00 |
| 19 th Street Reconstruction – Harper to O'Connell | 7280, 7351, 7356 & 7400 | Charter Ord. No. 46 | 1,470,428.00 |
| 2020-2021 Playground Equipment | 7293 & 7400 | Charter Ord. No. 46 | 46,911.00 |
| 23 rd Street – Haskell Bridge to East City Limits | 7351 & 7400 | Charter Ord. No. 46 | 1,338,278.00 |
| 6 th Street – Iowa Street to Massachusetts Street | 7400 | Charter Ord. No. 46 | 142,734.00 |
| 9 th & Mississippi | 7351 & 7400 | Charter Ord. No. 46 | 373,920.00 |
| Broken Arrow Park Shelter (ADA) | 7400 | Charter Ord. No. 46 | 15,408.00 |
| Farmland Remediation Alternatives | 7351 & 7400 | Charter Ord. No. 46 | 23,500.00 |
| Lawrence Loop Trail | 7280, 7293, 7400 & 7417 | Charter Ord. No. 46 | 75,938.00 |
| Lawrence Loop Trail – Routing, Design, Construction | 7351 | Charter Ord. No. 46 | 150,000.00 |
| Maple Lane – 19 th Street to Brook Street | 7400 | Charter Ord. No. 46 | 56,201.00 |
| Storm Sewer Improvement Police Facility | 7222, 7280 & 7400 | Charter Ord. No. 40; Charter Ord. No. 46 | 314,078.00 |
| Public Parking Improvements | 7280 & 7400 | Charter Ord. No. 46 | 201,982.38 |
| Queens Road Street Improvements (City) | 7267, 7316 & 7417 | Charter Ord. No. 46 | 17,307.26 |
| Riverbank Stabilization | 7280, 7351 & 7400 | Charter Ord. No. 46 | 189,856.00 |
| Stormwater Projects | 7351 & 7400 | Charter Ord. No. 46 | 847,857.00 |
| Stormwater Replacement, Rehabilitation, Lining & In House Construction | 7400 | Charter Ord. No. 46 | 125,932.00 |
| Street Maintenance Program (2020) | 7351 & 7400 | Charter Ord. No. 46 | 1,076,000.00 |
| Street Maintenance Program (2022) | 7400 | Charter Ord. No. 46 | 860,750.00 |
| Terminal Building Rehabilitation & ADA Upgrades | 7351 & 7400 | Charter Ord. No. 46 | 111,664.00 |
| Wakarusa – Research Parkway to 23 rd Street | 7351, 7400 & 7464 | Charter Ord. No. 46 | 197,336.00 |
| Water Spray Park – Burroughs Creek Parks | 7351 & 7400 | Charter Ord. No. 46 | 37,000.00 |
| Water Spray Park – Lyons Park | 7400 & 7464 | Charter Ord. No. 46 | <u>36,517.00</u> |
| Total: | | | \$11,590,450.00 |

The Notes

The proceeds of the Notes will be used for the purpose of paying the cost of certain public improvement projects within the City, a portion of which were previously financed by the City's General Obligation Temporary Notes, Series 2022-I, more specifically described as follows:

| <u>Project</u> | <u>Resolution No.</u> | <u>Authority</u> | <u>Improvement Fund Deposit</u> |
|---|----------------------------|-------------------------------|-------------------------------------|
| 11 th Street – Indiana Street to Ohio Street; Louisiana Street – 11 th Street to 12 th Street | 7400 | Charter Ord. No. 46 | \$ 104,533.00 |
| 17 th and Alabama Drainage Improvements | 7293, 7351, 7356 & 7400 | Charter Ord. No. 46 | 2,264,614.00 |
| 19 th Street Reconstruction – Harper to O'Connell | 7280, 7351, 7356 & 7400 | Charter Ord. No. 46 | 836,572.00 |
| 23 rd Street – Haskell Bridge to East City Limits | 7351 & 7400 | Charter Ord. No. 46 | 4,111,722.00 |
| 643 Replacement Firetruck Quint | 7400 | Charter Ord. No. 46 | 1,500,000.00 |
| 6 th Street – Iowa Street to Massachusetts Street | 7400 | Charter Ord. No. 46 | 157,266.00 |
| 9 th & Mississippi | 7351 & 7400 | Charter Ord. No. 46 | 1,000,080.00 |
| Broken Arrow Park Shelter (ADA) | 7400 | Charter Ord. No. 46 | 234,592.00 |
| Farmland Remediation Alternatives | 7351 & 7400 | Charter Ord. No. 46 | 1,335,500.00 |
| Kansas River Amenities Recreation Trail | 7400 | Charter Ord. No. 46 | 750,000.00 |
| Maple Lane – 19 th Street to Brook Street Storm Sewer Improvement | 7400 | Charter Ord. No. 46 | 400,000.00 |
| Public Parking Improvements | 7280 & 7400 | Charter Ord. No. 46 | 98,018.00 |
| Queens Road Street Improvements (Benefit) | 7267 | K.S.A. 12-6a01 <i>et seq.</i> | 4,830,760.00 |
| Queens Road Street Improvements (City) | 7316 & 7417 | Charter Ord. No. 46 | 1,082,693.00 |
| Riverbank Stabilization | 7280, 7351 & 7400 | Charter Ord. No. 46 | 80,144.00 |
| Stormwater System Identification, Assessment & Model Creation | 7400 | Charter Ord. No. 46 | 400,000.00 |
| Stormwater Projects | 7351 & 7400 | Charter Ord. No. 46 | 292,143.00 |
| Stormwater Replacement, Rehabilitation, Lining & In House Construction | 7400 | Charter Ord. No. 46 | 956,068.00 |
| Street Maintenance Program (2022) | 7400 | Charter Ord. No. 46 | 1,139,250.00 |
| Terminal Building Rehabilitation & ADA Upgrades | 7351 & 7400 | Charter Ord. No. 46 | 1,303.00 |
| Wakarusa – Research Parkway to 23 rd Street | 7351, 7400 & 7464 | Charter Ord. No. 46 | 6,899,664.00 |
| Water Spray Park – Lyons Park | 7400 & 7464 | Charter Ord. No. 46 | 488,483.00 |
| Street Maintenance Program (2023) | 7464 | Charter Ord. No. 46 | 1,500,000.00 |
| Youth Sports Complex – 4 Artificial Turf Fields | 7464 | Charter Ord. No. 46 | 2,000,000.00 |
| Lawrence Loop – KRC 7 th Street to Constant Park | 7464 | Charter Ord. No. 46 | 150,000.00 |
| Skate Park at Centennial Park – PH 1 | 7464 | Charter Ord. No. 46 | 250,000.00 |
| Youth Sports Complex Baseball/Softball Light Upgrade | 7464 | Charter Ord. No. 46 | 900,000.00 |
| Iowa Street – Irving Hill Road to 23 rd Street | 7464 | Charter Ord. No. 46 | 150,000.00 |
| Stormwater Replacement, Rehabilitation, Lining & In-House Construction (2023) | 7464 | Charter Ord. No. 46 | 300,000.00 |
| City Hall Reconfiguration | 7464 | Charter Ord. No. 46 | 600,000.00 |
| Queens Road Signal Improvements (Benefit) | 7267 | K.S.A. 12-6a01 <i>et seq.</i> | <u>450,000.00</u> |
| Total: | | | \$35,263,405.00 |

USES AND SOURCES OF FUNDS

The Bonds

The composition of the Bonds is as follows.

| | |
|-----------------------------|---------------------|
| Sources of Funds: | |
| Principal Amount | \$10,455,000.00 |
| Net Reoffering Premium | <u>1,245,694.50</u> |
| Total Sources of Funds | \$11,700,694.50 |
| Uses of Funds: | |
| Deposit to Improvement Fund | \$11,590,450.00 |
| Costs of Issuance(1) | <u>110,244.50</u> |
| Total Uses of Funds | \$11,700,694.50 |

(1) Includes fees for bond counsel, municipal advisor, registrar/paying agent, rating agency, underwriter's compensation, and other miscellaneous expenses.

The Notes

The composition of the Notes is as follows:

| | |
|-----------------------------|-------------------|
| Sources of Funds: | |
| Principal Amount | \$34,575,000.00 |
| Reoffering Premium | <u>756,846.75</u> |
| Total Sources of Funds | \$35,331,846.75 |
| Uses of Funds: | |
| Deposit to Improvement Fund | \$35,263,405.00 |
| Costs of Issuance(1) | <u>68,441.75</u> |
| Total Uses of Funds | \$35,331,846.75 |

(1) Includes fees for bond counsel, municipal advisor, registrar/paying agent, rating agency, underwriter's compensation, and other miscellaneous expenses.

DESCRIPTION OF THE OBLIGATIONS

INTEREST CALCULATION

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2024. Interest on the Notes is payable on November 1, 2023 and at maturity on May 1, 2024. 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 (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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 Resolution (defined below). 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 has been designated by the City as paying agent for the payment of principal of and interest on the Obligations and bond 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 "DESCRIPTION OF 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 Resolution.

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

At the option of the City, the Bonds maturing on September 1, 2033 and thereafter will be subject to redemption and payment prior to maturity on September 1, 2032, 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.

The Notes will not be subject to optional 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 and/or Note.

REGISTRATION, TRANSFER, AND EXCHANGE FEATURES

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

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

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

AUTHORITY AND SECURITY

AUTHORITY

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, 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 an ordinance and a resolution adopted by the governing body of the City (collectively the "Bond Resolution").

The Notes

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.*, K.S.A. 12-6a01 *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," and together with the Bond Resolution, the "Resolution").

SECURITY

The Bonds

The Bonds shall 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 of and interest on the Bonds as the same become due.

The Notes

The Notes shall be general obligations of the City payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of certain public improvements or from the proceeds of the City's general obligation bonds and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal of 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 Obligations 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 Obligations as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

INVESTMENT OF FUNDS

The proceeds of the Obligations are to be invested in accordance with the laws of the State of Kansas (the "State") relating to the depositing, holding, securing, or investing of public funds. The City shall direct the investment of the Bond and Note proceeds.

RATINGS

Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York has assigned a rating of "Aa1" to the Bonds and a rating of "MIG 1" to the Notes. Such ratings reflect only the view of Moody's and any explanation of the significance of such ratings may only be obtained from Moody's.

The ratings are not a recommendation to buy, sell or hold the Obligations, and such ratings may be subject to revision or withdrawal at any time by Moody's. Any revision or withdrawal of the ratings may have an adverse effect upon the market price of the Obligations.

The City has not applied to any other rating service for a rating on the Obligations.

RISK FACTORS AND INVESTOR 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 BOND UNDERWRITER, OR THE NOTE 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 "APPENDIX A - CITY TAX RATES, LEVIES AND COLLECTIONS" herein.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

As described in "APPENDIX A - 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 Reports, the Local Group had an UAAL of approximately \$1.783 billion in calendar year 2021 and KP&F had an UAAL of approximately \$1.140 billion.

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 Resolution 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 OBLIGATIONS

The initial offering prices of certain maturities of the Obligations that are subject to optional redemption are in excess of the respective principal amounts thereof. Any person who purchases an Obligation in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Obligations are subject to redemption at par under the various circumstances described herein.

NO ADDITIONAL INTEREST OR MANDATORY REDEMPTION UPON EVENT OF TAXABILITY

The Resolution does not provide for the payment of additional interest or penalty on the Obligations or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Resolution 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 effect 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.

CYBERSECURITY RISKS

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

NATURAL DISASTERS OR TERRORIST ATTACKS

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

CORONAVIRUS (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. COVID-19 has had varied economic and social impacts, and governments and private industries have taken various measures in an effort to limit the spread of the virus. While the City continues to monitor the spread of COVID-19, the City is not able to predict and makes no representations as to any impacts the pandemic may have on the City or its financial position. Please see "APPENDIX A – GOVERNMENTAL ORGANIZATION AND SERVICES – Coronavirus (COVID-19) Financial Assistance" herein for additional information as it relates to the City.

PURCHASER/UNDERWRITING

THE BONDS

The Bonds are being purchased by Piper Sandler & Co. located in Minneapolis, Minnesota (the "Bond Underwriter") at a purchase price of \$11,664,425.24, which is the par amount of the Bonds of \$10,455,000.00, less the Bond Underwriter's discount of \$36,269.26, plus the original net issue premium of \$1,245,694.50. The Notice of Sale provides that all of the Bonds will be purchased by the Bond Underwriter if any of such Bonds are purchased.

The Bond Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Bond Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Bond Underwriter and other dealers depositing the Bonds into investment trusts), who may reallocate concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Bonds.

THE NOTES

The Notes are being purchased by J.P. Morgan Securities LLC located in New York, New York (the "Note Underwriter") at a purchase price of \$35,322,165.75, which is the par amount of the Notes of \$34,575,000.00, less the Note Underwriter's discount of \$9,681.00, plus the original issue premium of \$756,846.75. The Notice of Sale provides that all of the Notes will be purchased by the Note Underwriter if any of such Notes are purchased.

The Note Underwriter intends to offer the Notes to the public at the offering prices set forth on the inside cover page of this Official Statement. The Note Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Note Underwriter and other dealers depositing the Notes into investment trusts), who may reallocate concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Notes.

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 Resolution, 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 D to this Official Statement.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- 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 Resolution. 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.

FUTURE FINANCING

As of the date of the Official Statement, the City does not currently anticipate issuing additional general obligation debt in the calendar year 2023. The City does anticipate issuing approximately \$30 million of water and sewer improvement revenue bonds in the fall of 2023.

The City periodically evaluates market conditions and outstanding financial obligations for refunding and refinancing opportunities and may issue refunding obligations if debt service savings can be achieved.

LITIGATION

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

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.

LEGAL MATTERS

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 "DESCRIPTION OF THE OBLIGATIONS" (except "DESCRIPTION OF THE OBLIGATIONS – Book Entry Obligations; Securities Depository"), "PURPOSE OF THE ISSUE AND USE OF FUNDS" (except for "PURPOSE OF THE ISSUE AND USE OF FUNDS – Estimated Uses and Sources of Funds"), "TAX MATTERS," "APPENDIX C – PROPOSED FORMS OF LEGAL OPINIONS," and "APPENDIX D – 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. The 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 a Bond over its issue price. The stated redemption price at maturity of a Bond is the sum of all payments on the Bond other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of an Bond is generally the first price at which a substantial amount of the Bonds 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 Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of an Obligation over its stated redemption price at maturity. The stated redemption price at maturity of an Obligation is the sum of all payments on the Obligation other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). 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 actually or constructively 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 an Obligation is 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, certain applicable corporations subject to the corporate alternative minimum tax, 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.

Bond Counsel notes that for tax years beginning after December 31, 2022, the interest on the Obligations may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Obligations (the “Municipal Advisor” or “BTMA”). BTMA is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP (“BTUS”), an accounting firm and has been retained by the City to provide certain financial advisory services including, among other things, preparation of the deemed “nearly final” Preliminary Official Statement and the Final Official Statement (the “Official Statements”). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements. The Municipal Advisor’s duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility.

MUNICIPAL ADVISOR REGISTRATION

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Obligations.

The offer and sale of the Obligations shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City has agreed that BTMA does not undertake to sell or attempt to sell the Obligations, and will take no part in the sale thereof.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Investment Services, LLC (“BTIS”) is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of BTMA.

Baker Tilly Capital, LLC (“BTC”), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority. BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of BTMA.

Baker Tilly Financial, LLC (“BTF”), a wholly owned subsidiary of BTUS, is an investment adviser registered with the SEC. BTF provides both discretionary and non-discretionary portfolio management, consulting and retirement plan management services to individuals and retirement plans. BTF may provide advisory services to the clients of BTMA.

BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

MISCELLANEOUS

The information contained in this Official Statement has been compiled from the City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Obligations, the security for the payment of the Obligations and the rights and obligations of the owners thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Obligations.

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 Bond Underwriter and the Note Underwriter 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.

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GENERAL INFORMATION OF THE CITY

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(1)</u> | <u>Douglas County Sales Ratio</u> | <u>Appraised Valuation</u> | <u>Taxable Assessed Valuation(2)</u> | <u>Motor Vehicles</u> | <u>Equalized Assessed Tangible Valuation</u> |
|----------------|---|--------------------------------|--|---------------------------|--|
| 2022/23 | n/a | \$11,333,181,636 | \$1,320,417,921 | \$93,807,373 | \$1,414,225,294 |
| 2021/22 | n/a | 9,954,349,004 | 1,175,401,146 | 98,312,643 | 1,273,713,789 |
| 2020/21 | 94.2%(3) | 9,674,752,109 | 1,147,721,678 | 91,521,764 | 1,239,243,442 |
| 2019/20 | 94.0 | 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 |

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

(2) 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.

(3) 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 E.

2022/23 Equalized Assessed Tangible Valuation: \$1,414,225,294

| | | |
|--|-------------------|------------|
| Real Property | \$1,275,666,465 | 96.6% |
| Personal Property | 10,238,870 | 0.8 |
| State Assessed Utilities | <u>34,512,586</u> | <u>2.6</u> |
| Total Taxable Assessed Valuation | \$1,320,417,921 | 100.0% |
| Motor Vehicles | <u>93,807,373</u> | |
| Total Equalized Assessed Tangible Valuation | \$1,414,225,294 | |

Source: Douglas County Clerk's Office, February 2023.

Ten of the Largest Taxpayers in the City

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>2022/23 Taxable Assessed Value</u> |
|------------------------|-------------------------|---|
| Evergy, Inc. | Public Utility | \$24,834,849 |
| Links at Kansas | Real Estate | 6,621,274 |
| Wal-Mart | Retail | 6,484,081 |
| Black Hills Corp. | Public Utility | 5,754,123 |
| Cherry Hill Properties | Rental Real Estate | 5,473,257 |
| KS-UK Holdings LLC | Real Estate | 4,914,573 |
| ARC PRLAWS001 LLC | Rental Real Estate | 4,869,414 |
| Menards Inc. | Retail | 4,701,503 |
| HSRE Connection KU LLC | Real Estate | 4,525,895 |
| North Creek Investors | Real Estate | <u>4,477,011</u> |
| Total | | \$72,655,980(1) |

(1) Evergy, Inc. represents 1.8% of the City's 2022/23 equalized assessed tangible valuation of \$1,414,225,294. The remaining nine taxpayers represent 3.4% of the City's 2022/23 equalized assessed tangible valuation.

CITY INDEBTEDNESS

Debt Limitations

| | |
|---|-----------------------|
| 2022/23 Total Equalized Assessed Tangible Valuation | \$1,414,225,294 |
| Debt Limit Ratio | <u>30%</u> |
| Debt Limit | \$ 424,267,588 |
| Outstanding Debt Subject to Debt Limit | <u>(150,041,895)</u> |
| Debt Authority Remaining as of April 25, 2023 | <u>\$ 274,225,693</u> |

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.*

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 4-25-2023</u> | <u>% Subject to the Debt Limit</u> | <u>Amount Subject to the Debt Limit</u> |
|----------------------|------------------------|--------------------------|-----------------------|---|------------------------------------|---|
| 9-15-10 | \$ 8,305,000 | Refunding | 9-1-2023 | \$ 525,000 | 0.00% | \$ 0 |
| 9-15-11 | 3,895,000 | Improvements | 9-1-2023 | 370,000 | 89.47 | 331,039 |
| 9-15-12 | 7,710,000 | Improvements & Refunding | 9-1-2024 | 1,050,000 | 95.71 | 1,004,955 |
| 9-26-13 | 4,405,000 | Improvements | 9-1-2025 | 1,175,000 | 100.00 | 1,175,000 |
| 9-25-14 | 25,065,000 | Improvements | 9-1-2034 | 17,170,000 | 100.00 | 17,170,000 |
| 9-25-14 | 18,440,000 | Improvements | 9-1-2034 | 12,570,000 | 100.00 | 12,570,000 |
| 9-29-15 | 9,450,000 | Improvements | 9-1-2030 | 5,520,000 | 100.00 | 5,520,000 |
| 5-24-17 | 3,030,000 | Improvements | 9-1-2027 | 1,600,000 | 73.47 | 1,175,520 |
| 5-24-17 | 11,375,000 | Energy Improvements | 9-1-2039 | 9,360,000 | 100.00 | 9,360,000 |
| 5-24-17 | 654,000 | Fire Truck | 9-1-2027 | 341,000 | 100.00 | 341,000 |
| 9-28-17 | 13,975,000 | Improvements | 9-1-2038 | 10,505,000 | 72.12 | 7,576,206 |
| 3-26-19 | 3,880,000 | Improvements | 9-1-2039 | 2,975,000 | 91.30 | 2,716,175 |
| 4-30-20 | 5,775,000 | Fire Station | 9-1-2040 | 5,400,000 | 100.00 | 5,400,000 |
| 7-23-20 | 2,325,000 | Refunding | 9-1-2034 | 1,990,000 | 100.00 | 1,990,000 |
| 4-29-21 | 29,740,000 | Improvements | 9-1-2051 | 28,965,000 | 100.00 | 28,965,000 |
| 4-28-22 | 5,800,000 | Improvements | 9-1-2042 | 5,800,000 | 100.00 | 5,800,000 |
| 4-25-23 | 10,455,000 | Improvements (the Bonds) | 9-1-2043 | <u>10,455,000</u> | 100.00 | <u>10,455,000</u> |
| Total | | | | \$115,771,000 | | \$111,549,895 |

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 4-25-2023</u> | <u>% Subject to the Debt Limit</u> | <u>Amount Subject to the Debt Limit</u> |
|--|------------------------|--------------------------|-----------------------|---|------------------------------------|---|
| 10-26-21 | \$ 3,917,000 | Improvements | 10-1-2025 | \$ 3,917,000 | 100.00% | \$ 3,917,000 |
| 4-28-22 | 52,135,000 | Improvements | 5-1-2023 | 52,135,000 | 100.00 | 52,135,000 |
| 4-25-23 | 34,575,000 | Improvements (the Notes) | 5-1-2024 | <u>34,575,000</u> | 100.00 | <u>34,575,000</u> |
| Subtotal | | | | \$ 90,627,000 | | \$ 90,627,000 |
| Less: Issues that Mature on May 1, 2023(1) | | | | <u>(52,135,000)</u> | | <u>(52,135,000)</u> |
| Total | | | | \$ 38,492,000 | | \$ 38,492,000 |

(1) To be paid with proceeds of the Obligations.

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 4-25-2023</u> |
|--------------------------------|----------------------------|--|---------------------------|---|
| 4-28-15 | \$89,900,000 | Water & Sewage Improvements | 11-1-2040 | \$ 72,545,000 |
| 8-18-15 | 8,960,000 | Water & Sewage Refunding | 11-1-2025 | 2,790,000 |
| 6-29-16 | 60,310,000 | Water & Sewage Improvements and Refunding | 11-1-2036 | 45,045,000 |
| 12-28-17 | 17,195,000 | Water & Sewage Improvements and Refunding | 11-1-2037 | 13,645,000 |
| 11-28-18 | 20,070,000 | Water & Sewage Improvements | 11-1-2038 | 17,325,000 |
| 12-22-21 | 46,560,000 | Water & Sewage Improvements | 11-1-2042 | <u>46,560,000</u> |
| Total | | | | \$197,910,000 |

Other Debt Obligations

Capital Leases

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. An annual payment of \$461,999.94 was due in year one, with payments of \$199,999.98 in years two through five.

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**Estimated Calendar Year Debt Service Payments
and Excluding all Temporary Notes**

| Year | General Obligation Bonds | | Utility System Revenue Bonds | |
|----------------|--------------------------|----------------------------|------------------------------|-------------------------|
| | Principal | Principal & Interest(1) | Principal | Principal & Interest |
| 2023 (at 4-25) | \$ 8,021,000 | \$ 9,694,042 | \$ 9,415,000 | \$ 16,615,294 |
| 2024 | 7,897,000 | 11,625,748 | 9,780,000 | 16,613,394 |
| 2025 | 7,708,000 | 10,974,600 | 10,170,000 | 16,613,544 |
| 2026 | 7,559,000 | 10,553,665 | 10,165,000 | 16,175,194 |
| 2027 | 7,561,000 | 10,283,757 | 10,605,000 | 16,174,194 |
| 2028 | 6,675,000 | 9,106,099 | 11,060,000 | 16,168,594 |
| 2029 | 6,780,000 | 8,960,579 | 11,280,000 | 15,900,794 |
| 2030 | 6,985,000 | 8,928,036 | 11,725,000 | 15,912,531 |
| 2031 | 6,470,000 | 8,167,446 | 12,165,000 | 15,917,919 |
| 2032 | 6,455,000 | 7,932,716 | 11,365,000 | 14,666,544 |
| 2033 | 6,655,000 | 7,910,829 | 11,810,000 | 14,684,569 |
| 2034 | 6,390,000 | 7,427,490 | 12,200,000 | 14,677,044 |
| 2035 | 3,410,000 | 4,244,181 | 12,030,000 | 14,128,194 |
| 2036 | 3,540,000 | 4,272,031 | 12,405,000 | 14,122,656 |
| 2037 | 3,660,000 | 4,284,788 | 10,015,000 | 11,335,925 |
| 2038 | 3,790,000 | 4,306,225 | 9,285,000 | 10,272,244 |
| 2039 | 3,305,000 | 3,711,400 | 8,105,000 | 8,776,344 |
| 2040 | 2,320,000 | 2,631,556 | 8,375,000 | 8,778,744 |
| 2041 | 1,965,000 | 2,215,350 | 2,945,000 | 3,071,544 |
| 2042 | 1,455,000 | 1,654,406 | 3,010,000 | 3,073,963 |
| 2043 | 1,140,000 | 1,298,269 | | |
| 2044 | 700,000 | 826,369 | | |
| 2045 | 715,000 | 827,369 | | |
| 2046 | 730,000 | 828,069 | | |
| 2047 | 745,000 | 827,556 | | |
| 2048 | 760,000 | 826,725 | | |
| 2049 | 775,000 | 825,575 | | |
| 2050 | 795,000 | 829,106 | | |
| 2051 | 810,000 | 827,213 | | |
| Total | \$115,771,000(2) | \$146,801,195 | \$197,910,000(3) | \$263,679,229 |

(1) Includes debt service on the Bonds.

(2) 62.3% of this debt will be retired within ten years.

(3) 54.4% of this debt will be retired within ten years.

Overlapping Debt

| <u>Taxing Unit</u> (1) | <u>Est. G.O. Debt As of 4-25-2023</u> (2) | <u>Debt Applicable to Value in City</u> | |
|------------------------|---|---|--------------------|
| | | <u>Percent</u> | <u>Amount</u> |
| Douglas County | \$ 20,390,000 | 80.2% | \$ 16,352,480 |
| USD No. 497 (Lawrence) | 157,820,000 | 85.3 | <u>134,620,460</u> |
| Total | | | \$150,973,240 |

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

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

Debt Ratios(1)

| | <u>G.O. Direct Debt</u> | <u>G.O. Direct & Overlapping Debt</u> |
|--|-----------------------------|---|
| 2022/23 Appraised Valuation (\$11,333,181,636) | 1.82% | 3.15% |
| 2022/23 Equalized Assessed Tangible Valuation (\$1,414,225,294) | 14.59% | 25.27% |
| Per Capita – (105,295 – 2023 City Estimate) | \$1,960 | \$3,394 |

(1) Excludes utility system revenue bonds and other debt obligations.

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 September 20 if the City must conduct a public hearing to levy property taxes in excess of its revenue neutral rate 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 September 10 if the City must conduct a public hearing to levy taxes in excess of its revenue neutral rate 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. In 2021, the Kansas Legislature passed legislation (the “Revenue Neutral Tax Act”) that repeals the “tax lid” (formerly K.S.A. 79-2925c) and provides that, beginning January 1, 2021, a taxing subdivision (which includes any political subdivision of the State that levies an ad valorem property tax, including the City) is not authorized to levy a property tax rate in excess of its revenue neutral rate without first providing notice, holding a public hearing, and authorizing such property tax rate by majority vote of its governing body. The revenue neutral rate means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year’s total assessed valuation.

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

The City cannot predict the impact of the Revenue Neutral Tax Act 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> |
|----------------------|------------------------|----------------|-------------------------|----------------|-----------------------|
| 2022 | 2023 | 21.292 | 7.806 | 4.109 | 33.207 |
| 2021 | 2022 | 19.935 | 9.313 | 4.042 | 33.290 |
| 2020 | 2021 | 19.952 | 9.321 | 4.045 | 33.318 |
| 2019 | 2020 | 19.952 | 9.322 | 4.045 | 33.319 |
| 2018 | 2019 | 19.928 | 9.310 | 4.040 | 33.278 |

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> |
|------------------|--------------------|-------------------------|-----------------------|---------------------------|--------------|--------------|
| 2022 | 2023 | 33.207 | 46.219 | 51.070 | 1.500 | 131.996 |
| 2021 | 2022 | 33.290 | 47.419 | 52.840 | 1.500 | 135.049 |
| 2020 | 2021 | 33.318 | 46.430 | 53.122 | 1.500 | 134.370 |
| 2019 | 2020 | 33.319 | 46.430 | 52.984 | 1.500 | 134.233 |
| 2018 | 2019 | 33.278 | 46.015 | 54.427 | 1.500 | 135.220 |

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> |
|-----------------------------------|-----------------------|--------------------------------|--------------------------------|----------------------------------|------------------------------|-------------------------------------|
| 2022/23(1) | \$43,354,282 | \$24,685,639 | 56.9% | \$111,772 | \$24,797,411 | 57.2% |
| 2021/22 | 38,509,375 | 38,101,442 | 98.9 | 408,593 | 38,510,035 | 100.0 |
| 2020/21 | 38,303,472 | 37,781,898 | 98.6 | 343,337 | 38,125,235 | 99.5 |
| 2019/20 | 36,545,441 | 36,180,033 | 99.0 | 296,230 | 36,476,263 | 99.8 |
| 2018/19 | 34,625,270 | 34,277,385 | 99.0 | 236,688 | 34,514,073 | 99.7 |

(1) Collections through January 26, 2023.

Source: Douglas County Treasurer's Office.

Special Assessment Collections

| <u>Levy Year/ Budget Year</u> | <u>Total Current Levy</u> | <u>Total Collections</u> | <u>Ratio Collection Versus Levy</u> |
|-----------------------------------|---------------------------|--------------------------|-------------------------------------|
| 2022/23(1) | \$ 810,784 | \$ 622,140 | 76.7% |
| 2021/22 | 830,017 | 826,643 | 99.6 |
| 2020/21 | 830,081 | 825,601 | 99.5 |
| 2019/20 | 1,277,254 | 1,261,688 | 98.8 |
| 2018/19 | 1,531,917 | 1,523,926 | 99.5 |

(1) Collections through January 26, 2023.

Source: Douglas County Treasurer's Office.

FUNDS ON HAND
As of January 31, 2023

| | |
|--------------------------------|-------------------|
| General Fund | \$ 40,121,073 |
| Special Revenue Funds | 66,334,664 |
| Debt Service Funds | 33,352,208 |
| Enterprise Funds | 117,191,831 |
| Internal Service Funds | 28,272,563 |
| Capital Improvement Funds | 45,280,102 |
| Agency Funds | <u>370</u> |
| Total Cash and Investments | \$330,552,811 |

CITY 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, 2023, the City's funds were invested as follows:

| | |
|-------------------------------------|-------------------|
| Fixed Income Investments | \$197,245,616 |
| Treasury Bills | 5,488,956 |
| Certificates of Deposit | 102,672,000 |
| Overnight Municipal Investment Pool | <u>1,799,532</u> |
| Total | \$307,206,104 |

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> |
|--------------------|-------------------|---------------------------|
| 2023 City Estimate | 105,295 | 7.2% |
| 2020 U.S. Census | 98,193 | 12.0 |
| 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> |
|-----------------------------------|-------------|--------------|--------------|--------------------|
| 2022/23 | 16,800 | 36,731 | 30,094 | 12,447 |
| 2021/22 | 17,418 | 38,224 | 30,801 | 12,222 |
| 2020/21 | 17,578 | 38,430 | 30,395 | 11,773 |
| 2019/20 | 18,151 | 38,727 | 29,706 | 11,148 |
| 2018/19 | 18,127 | 39,181 | 29,683 | 10,743 |

Source: Claritas, LLC.

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 or Service</u> | <u>Approximate Number of Employees</u> |
|---|---------------------------|--|
| University of Kansas | Higher Education | 9,990 |
| Lawrence Memorial Hospital (LMH Health) | Hospital | 1,800 |
| USD No. 497 (Lawrence) | K-12 Education | 1,670 |
| Maximus (formerly GDIT) | Call Center | 1,000 |
| City of Lawrence | City Government | 984 |
| Berry Global | Manufacturer | 870 |
| Amarr Garage Doors | Manufacturer | 750 |
| Hallmark Cards | Manufacturer | 700 |
| Douglas County | County Government | 521 |
| Baker University | Higher Education | 500 |

Source: Lawrence Chamber of Commerce.

Labor Force Data

| | <u>Annual Average</u> | | | | <u>January 2023</u> |
|--------------------|-----------------------|-------------|-------------|-------------|-------------------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | |
| Labor Force: | | | | | |
| City of Lawrence | 52,992 | 51,937 | 52,210 | 53,582 | 54,542 |
| Douglas County | 65,616 | 64,225 | 64,611 | 66,297 | 67,508 |
| State of Kansas | 1,493,666 | 1,497,003 | 1,495,665 | 1,504,932 | 1,506,991 |
| Unemployment Rate: | | | | | |
| City of Lawrence | 2.9% | 6.2% | 3.1% | 2.6% | 2.8% |
| Douglas County | 2.9 | 6.1 | 3.1 | 2.6 | 2.8 |
| State of Kansas | 3.2 | 5.9 | 3.2 | 2.7 | 2.9 |

Source: Kansas Labor Information Center, <http://www.klic.dol.ks.gov>. 2023 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> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2022/23 | \$2,070,424 | \$3,236,911 | \$56,887 |
| 2021/22 | 1,768,001 | 3,162,011 | 55,999 |
| 2020/21 | 1,722,639 | 2,522,585 | 47,717 |
| 2019/20 | 1,826,317 | 2,543,112 | 47,251 |
| 2018/19 | 1,775,282 | 2,409,330 | 45,160 |

Douglas County

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2022/23 | \$2,393,871 | \$4,062,580 | \$60,256 |
| 2021/22 | 2,044,904 | 4,118,715 | 60,373 |
| 2020/21 | 1,984,670 | 3,283,071 | 51,757 |
| 2019/20 | 2,129,341 | 3,313,928 | 51,940 |
| 2018/19 | 2,072,813 | 3,094,471 | 48,904 |

The 2022/23 Median Household EBI for the State of Kansas was \$61,887. The 2022/23 Median Household EBI for the United States was \$64,600.

Source: Claritas, LLC.

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 2022, that proportion was approximately 56.65% 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 and does not have a sunset provision. The proceeds of this sales tax are deposited into the General Fund.

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> |
|----------------|-----------------------------------|-------------------------------------|
| 2023 (to 1-31) | \$ 2,980,675 | \$ 1,217,999 |
| 2022 | 35,151,718 | 14,378,282 |
| 2021 | 31,773,456 | 13,121,266 |
| 2020 | 28,495,556 | 11,636,281 |
| 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 |

NOTE: Retail sales subject to local sales tax.

Source: The City.

Permits Issued by the City

| | <u>New Single Family Residential</u> | | <u>New Commercial/Industrial</u> | | <u>Total Value(1) (All Permits)</u> |
|----------------|--|--------------|--------------------------------------|---------------|---|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> | |
| 2023 (to 1-31) | 1 | \$ 420,000 | 3 | \$ 4,000,000 | \$ 6,687,277 |
| 2022 | 88 | 38,201,044 | 10 | 10,943,200 | 135,026,575 |
| 2021 | 171 | 58,325,560 | 24 | 43,380,668 | 218,944,276 |
| 2020 | 178 | 63,273,131 | 11 | 27,388,958 | 145,401,761 |
| 2019 | 153 | 45,173,958 | 13 | 39,216,051(2) | 213,984,111 |
| 2018 | 285 | 99,343,420 | 14 | 99,478,244(3) | 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 |

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

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

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

Source: The City.

Recent Development

The largest permitted projects in 2022 were as follows:

| <u>Project Description</u> | <u>Construction Valuation</u> |
|---|-------------------------------|
| Commercial New Multi-Family, Jayhawk Club, 1608 Birdie Way(1) | \$16,917,801 |
| Commercial New Multi-Family, Cedarhurst of Lawrence, 4450 Bauer Farm Drive | 10,319,468 |
| Commercial Remodel, KU Alumni Association – KU Welcome Center, 1266 Oread Ave.(2) | 7,500,000 |
| Commercial New Structure, DCCCA Inc., 1739 E 23 rd Street | 6,000,000 |
| Commercial Remodel, Kaw Water Treatment Plant, 720 W 3 rd Street | 4,457,000 |
| Commercial Remodel, ViroVax, 2033 Becker Drive Suite 213 | 1,413,859 |
| Residential New Single Family, 109 Weatherhill Circle | 1,400,000 |
| Commercial Remodel, Target, 3201 Iowa Street | 1,353,428 |
| Commercial New Structure, Hi-Tech Interiors, 801 N 2 nd Street | 1,250,000 |
| Residential New Single Family, 4525 Bauer Brook Court | 1,230,825 |
| Residential New Single Family, 100 Bramble Bend Court | 1,228,700 |
| Residential New Single Family, 1511 Prestwick Court | 1,200,000 |
| Commercial New Structure, Valvoline Instant Oil Change, 2701 Iowa Street | 1,200,000 |
| Residential New Single Family, 1840 Quail Creek Drive | 1,166,500 |

(1) This represents 11 individual permits for Buildings A through L, which are all part of the same project.

(2) This represents 2 individual permits, both part of the same project.

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

| <u>Project Description</u> | <u>Construction Valuation</u> |
|--|-------------------------------|
| Oldfather, New Multi-Family Residential Development | \$7,200,000 |
| Hilltop Child Development Center, Commercial New Structure | 5,138,281 |
| Evans Scholarship Hall, Commercial Addition | 3,500,000 |
| Space Saver Storage, Commercial New Structure | 3,500,000 |
| Elements Carwash, Commercial New Structure | 3,480,000 |
| Lawrence Multimodal Transfer Center, Commercial Remodel | 3,330,489 |
| FMI Office, Commercial Remodel | 3,000,000 |
| New Daycare Facility, Commercial New Structure | 1,830,000 |

Education

Public Education

The following school district serves the residents of the City:

| <u>School</u> | <u>Location</u> | <u>Grades</u> | <u>2022/23 Enrollment</u> |
|------------------------|------------------|---------------|---------------------------|
| USD No. 497 (Lawrence) | City of Lawrence | K-12 | 10,896 |

Source: Kansas K-12 Reports, http://datacentral.ksde.org/report_gen.aspx.

Post-Secondary Education

Post-secondary education is available to City residents at the University of Kansas and Haskell Indian Nations University, both located in the City; Washburn University, located in the City of Topeka, Kansas; and Baker University, located in the City of Baldwin City, Kansas.

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 Commission:

| | | <u>Expiration of Term</u> |
|------------------|--------------|---------------------------|
| Lisa Larsen | Mayor | December 2, 2025 |
| Bart Littlejohn | Vice Mayor | December 2, 2025 |
| Brad Finkeldei | Commissioner | December 5, 2023 |
| Courtney Shipley | Commissioner | December 5, 2023 |
| Amber Sellers | Commissioner | December 5, 2023 |

Key Appointed Officials

| | | <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 |
| Melissa Sieben | Municipal Services and Operations Director | April 29, 2022 |
| 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 21 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 908 regular full-time and 76 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. Evergy, 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 | 106 | December 31, 2023 |
| Local 696 Teamsters Union (Solid Waste) | 67 | December 31, 2024 |
| Local 1596 International Association of Firefighters | 124 | December 31, 2024 |
| Local 696 Teamsters Union (Streets, Stormwater, Traffic, Water/Wastewater) | <u>109</u> | December 31, 2025 |
| Subtotal | 406 | |
| Non-unionized employees | <u>578</u> | |
| Total employees | 984 | |

In January 2022, Teamsters Local Union No. 696 filed a petition with the City to conduct an election to unionize the City's central maintenance, GIS, engineering, technician, building maintenance, and park field employee group. The election took place on February 16, February 18, and March 22, 2022. The City certified the Teamsters Local Union No. 696 as the collective bargaining unit for these employees on March 22, 2022. Per a City Commission policy establishing the procedure for these collective bargaining units, the City and the union started negotiations for a Memorandum of Understanding (MOU) in November 2022 with the intent to finish discussion by July 1, 2023 in order to have a contract that is effective January 1, 2024.

The collective bargaining agreement ultimately agreed to between the City and the union may result in material operating cost increases to the City.

Employee strikes or other adverse labor actions taken by the union during the course of negotiations could have an adverse impact on operations and net revenue of the City. The City cannot predict the outcome of discussions regarding the MOU, the substance of the collective bargaining agreement that will be ultimately agreed to between the City and the union, or the specific impacts on the City as a result of the recent union activity.

Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Kansas Public Employees Retirement System (KPERS). The KPERS is part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

The City has established membership in KP&F. KP&F is a division of and is administered by KPERS.

A detailed description of these plans, along with the City's required contributions to each plan, are represented in the City's Annual Comprehensive Financial Reports. The City's Annual Comprehensive Financial Report for fiscal year ended December 31, 2021 is included as Appendix F of this Official Statement. (The City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022 is not yet available.)

Other Postemployment Benefits

The City has obligations to its employees for post-employment benefits other than pensions, accounted for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The City's OPEB liabilities and associated contributions are represented in the City's Annual Comprehensive Financial Reports. The City's Annual Comprehensive Financial Report for fiscal year ended December 31, 2021 is included as Appendix F of this Official Statement. (The City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022 is not yet available.)

Coronavirus (COVID-19) Financial Assistance

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. COVID-19 has had varied economic and social impacts, and governments and private industries have taken various measures in an effort to limit the spread of the virus. While the City continues to monitor the spread of COVID-19, the City is not able to predict and makes no representations as to any impacts the pandemic may have on the City or its financial position.

As of the date of this Official Statement, the City has received \$19.3 million of American Rescue Plan Act (ARPA) funds, of which \$10.3 million has been spent as of February 28, 2023. In addition, the City has pursued and provided its citizens various grant funding opportunities. More information is available at <https://lawrenceks.org/covid-19-grants/>.

Major General Fund Revenue Sources

| <u>Revenue</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Taxes | \$56,435,000 | \$58,155,437 | \$57,711,687 | \$57,771,030 | \$66,550,842 |
| Charges for Services | 6,465,000 | 7,747,170 | 8,116,278 | 8,646,933 | 10,854,433 |
| Licenses and Permits | 1,495,000 | 2,065,644 | 1,585,563 | 1,489,221 | 1,778,017 |
| Fines, Forfeitures, and Penalties | 2,400,000 | 2,173,673 | 1,842,364 | 964,989 | 909,911 |
| Intergovernmental | 1,373,000 | 894,921 | 914,809 | 681,468 | 695,022 |

Sources: City's Annual Comprehensive Financial Reports.

General Fund Budget Summary

| | <u>2022 Budget</u> | <u>2022 Estimated</u> | <u>2023 Budget</u> |
|-----------------------------------|--------------------|-----------------------|--------------------|
| Fund Balance January 1: | \$ 24,975,177 | \$ 24,924,415 | \$ 25,141,000 |
| Revenues: | | | |
| Taxes | \$ 64,546,000 | \$ 71,500,651 | \$ 78,242,000 |
| Licenses and Permits | 1,574,000 | 1,428,780 | 955,000 |
| Charges for Services | 14,621,000 | 12,785,495 | 17,598,000 |
| Fines, Forfeitures, and Penalties | 800,000 | 857,578 | 850,000 |
| Interest | 350,000 | 232,293 | 65,000 |
| Intergovernmental | 7,826,000 | 1,014,116 | 2,084,000 |
| Miscellaneous | 1,061,000 | 1,107,250 | 849,000 |
| Transfers In | <u>4,552,000</u> | <u>4,555,360</u> | <u>5,254,000</u> |
| Total Revenues | \$ 95,330,000 | \$ 93,481,523 | \$105,897,000 |
| Expenditures: | | | |
| General Government | \$ 10,914,684 | \$ 10,189,653 | \$ 8,730,000 |
| Public Safety | 56,853,733 | 49,754,758 | 60,915,000 |
| Public Works | 14,381,120 | 11,404,568 | 14,992,000 |
| Health | 1,180,000 | 1,153,449 | 940,000 |
| Culture and Recreation | 14,479,096 | 13,857,372 | 16,112,000 |
| Airport | 0 | 0 | 0 |
| Capital Outlay | 1,753,457 | 1,678,224 | 2,380,000 |
| Transfers Out | <u>2,315,000</u> | <u>2,315,000</u> | <u>1,049,000</u> |
| Total Expenditures | \$101,877,090 | \$ 90,353,024 | \$ 105,118,000 |
| Fund Balance December 31: | \$ 18,428,087 | \$ 28,052,914 | \$25,920,000 |
| Fund Balance as % of Expenditures | 18.09% | 31.05% | 24.66% |

Source: The City.

BOOK ENTRY

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 is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

PROPOSED FORMS OF LEGAL OPINIONS

The Bonds

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

April 25, 2023

Governing Body
City of Lawrence, Kansas

Piper Sandler & Co.
Minneapolis, Minnesota

Re: \$10,455,000 General Obligation Improvement Bonds, Series 2023-A of the City
of Lawrence, Kansas, Dated April 25, 2023

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 of a Bond) 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.

The Notes

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

April 25, 2023

Governing Body
City of Lawrence, Kansas

J.P. Morgan Securities LLC
New York, New York

Re: \$34,575,000 General Obligation Temporary Notes, Series 2023-I of the City of
Lawrence, Kansas, Dated April 25, 2023

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 in part from special assessments levied upon the property benefited by the construction of certain improvements or from general obligation bonds of the Issuer and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent that necessary funds are not provided from other sources.

3. The interest on the Notes 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 25, 2023 (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 its **General Obligation Improvement Bonds, Series 2023-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 Bond Resolution, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking, which may include the Issuer’s Annual Comprehensive Financial Report, so long as the Annual Comprehensive Financial Report 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.

“**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, 2022, 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.

[Remainder of Page Intentionally Left Blank.]

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

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 Debt 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 – Major General Fund Revenue
Sources, General Fund Budget Summary

The Notes

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of April 25, 2023 (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 its **General Obligation Temporary Notes, Series 2023-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 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 referendum 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.

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Attached is the City's Annual Comprehensive Financial Report ("ACFR") for fiscal year ended December 31, 2021. (The City's ACFR for fiscal year ended December 31, 2022 is not yet available.)

The City's ACFRs for the years ending 1990 through 2021 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 ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

CITY OF LAWRENCE, KANSAS

Annual Comprehensive Financial Report For the Fiscal Year Ended December 31, 2021

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Our Mission Statement

We create a community where all enjoy life and feel at home.

Organizational Values

Character
Competence
Courage
Collaboration
Commitment

Vision

The City of Lawrence—supporting an unmistakably vibrant community with innovative, equitable, transparent, and responsible local government.

Outcomes

To realize our Vision for Lawrence, we endeavor to achieve these important strategic outcomes. The outcomes represent what our City is "in business to do" and what we plan to accomplish for our community. While much of what the City has always done is foundational to these areas, we're now building plans that are targeted at achieving these outcomes with excellence.

Unmistakable Identity: Lawrence is a welcoming community, synonymous with arts, diverse culture, fun, and a quintessential downtown. City parks and community events contribute to the vibrancy experienced by all people in Lawrence.

Strong, Welcoming Neighborhoods: All people in Lawrence live in safe, functional, and aesthetically unique neighborhoods that provide opportunities to lead healthy lifestyles with access to safe and affordable housing and essential services that help them thrive.

Safe and Secure: Lawrence is a community where all people feel safe and secure and have access to trusted public and community-based safety resources.

Prosperity & Economic Security: The City of Lawrence fosters an environment that provides all people and businesses the opportunity for economic security and intentionally acknowledges, removes, and prevents barriers created by systemic and institutional injustice. Our community succeeds because of collective prosperity and a vibrant, sustainable local economy.

Connected City: The City of Lawrence has well-maintained, functional, and efficient infrastructure, facilities, and other assets. Connectivity supports accessible, sustainable methods for safely moving people and information throughout the community and the region. Investment in these assets reflects the City's commitment to contribute to the well-being of all people.

Commitments

The way we do our work is as important as what we do. The City will ensure we're following through on our five community outcomes with the below commitments to how our team will do our work. The community we create is reflected in the decisions that our employees will make every day.

Community Engagement:

Listen, share, and engage with our community to drive action and build trust in City government.

We invite and welcome all community members to collaborate and innovate with us. Through strong and equitable engagement with our community, we share and receive information about important city services and community life.

Efficient and Effective Processes:

Intentional and consistent delivery of city services.

We focus on process improvement by working collaboratively to understand needs, research, adapt and develop successful solutions. Trust-worthy processes are the foundation for the delivery of city services.

Equity and Inclusion:

Fair and impartial delivery of services so that no group is disadvantaged or burdened along with having inclusive representation and participation for all.

Inclusion and racial equity drive the culture of our organization and our community. When we intentionally prioritize race, it can no longer be used to predict life outcomes and outcomes are improved for all. We remove systemic barriers to reconcile historic injustices and their continued presence in our work.

Sound Fiscal Stewardship:

Efficient use and sustainable management of resources that align with community priorities.

We build and maintain public trust while using our resources to achieve high value. We provide transparent, easy access to relevant, accurate data for budgeting and decision making.

Engaged and Empowered Teams:

People throughout the organization are trusted, supported, and cared for as we build community.

We invest in and cultivate service to community, individual growth, team development, respect, and trust. Our very best is achieved by a diverse, engaged, collaborative, and innovative organizational culture.

Environmental Sustainability:

A deep respect for our place in relationship with the planet and environment.

We consider the environmental consequences of every decision, big and small, knowing that our actions have impacts beyond our boundaries. We protect and restore our ecosystem to make it healthier and more balanced for future generations.

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City of Lawrence

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CITY MANAGER

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CITY COMMISSION

MAYOR
COURTNEY SHIPLEY

COMMISSIONERS
LISA LARSEN
NATHAN LITTLEJOHN III
AMBER SELLERS
BRADLEY R. FINKELDEI

July 26, 2022

Honorable Mayor, Members of the City Commission, and Citizens of the City of Lawrence, Kansas

The Finance Department is pleased to present the Annual Comprehensive Financial Report ("Annual Financial Report") of the City of Lawrence, Kansas (the "City") for the fiscal year ended December 31, 2021. State law requires that all general-purpose local governments publish a complete set of audited financial statements, presented in conformity with generally accepted accounting principles in the United States of America ("GAAP"). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis ("MDA"). This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The MDA can be found immediately following the report of the independent auditor.

Responsibility for the accuracy and completeness of the data and, the fairness of the presentation, including all disclosures rests with management. We believe that the data, as presented, is accurate in all material respects, presents fairly the City's financial position and results of operations, as measured by the financial activity of its various funds. To provide a reasonable basis for making these representations, the City has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. The cost of internal controls should never outweigh their benefits. The City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert, to the best of our knowledge and belief, that the Annual Financial Report is complete and reliable in all material respects.

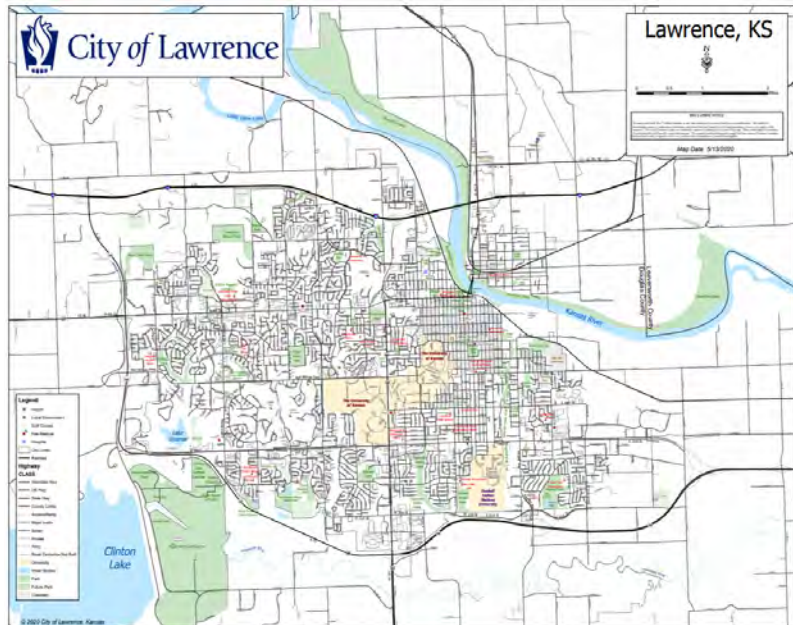
The City's financial statements have been audited by *RSM US LLP*. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2021, are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. The independent auditors rendered unmodified opinions that the City's financial Statements for the year ended December 31, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This report as well as other historical audited financial statements, prior year(s) operating and capital budgets, as well as other financial reports, may also be accessed via the City's website at <https://lawrenceks.org/finance/>.



Profile of the City

Lawrence was founded by and named after [Amos Adams Lawrence](#), a [Republican](#) abolitionist originally from Massachusetts, who offered financial aid and support for the settlement. Lawrence is the [county seat](#) of [Douglas County](#) and the sixth-largest city in [Kansas](#). It is located in the northeastern sector of the state, astride [Interstate 70](#), between the [Kansas](#) and [Wakarusa](#) Rivers. The City encompasses approximately 34.3 square miles and had an estimated population of 105,200, as of December 31, 2021. Lawrence is a [college town](#) and the home to both the [University of Kansas](#) and [Haskell Indian Nations University](#).



The City has operated under the Commission-City Manager form of government since 1951. The five-member Commission is elected at large to either a two- or four-year term with the two winning the most votes getting four-year terms and the one with the third most votes getting the two-year term. Each year the Commission chooses one of its members to serve as Mayor. The Commission is responsible for policy making, passing Ordinances, adopting an annual budget, appointing citizens to committees, and hiring the City Manager. The City Manager is responsible for the day-to-day operations of the City, including hiring all personnel.

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 water, wastewater, and storm water utilities. In addition, the City provides both residential and commercial solid waste removal services to its citizens.

Expenditures are authorized in a budget, approved by the City Commission, as required by State Statute. Expenditures cannot exceed the budgeted amount for each fund. Budgetary control is maintained using an encumbrance system. As purchase orders are issued, corresponding amounts of appropriations are reserved with the use of an encumbrances, for later payment, so that appropriations may not be overspent. Kansas Statutes also require unencumbered cash to be on hand before an obligation can be incurred. Budget to actual comparisons are provided in this report for each individual fund for which an appropriated budget has been legally adopted.

Primary City Functions

The City provides a full range of municipal services including police and fire protection, the maintenance of streets, and other infrastructure, park facilities, recreational activities, cultural events, land use and building regulations, a municipal airport, water/wastewater/stormwater utility, solid waste collection, public transit system, and public parking facilities. The City accounts for all utility, solid waste, and parking operations separately and attempts to recover operating costs through user charges. The City is self-insured for worker's compensation, health insurance, and most liability claims. The City pays for these claims as they become due. The City engages in an external actuary to provide an actuarial estimate of its liabilities for self-insured expenses, except for legal claims. The City is a member of both the Kansas Public Employee Retirement System (KPERs) and the Kansas Police and Fire Retirement System (KP&F) for all pension related activity.

Local Economy

The City continues to grow with an average of almost 3 new residents every day over the past ten years. The recent addition of the Venture Park business park will provide space for new businesses and jobs. The economy is varied and diverse, producing a wide variety of products and services. Approximately 62% of the sales taxes generated in the City come from retail sales. About 13% comes from food and beverage stores, and about 12% comes from food service and drinking establishments. At the end of 2021, the City's unemployment rate was 1.8% compared to the 2.6% for the State of Kansas and the national rate of 3.9%.

Long-term financial planning

The City prepares a five-year Capital Improvement Plan (CIP). The CIP includes estimated costs for constructing, upgrading, and replacing the City's physical infrastructures. The fiscal year 2022-2026 CIP includes project costs totaling \$243.68 million. Of the \$51.63 million of funding for 2022, 66.74% is projected to come from funding sources other than General Obligation debt (i.e. cash and designated revenues). In preparing the capital budget, needs are assessed, public improvements are prioritized, and costs are projected. The budget is reviewed annually as projects are reprioritized and the financial condition of the City is evaluated. The City Commission has adopted a policy to maintain the unassigned fund balance in the General Fund at a level equal to 90 days of operating expenditures. In addition to the General Fund, the City has been building fund balance in the Debt Service Fund as well as the Water/Wastewater Utility Fund for several years. This helps to keep the mill levy rate consistent, and rates to customers stable. In addition to the infrastructure projects, the City works very diligently to promote economic development by attracting companies to locate in Lawrence and housing projects to be developed. For additional information on the City's economic development activity, refer to Note 14 to the basic financial statements.

Relevant financial policies

Fiscal principles help ensure the City meets its responsibility to citizens to carefully account for public funds, manage municipal finances wisely, and plan for adequate funding of City services and improvements. Some of these principles are already established, others are being established currently. These principles will provide a framework for day-to-day decision making and will be the foundation for long term financial stability. Fiscal principles will be reviewed by the City Manager and finance staff on a periodic basis to ensure the City is prepared for changing circumstances and economic conditions. The fiscal principles are listed below.

1. The City will continuously evaluate its financial position to ensure stability to its citizens.
2. The City will provide a balanced revenue structure which is responsive to economic conditions.
3. The City will develop a balanced budget in which all current revenues will pay the costs of all current expenditures, and one-time costs will be paid with fund balance or one-time revenues.
4. The City Commission will hold public meetings which will allow the public input into the budgetary process.
5. The budget will establish legal levels of spending.
6. The budget will establish maintenance reserves to allow for the maintenance of capital assets.
7. The budget will address major capital improvement priorities which have been established by the City Commission.
8. The City will maintain services through innovative budgeting procedures and fiscal management to maintain the current mill levy rate.

Outcomes

The City Commission identified five (5) outcomes for the strategic plan. To realize our Vision for Lawrence, we endeavor to achieve these important strategic outcomes. The outcomes represent what our City is "in business to do" and what we plan to accomplish for our community. While much of what the City has always done is foundational to these areas, we're now building plans that are targeted at achieving these outcomes with excellence. For more information, please visit our budget document located at <https://lawrenceks.org/strategic-plan/>.

1. Unmistakable Identity: Lawrence is a welcoming community, synonymous with arts, diverse culture, fun, and a quintessential downtown. City parks and community events contribute to the vibrancy experienced by all people in Lawrence.
2. Strong, Welcoming Neighborhoods: All people in Lawrence live in safe, functional, and aesthetically unique neighborhoods that provide opportunities to lead healthy lifestyles with access to safe and affordable housing and essential services that help them thrive.
3. Safe and Secure: Lawrence is a community where all people feel safe and secure and have access to trusted public and community-based safety resources.
4. Prosperity & Economic Security: The City of Lawrence fosters an environment that provides all people and businesses the opportunity for economic security and intentionally acknowledges, removes, and prevents barriers created by systemic and institutional injustice. Our community succeeds because of collective prosperity and a vibrant, sustainable local economy.
5. Connected City: The City of Lawrence has well-maintained, functional, and efficient infrastructure, facilities, and other assets. Connectivity supports accessible, sustainable methods for safely moving people and information throughout the community and the region. Investment in these assets reflects the City's commitment to contribute to the well-being of all people.

The City Commission developed six (6) commitments to the strategic plan. The way we do our work is as important as what we do. The City will ensure we're following through on our five community outcomes with the below commitments to how our team will do our work. The community we create is reflected in the decisions that our employees will make every day.

1. Community Engagement: *Listen, share, and engage with our community to drive action and build trust in City government.*
2. Efficient and Effective Processes: *Intentional and consistent delivery of city services.*
3. Equity and Inclusion: *Fair and impartial delivery of services so that no group is disadvantaged or burdened along with having inclusive representation and participation for all.*
4. Sound Fiscal Stewardship: *Efficient use and sustainable management of resources that align with community priorities.*
5. Engaged and Empowered Teams: *People throughout the organization are trusted, supported, and cared for as we build community.*
6. Environmental Sustainability: *A deep respect for our place in relationship with the planet and environment.*

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its Annual Report for the fiscal year ended December 31, 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Report, whose contents conform to program standards. Such Annual Report must satisfy both GAAP and applicable legal requirements.

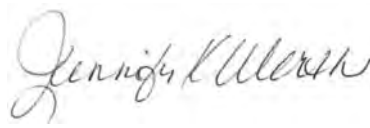
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 30 consecutive years. We believe our current Annual Report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the staff of the Finance Department. We want to express our appreciation to all members of the department that contributed to its preparation. Special thanks are extended to Jennifer Werth, and Susan Desch for their primary role in preparation of this Annual Report. We would also like to thank the City Commission and City Manager for the direction and support necessary to plan and conduct the financial operations of the City in a responsible, sound manner. Finally, we would like to extend the City's thanks to RSM for the cooperation and professional assistance provided during the audit of the City's 2021 financial records.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J. Willmoth".

Jeremy Willmoth
Finance Director

A handwritten signature in dark ink, appearing to read "Jennifer Werth".

Jennifer Werth
Senior Accountant

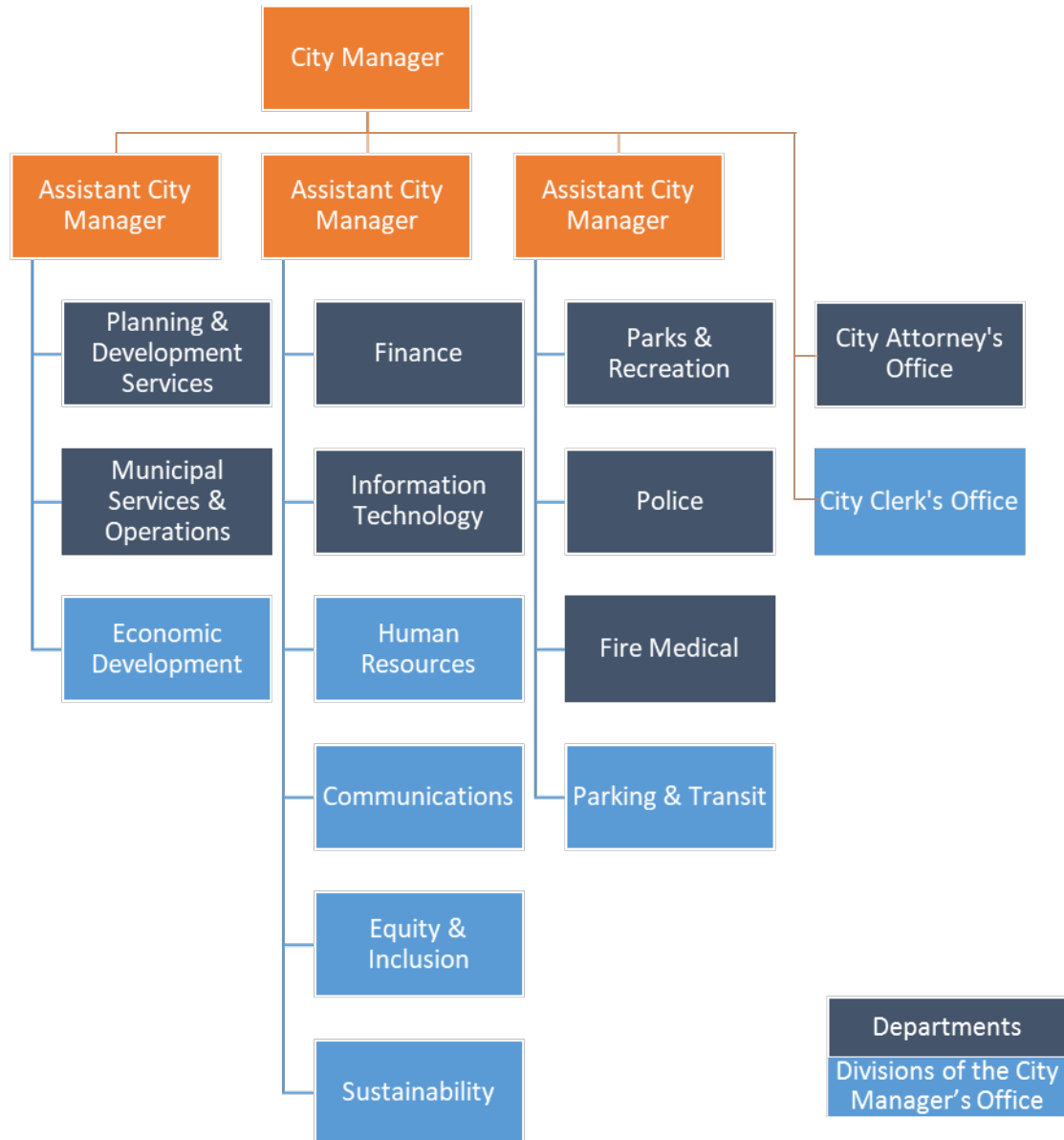
CITY OF LAWRENCE, KANSAS

List of Principal Officials
As of December 31, 2021

| TITLE | NAME |
|--|--------------------------|
| Mayor | Courtney Shipley |
| Vice Mayor | Lisa Larsen |
| Commission Member | Bart Littlejohn |
| Commission Member | Brad Finkeldei |
| Commission Member | Amber Sellers |
| City Manager | Craig S. Owens |
| Assistant City Manager | Diane Stoddard |
| Assistant City Manager | Casey Toomay |
| Assistant City Manager | Brandon McGuire |
| City Clerk | Sherri Riedemann |
| City Attorney | Toni Wheeler |
| Finance Director | Jeremy Willmoth |
| Fire Chief | Tom Fagan (Interim) |
| Information Technology Director | Michael Aldridge |
| Municipal Services and Operations Director | Melinda Harger (Interim) |
| Parks and Recreation Director | Derek Rogers |
| Planning and Development Services Director | Jeff Crick |
| Police Chief | Adam Heffley (Interim) |

City of Lawrence, Kansas

**Organizational Chart
December 31, 2021**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lawrence
Kansas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

RSM US LLP

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

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying 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 of Lawrence, Kansas, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Lawrence-Douglas County Housing Authority (the Authority), the Lawrence Memorial Hospital (the Hospital) (the Hospital includes discretely presented component units; the Lawrence Memorial Hospital Endowment Association (the Endowment) and the Lawrence Surgery Center, LLC (the Surgery Center)) 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 0.79% of total assets and 1.49% of total revenues of the aggregate remaining fund information and represent 0.17% of total assets and 0.88% of total revenues of the governmental activities. Those statements were audited by other auditors whose report has 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 report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 16 of the financial statements, the discretely presented component unit of the City (the Housing Authority, audited by other auditors) did not properly account for its HUD CARES Act grants in the prior year. The change had a material impact on the discretely presented component unit financial statements. Accordingly, the prior year financial statements for 2020 have been restated, which affected beginning net position for the year ended December 31, 2021. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other postemployment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Supplementary 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Kansas City, Missouri
July 26, 2022

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

As management of the City of Lawrence, Kansas (the "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, 2021, as a part of the overall Annual Comprehensive Financial Report (Annual Report). This overview compares the fiscal year ended December 31, 2021, with the fiscal year ended December 31, 2020. Readers are encouraged to consider the information presented here, in conjunction with the letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets and deferred outflows of the City of Lawrence exceeded its liabilities and deferred inflows as of December 31, 2021, by \$436.76 million. This is our total net position. Of this amount, \$32.92 million is not specifically assigned for restricted purposes (unrestricted net position) and may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$15.76 million. This is a significant increase over the prior year, which only increased \$28 thousand. The City saw an increase in revenue of 8.65 million (4.32% increase) and a decrease in expenses of \$7.08 million (3.54% decrease) which resulted in the significant increase in net position.
- As of December 31, 2021, the City's governmental funds reported combined ending fund balances of \$117.69 million, an increase of \$25.18 million in comparison with the prior year. This was primarily due to increases in cash and investments due to issuing \$26.52 million in temporary notes for capital projects.
- As of December 31, 2021, the City's business-type activities reported combined total net position of \$201.88 million, an increase of \$4.61 million in comparison with the prior year. This was primarily due to increases in charges for services for utility revenues \$6.6 million, and an increase in expenses of \$1.70 million.
- At December 31, 2021, the fund balance for the general fund was \$24.923 million or 30% of revenues.
- The City's total debt, including temporary notes increased by \$48.83 million to a total of \$364.83 million. The key factors were an increase in general obligation debt (\$20.65 million), a decrease in temporary notes (\$13.22 million) and an increase in revenue bonds (\$41.35 million).
- The total OPEB Liability as of the end of the year is 19.22 million.
- The Net Pension Liability as of the end of the year is \$ 64.51 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and 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 like a private-sector business.

The *Statement of Net Position* presents information on all the City's assets and liabilities, deferred outflows, and deferred inflows 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.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

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). 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, parks and recreation, cultural affairs, 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 six *component units*. The Lawrence Public Library, Lawrence Housing Authority, Lawrence Memorial Hospital Endowment Association, Lawrence Surgery Center, LLC 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 governing 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 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 26 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, Debt Service Fund, and Capital Projects Fund, all of which are 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 82-92 of this report.

Budgets were adopted by the governing body for 2021 operations for the general fund plus 16 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.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

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 4 enterprise funds to account for its water and sewer operations, sanitation operations, public parking, and storm water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses 3 internal service funds to account for shared administrative costs, health care costs, fleet maintenance, 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 sanitation 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 113-122 of this report.

Notes to the financial statements

The notes to the basic financial statements begin on page 31. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary and 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 OPEB and Pension costs found on pages 77-81 of this report. The combining statements are presented immediately following the required supplementary information.

Financial Analysis - Government-wide Financial Statements

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 \$436.76 million at December 31, 2021. The City's net position increased by \$15.76 million. Governmental activities increased net position by \$11.23 million while business-type activities increased net position by \$4.61 million in 2021. Table 1 summarizes the assets and deferred outflows of resources, liabilities and deferred inflows of resources and Net Position for governmental activities, business-type activities, and the total primary government.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Table 1. City of Lawrence's Net Position, Year Ended December 31, 2021, and December 31, 2020 (in thousands):

| | Governmental Activities | | Business-type Activities | | Total Primary | |
|---|-------------------------|------------|--------------------------|------------|---------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other Assets | \$ 212,149 | \$ 179,249 | \$ 148,035 | \$ 99,571 | \$ 360,184 | \$ 278,820 |
| Capital assets, net of depreciation | 304,080 | 309,931 | 302,016 | 308,730 | 606,096 | 618,661 |
| Total assets | 516,229 | 489,180 | 450,051 | 408,301 | 966,280 | 897,481 |
| Deferred outflows of resources | 19,299 | 20,861 | 4,241 | 4,141 | 23,540 | 25,002 |
| Total assets and deferred outflows of resources | 535,528 | 510,041 | 454,292 | 412,442 | 989,820 | 922,483 |
| Long-term liabilities | | | | | | |
| Current | 57,765 | 70,185 | 16,554 | 19,267 | 74,319 | 89,452 |
| Non-current | 181,812 | 174,314 | 231,942 | 195,060 | 413,754 | 369,374 |
| Total liabilities | 239,577 | 244,499 | 248,496 | 214,327 | 488,073 | 458,826 |
| Deferred inflows of resources | 61,074 | 41,816 | 3,913 | 841 | 64,987 | 42,657 |
| Total liabilities and deferred inflows of resources | 300,651 | 286,315 | 252,409 | 215,168 | 553,060 | 501,483 |
| Net Position | | | | | | |
| Net investment in capital assets | 192,481 | 198,874 | 137,090 | 138,767 | 329,571 | 337,641 |
| Restricted | 65,999 | 49,519 | 8,278 | 8,203 | 74,277 | 57,722 |
| Unrestricted (deficit) | (23,603) | (24,667) | 56,515 | 50,304 | 32,912 | 25,637 |
| Total Net Position | \$ 234,877 | \$ 223,726 | \$ 201,883 | \$ 197,274 | \$ 436,760 | \$ 421,000 |

The largest portion of the City's net position, \$329.57 million (75.46%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, etc.) less any related debt and deferred outflows/inflows of resources 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 and deferred inflows/outflows of resources, 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, \$74.28 million (17.01%), represents resources that are subject to external restrictions on how they may be used. This increased \$16.56 million compared to the prior year primarily due to the issuance of temporary notes for capital projects.

The remaining balance of the net position of \$32.91 million (7.54%); (\$1.07 million increase in governmental activities and \$6.21 million increase in business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Table 2. City of Lawrence's Changes in Net Position, Year Ended December 31, 2021, and December 31, 2020 (in thousands):

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Primary Government</u> | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,878 | \$ 14,203 | \$ 75,598 | \$ 68,895 | \$ 89,476 | \$ 83,098 |
| Operating grants and contributions | 11,689 | 10,619 | - | - | 11,689 | 10,619 |
| Capital grants and contributions | 489 | 5,188 | - | - | 489 | 5,188 |
| General revenues: | | | | | | |
| Property taxes | 43,958 | 43,182 | - | - | 43,958 | 43,182 |
| Other taxes | 60,781 | 52,188 | - | - | 60,781 | 52,188 |
| Investment Income | 313 | 1,194 | 112 | 1,221 | 425 | 2,415 |
| Other | 1,565 | 2,584 | 541 | 1,000 | 2,106 | 3,584 |
| Total Revenues | 132,673 | 129,158 | 76,251 | 71,116 | 208,924 | 200,274 |
| Expenses: | | | | | | |
| General government | 24,674 | 28,182 | - | - | 24,674 | 28,182 |
| Public safety | 53,987 | 54,948 | - | - | 53,987 | 54,948 |
| Public works | 20,835 | 25,026 | - | - | 20,835 | 25,026 |
| Health and social services | 5,518 | 4,338 | - | - | 5,518 | 4,338 |
| Culture and recreation | 13,527 | 13,229 | - | - | 13,527 | 13,229 |
| Economic development & tourism | 4,253 | 3,897 | - | - | 4,253 | 3,897 |
| Interest on long-term debt | 3,606 | 5,359 | - | - | 3,606 | 5,359 |
| Water and Sewer | - | - | 49,709 | 45,806 | 49,709 | 45,806 |
| Sanitation | - | - | 12,657 | 13,762 | 12,657 | 13,762 |
| Nonmajor business-type activities | - | - | 4,399 | 5,699 | 4,399 | 5,699 |
| Total expenses | 126,400 | 134,979 | 66,765 | 65,268 | 193,165 | 200,247 |
| Change in Net Position before transfers | 6,273 | (5,821) | 9,486 | 5,848 | 15,759 | 27 |
| Transfers in(out) | 4,878 | (11,024) | (4,878) | 11,024 | - | - |
| Change in Net Position | 11,151 | (16,845) | 4,608 | 16,872 | 15,759 | 27 |
| Net position, beginning of year | 223,726 | 240,571 | 197,274 | 180,402 | 421,000 | 420,973 |
| Net position, end of year | \$ 234,877 | \$ 223,726 | \$ 201,882 | \$ 197,274 | \$ 436,759 | \$ 421,000 |

Governmental Activities

A comparative analysis of the governmental activities program revenues and expenses is presented below.

Governmental revenues increased \$3.52 million (2.72%) over the prior year with increases in sales taxes and decreases in capital grants causing the largest portions of the increase.

Governmental expenses decreased \$8.58 million or -6.36% from the prior year with decreases in general government, public safety, public works, social services, tourism, and interest on long term debt being the primary drivers.

General Government:

The General Government expenditures under the General Fund decreased by \$1.8 million as several city management functions were moved from the General Fund to the Internal Service Fund and only the allocable portion of those expenditures were charged to the General Fund. The Special Equipment Fund, and the Capital Projects Fund decreased a total of \$2.1 million as planned expenditures in 2021 were less than 2020 per the City's Capital Improvement Plan.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Public Works:

The Capital Improvement Reserve Fund, and the Capital Projects Fund decreased a total of \$1.9 million as planned expenditures in 2021 were less than 2020 per the City's Capital Improvement Plan. The largest variations were due to allocations of capital outlay and depreciation being \$2.8 million less in 2021.

Health and Social Services:

The General Fund allocation increased \$576 thousand as funding for the City/County Health Department and funding for the Lawrence Community Shelter increased in 2021. Grant funding also increased \$1.4 million because of increased funding through the CARES Act and ARPA Funds.

Figure 1. Program Revenues Compared to Expenses, Year Ended December 31, 2021:

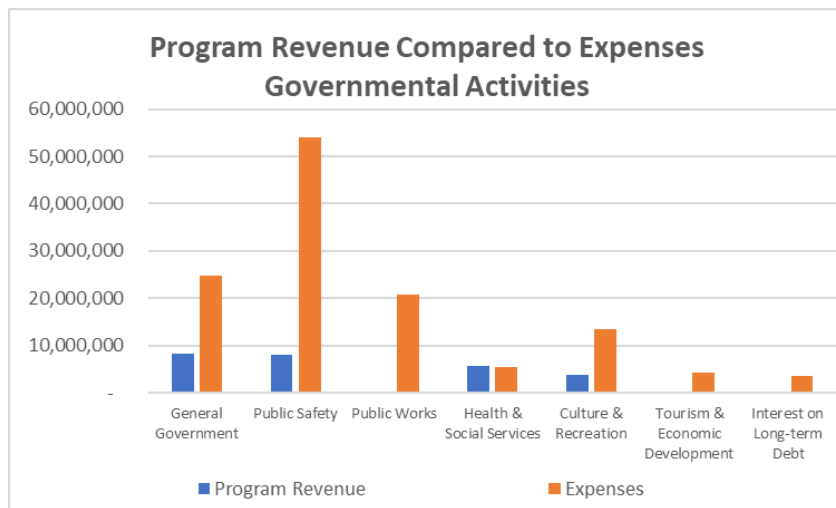
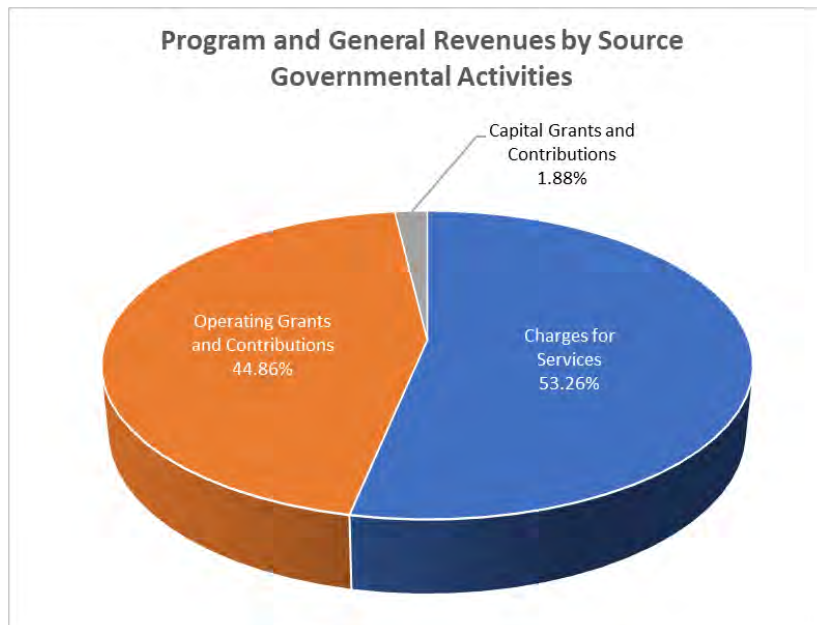


Figure 2. Program Revenues for Governmental Activities, Year Ended December 31, 2021:



CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Business-type activities

A comparative analysis and discussion of expenses and program revenues for the enterprise operations is presented below.

Business-type revenues increased \$5.13 million (7.22%) over the prior year with increases in charges for services causing the largest portion of the increase.

Business-type expenses increased \$1.50 million or 2.29% from the prior year with increases to the Water and Sewer Utility being the primary driver.

Figure 3. Expenses for Business-type Activities, Year Ended December 31, 2021:

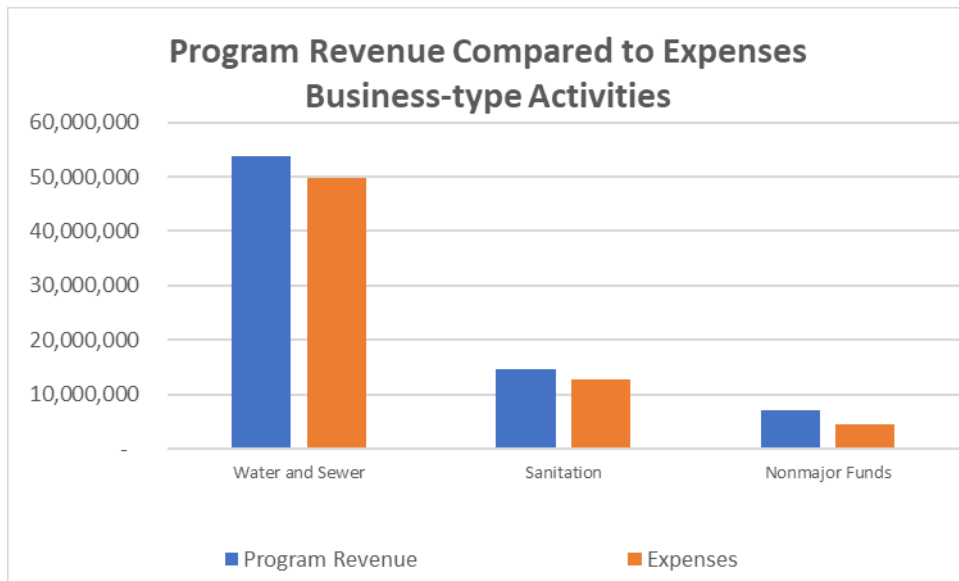
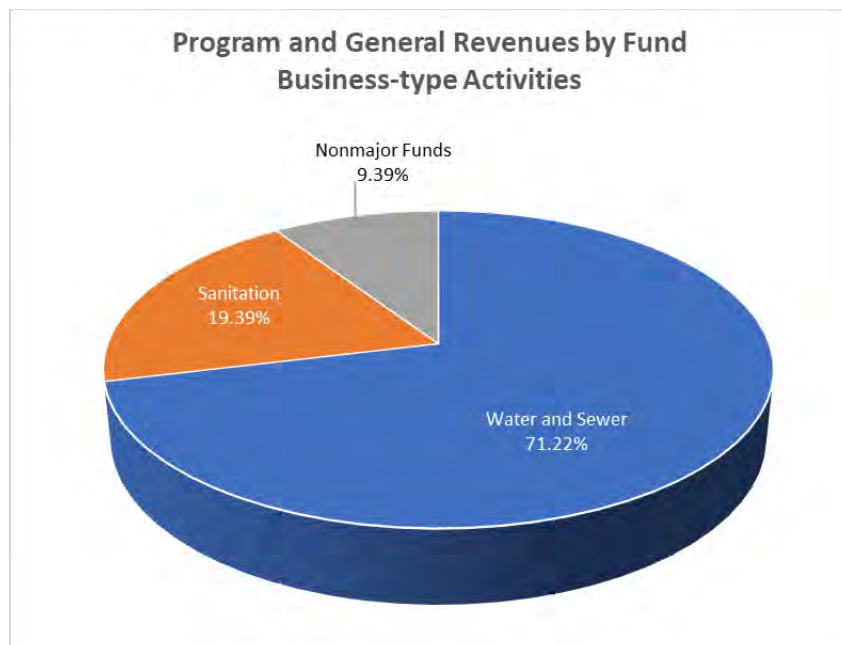


Figure 4. Program Revenues for Business-type Activities, Year Ended December 31, 2021:



CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Table 3. Water and Sewer Utility Revenues and Expenses, Year Ended December 31, 2021, and December 31, 2020 (in thousands):

| | Year Ended December 31 | | |
|---------------------------------------|------------------------|-------------------|----------|
| | 2021 | 2020 | Change |
| REVENUES | | | |
| Total operating revenues | \$ 53,843 | \$ 48,496 | \$ 5,347 |
| Non-operating revenues, net | 309 | 1,079 | (770) |
| Total Revenues | 54,152 | 49,575 | 4,577 |
| EXPENSES | | | |
| Total operating expenses | 43,604 | 39,786 | 3,818 |
| non-operating expenses | | | |
| Interest expense | 5,873 | 6,009 | (136) |
| Other expenses | 53 | 11 | 42 |
| Total expenses | 49,530 | 45,806 | 3,724 |
| Income before Transfers | 4,622 | 3,769 | 853 |
| Transfers, net | (2,488) | (3,199) | 711 |
| Capital Contribution | - | 13,056 | (13,056) |
| Change in Net Position | 2,134 | 13,626 | (11,492) |
| Net Position, Beginning of Period | 158,421 | 144,795 | |
| Net Position, End of Period | <u>\$ 160,555</u> | <u>\$ 158,421</u> | |

Total revenues for the year ended December 31, 2021, increased \$4.58 million or 9.23%, compared to the prior year. Total operating revenues which primarily consist of water and sewer fees, increased by \$5.35 million or 11.03%. The increase is due to a rate increase, as well as utilization increases as the community began to resume more normal service levels after being closed the majority of 2020 due to COVID-19. Non-operating revenue decreased by \$770 thousand or 71.36%, which was primarily due to decreases in investment income.

Total expenses increased \$3.72 million or 8.13% when compared to the prior year. Wages and benefits were \$1 million or 9.8% more than 2020. Internal Service Charges were \$1.4 million or 52% more than 2020 as the City expanded those charges to include more shared services. Capital expenses related to the City's CIP increased \$1.2 million or 25.91% over 2020.

Total operating revenues less operating expenses, or operating margin was \$10 million for fiscal year 2021, an increase of \$1.53 million or 17.55% compared to the prior year.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Table 4. Sanitation Utility Revenues and Expenses, Year Ended December 31, 2021, and December 31, 2020 (in thousands):

| | Year Ended December 31 | | |
|---------------------------------------|------------------------|------------|---------|
| | 2021 | 2020 | Change |
| REVENUES | | | |
| Total operating revenues | \$ 14,637 | \$ 14,539 | \$ 98 |
| Non-operating revenues, net | 144 | 831 | (687) |
| Total Revenues | 14,781 | 15,370 | (589) |
| EXPENSES | | | |
| Total operating expenses | 12,621 | 13,490 | (869) |
| non-operating expenses | | | |
| Interest expense | - | 41 | (41) |
| Other expenses | 45 | 231 | (186) |
| Total expenses | 12,666 | 13,762 | (1,096) |
| Income before Transfers | 2,115 | 1,608 | 507 |
| Transfers, net | (1,474) | (807) | (667) |
| Change in Net Position | 641 | 801 | (160) |
| Net Position, Beginning of Period | 14,547 | 13,746 | |
| Net Position, End of Period | \$ 15,188 | \$ 14,547 | |

Total revenues for the year ended December 31, 2021, decreased \$589 thousand or 3.83%, compared to the prior year. Total operating revenues which primarily consist of sanitation fees, increased by \$98 thousand or 0.67%. Non-operating revenue decreased by \$687 thousand or 82.67%, which was primarily due to decreases in investment income miscellaneous income.

Total expenses decreased \$1.096 million or 7.96% when compared to the prior year. Wages and benefits were \$853 thousand or 12.75% less than 2020. Repairs and Maintenance were \$171 thousand less than 2020 primarily due to less being spent on vehicle maintenance in 2021.

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.

As of December 31, 2021, the City's governmental funds reported combined ending fund balances of \$117.69 million, an increase of \$25.18 million in comparison with the prior year. This was primarily due to increases in cash and investments due to issuing \$26.52 million in temporary notes for capital projects.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

The general fund is the chief operating fund of the City. At the end of 2021, the unassigned fund balance of the general fund was \$21.89 million and the total fund balance was \$24.92 million which is 26.76% and 30.48% of the total general revenues respectively.

The fund balance of the City's general fund decreased by \$93 thousand during 2021. The revenues increased by \$11.703 million (16.57%). Expenditures increased by \$6.86 million (9.12%). Transfers in decreased \$1 thousand while transfers out increased \$2.96 million.

The debt service fund at the end of 2021, has a total fund balance of \$18.57 million all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in debt service was \$4.62 million which resulted primarily from taxes and transfers exceeding the required debt payments for the year. This was an anticipated increase for planned future debt service payments that will begin next year for the City's new Police headquarters.

The capital projects fund increased its fund balance by \$11.79 million during 2021 primarily from the issuance of additional temporary notes for capital projects identified in the City's Capital Improvement Plan.

Other governmental funds have fund balance of \$47.45 million at the end of 2021. The fund balance increased \$8.87 million during the year. For more information on these funds, see the "Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds" beginning on page 89.

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 2021 was \$33.68 million; and the Sanitation Fund was \$10.49 million. The total change in net position for the Water and Sewer Utility and Sanitation were \$2.13 million and \$641 thousand respectively. 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 \$3.15 million (3.97%). Sales taxes were \$5.71 million more than budget as the sales taxes rebounded much quicker from the pandemic than we had anticipated. Charges for services were \$2.10 million less than budget as our recreation programming was more severely impacted by the pandemic than we had originally anticipated. Expenditures were less than budgetary estimates by \$16.69 million (17.09%). Of the total difference in the budgeted expenditures:

- Economic Development spent \$123 thousand (-12.60%) less than budgeted.
- Office of the City Attorney spent \$143 thousand (-11.75%) less than budgeted.
- Police spent \$586 thousand (-2.11%) less than budgeted. The majority of the underspending was due to vacancies.
- Fire/Medical spent \$2.78 million (-10.98%) less than budgeted, however, the City utilized \$3 million of expenditures for the ARPA grant so if that were taken into account Fire/Medical actually would have overspent their budget by \$224 thousand (0.88%). The majority of this increase is due to overtime expenses.
- The MSO spent \$10.08 million (-54.31%) less than budgeted. The majority of this was for road maintenance.
- Parks and Recreation spent \$1.96 million (-14.97%) less than budgeted. Approximately \$380 thousand of this was due to seasonal staff reductions caused by the pandemic. A significant portion of the remaining unspent budget was at facilities like the pool that were closed for a significant part of the season due to the pandemic.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

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, 2021, totaled \$305.96 million, and \$301.83 million, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and systems, improvements, construction in progress, machinery and equipment, park and recreation facilities, storm sewers, roads, bridges, water, and sewer lines.

Table 5. Capital Assets Schedule (in thousands):

Capital assets, net of depreciation, for the governmental and business-type activities are as follows:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 16,755 | \$ 16,651 | \$ 7,056 | \$ 6,984 | \$ 23,811 | \$ 23,635 |
| Buildings & Improvements | 102,022 | 108,243 | 168,991 | 174,857 | 271,013 | 283,100 |
| Other property and equipment | 13,914 | 13,557 | 16,668 | 18,318 | 30,582 | 31,875 |
| Infrastructure | 161,867 | 165,675 | 103,197 | 106,460 | 265,064 | 272,135 |
| Construction in progress | 11,404 | 5,805 | 5,922 | 2,111 | 17,326 | 7,916 |
| Total | \$ 305,962 | \$ 309,931 | \$ 301,834 | \$ 308,730 | \$ 607,796 | \$ 618,661 |

The overall value of the City's assets declined by \$10.86 million (-3.51%) as the accumulated depreciation of the assets exceeded the City's investment in assets. Accumulated depreciation was \$26.62 million, and investment in assets was \$19.83 million.

Highlights of capital asset activity during the year ended December 31, 2021 included the following major additions to Construction in progress:

Governmental Activity

- Water spray park at Burroughs Creek Park
- Retaining wall improvements near the Kansas River Bowersock Dam
- Improvements to the Santa Fe Depot parking lot
- Design and planning of a multimodal facility
- Improvements to 23rd Street between the Haskell Street Bridge to the Eastern City limits
- Improvements to Wakarusa between Research Parkway to 23rd Street
- Construction of the Lawrence Loop from 11th to 7th Streets downtown

Business-type Activity

- Automated meter reading infrastructure
- Stratford Water Tower replacement
- KAW and Clinton Water Treatment Plant improvements
- Naismith Valley Interceptor improvements
- Water and Sewer lines on 19th Street
- Water and Sewer lines on 23rd Street

For additional information on the City's capital assets, refer to Note 6 to the basic financial statements.

CITY OF LAWRENCE, KANSAS

Management's Discussion and Analysis (Unaudited) December 31, 2021

Long-term debt

As of December 31, 2021, the City had total bonded debt outstanding of \$364.83 million. Of this amount, \$140.79 million is comprised of debt backed by the full faith and credit of the City and \$224.04 is debt secured solely by specific revenue sources (i.e., revenue bonds). More detailed information about the City's long-term debt is presented in Note 5 to the basic financial statements.

Table 6. General Obligation and Revenue Bonds (in thousands):

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | \$ 106,561 | \$ 83,320 | \$ 1,250 | \$ 4,965 | \$ 107,811 | \$ 88,285 |
| Premium on bonds | 5,963 | 4,549 | - | 291 | 5,963 | 4,840 |
| Notes payable | 26,522 | 40,070 | - | - | 26,522 | 40,070 |
| Premium on notes | 492 | 159 | - | - | 492 | 159 |
| Water/Wastewater Revenue Bonds | - | - | 205,745 | 167,100 | 205,745 | 167,100 |
| Premium on bonds | - | - | 18,298 | 15,592 | 18,298 | 15,592 |
| Total | \$ 139,538 | \$ 128,098 | \$ 225,293 | \$ 187,948 | \$ 364,831 | \$ 316,046 |

The City's net outstanding debt, including temporary notes increased by \$48.79 million during 2021. The City issued \$26.52 million of temporary notes, \$29.74 of general obligation bonds and \$46.56 million of revenue bonds in 2021.

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.

State statutes limit the amount of general obligation debt a government entity may issue to 30% of its total assessed valuation. The current debt limitation for the City is \$341.25 million which is significantly in excess of the City's outstanding general obligation bonds.

More information on debt may be found in the statistical section of this Annual Report beginning with table 13 and on the City's Investor Relations Site <https://www.lawrenceksbonds.com/lawrence-kansas-bond-investors-ks/i538>.

For additional information on the city's debt, refer to Note 5 to the basic financial statements.

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, 2021

| | Primary Government | | | |
|--|-------------------------------------|--------------------------------------|--------------------------------|--------------------|
| | Total Governmental Activities | Total Business-type Activities | Total Primary Government | Component Units |
| Assets and deferred outflows of resources | | | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 140,848,311 | \$ 43,445,052 | \$ 184,293,363 | \$ 102,909,556 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts | 3,848,738 | 11,712,029 | 15,560,767 | 53,069,403 |
| Taxes | 51,516,271 | - | 51,516,271 | - |
| Special assessments | 12,154,051 | - | 12,154,051 | - |
| Intergovernmental | 1,971,878 | - | 1,971,878 | - |
| Franchise fees | 598,538 | - | 598,538 | - |
| Loans | 656,867 | - | 656,867 | - |
| Accrued interest | 171,137 | 174,935 | 346,072 | - |
| Internal balances | (5,054,475) | 5,054,475 | - | - |
| Inventories | 776,957 | 3,558,560 | 4,335,517 | 6,802,200 |
| Due from other entities | - | - | - | 557,240 |
| Prepaid | 202,459 | 504,130 | 706,589 | 11,726,163 |
| Other assets | 91,098 | - | 91,098 | 1,808,312 |
| Restricted cash | 2,483,139 | 7,947,714 | 10,430,853 | 2,876,887 |
| Total current assets | 210,264,969 | 72,396,895 | 282,661,864 | 179,749,761 |
| Noncurrent assets: | | | | |
| Restricted cash and investments | 1,884 | 75,637,875 | 75,639,759 | 26,915,669 |
| Investments | - | - | - | 14,072,139 |
| Receivables (net of allowance for uncollectibles) | - | - | - | 1,177,418 |
| Land held for resale | - | 181,874 | 181,874 | - |
| Capital assets, nondepreciable | | | | |
| Land | 16,754,772 | 7,056,141 | 23,810,913 | 13,757,032 |
| Construction in progress | 11,404,485 | 5,921,763 | 17,326,248 | 3,610,720 |
| Capital assets, depreciable | 489,883,412 | 470,197,012 | 960,080,424 | 402,683,922 |
| Less: accumulated depreciation | (212,080,609) | (181,340,984) | (393,421,593) | (163,850,390) |
| Total noncurrent assets | 305,963,944 | 377,653,681 | 683,617,625 | 298,366,510 |
| Total assets | 516,228,913 | 450,050,576 | 966,279,489 | 478,116,271 |
| Deferred outflows of resources: | | | | |
| Pension related amounts | 17,021,498 | 3,318,174 | 20,339,672 | 1,007,242 |
| OPEB related amounts | 2,278,015 | 922,885 | 3,200,900 | 6,319 |
| Total deferred outflows of resources | 19,299,513 | 4,241,059 | 23,540,572 | 1,013,561 |
| Total assets and deferred outflows of resources | 535,528,426 | 454,291,635 | 989,820,061 | 479,129,832 |

(Continued)

City of Lawrence, Kansas

**Statement of Net Position (Continued)
December 31, 2021**

| | Primary Government | | | |
|--|-------------------------------------|--------------------------------------|--------------------------------|-----------------------|
| | Total Governmental Activities | Total Business-type Activities | Total Primary Government | Component Units |
| Liabilities and deferred inflows of resources | | | | |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 8,798,523 | 4,441,381 | 13,239,904 | 8,322,225 |
| Accrued payroll | 2,266,100 | 650,307 | 2,916,407 | 22,754,380 |
| Interest payable | 609,930 | 609,930 | 1,219,860 | 1,891,241 |
| Meter deposits payable | - | 1,345,502 | 1,345,502 | - |
| Due to other entities | - | - | - | 19,269,802 |
| Unearned revenue | 7,516,173 | - | 7,516,173 | 334,799 |
| Other liabilities | 318,099 | - | 318,099 | 1,662,434 |
| Current portion of compensated absences payable | 3,561,509 | 891,456 | 4,452,965 | 107,971 |
| Current portion of revenue bonds payable | - | 7,890,525 | 7,890,525 | 3,241,492 |
| Current portion of temporary notes payable | 27,014,451 | - | 27,014,451 | - |
| Current portion of general obligation bonds payable | 7,570,000 | 725,000 | 8,295,000 | - |
| Current portion of capital lease payable | 110,622 | - | 110,622 | - |
| Current portion of other long-term liabilities | - | - | - | 143,192 |
| Total current liabilities | 57,765,407 | 16,554,101 | 74,319,508 | 57,727,536 |
| Noncurrent liabilities: | | | | |
| Compensated absences payable | 4,417,058 | 1,089,556 | 5,506,614 | 310,585 |
| Claims payable | 2,315,829 | - | 2,315,829 | - |
| General obligation bonds payable | 104,953,998 | 525,000 | 105,478,998 | - |
| Revenue bonds payable | - | 216,152,288 | 216,152,288 | 93,542,018 |
| Notes payable | - | - | - | 199,315 |
| Capital lease payable | 574,306 | - | 574,306 | - |
| Net pension liability | 55,873,010 | 8,634,168 | 64,507,178 | 2,885,954 |
| Total OPEB liability | 13,677,387 | 5,541,061 | 19,218,448 | 172,401 |
| Other long-term liabilities | - | - | - | 659,284 |
| Total noncurrent liabilities | 181,811,588 | 231,942,073 | 413,753,661 | 97,769,557 |
| Total liabilities | 239,576,995 | 248,496,174 | 488,073,169 | 155,497,093 |
| Deferred inflows of resources: | | | | |
| Property and vehicle taxes | 41,935,222 | - | 41,935,222 | - |
| Pension related amounts | 17,921,660 | 3,419,532 | 21,341,192 | 1,136,120 |
| OPEB related amounts | 1,217,448 | 493,219 | 1,710,667 | 44,281 |
| Total deferred inflows of resources | 61,074,330 | 3,912,751 | 64,987,081 | 1,180,401 |
| Total liabilities and deferred inflows of resources | 300,651,325 | 252,408,925 | 553,060,250 | 156,677,494 |
| Net position | | | | |
| Net investment in capital assets | 192,481,050 | 137,090,006 | 329,571,056 | 166,477,795 |
| Restricted for: | | | | |
| Debt service | 18,573,982 | 8,105,872 | 26,679,854 | - |
| Capital improvements | 44,892,877 | 171,714 | 45,064,591 | 3,313,527 |
| Other purposes | 2,532,419 | - | 2,532,419 | 9,230,668 |
| Unrestricted | (23,603,227) | 56,515,118 | 32,911,891 | 143,430,348 |
| Total net position | \$ 234,877,101 | \$ 201,882,710 | \$ 436,759,811 | \$ 322,452,338 |

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

City of Lawrence, Kansas

**Statement of Activities
Year Ended December 31, 2021**

| | | | | | Net (Expenses) Revenue and Changes in Net Position | | | |
|--|-----------------------|-------------------------|--|--|---|--------------------------------------|-----------------------|-----------------------|
| Program Revenues | | | | | Primary Government | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities | Total Business-type Activities | Total | Component Units |
| Governmental activities | | | | | | | | |
| General government | \$ 24,673,611 | \$ 3,054,395 | \$ 4,801,456 | \$ 316,101 | \$ (16,501,659) | \$ - | \$ (16,501,659) | \$ - |
| Public safety | 53,986,755 | 6,856,827 | 4,137,248 | 42,046 | (42,950,634) | - | (42,950,634) | - |
| Public works | 20,835,298 | 142,029 | - | 131,260 | (20,562,009) | - | (20,562,009) | - |
| Health | 3,356,246 | 177,408 | - | - | (3,178,838) | - | (3,178,838) | - |
| Social services | 2,161,684 | 12,522 | 2,508,753 | - | 359,591 | - | 359,591 | - |
| Culture and recreation | 13,526,642 | 3,600,736 | 242,001 | - | (9,683,905) | - | (9,683,905) | - |
| Tourism | 1,995,296 | - | - | - | (1,995,296) | - | (1,995,296) | - |
| Economic development | 2,258,104 | 33,941 | - | - | (2,224,163) | - | (2,224,163) | - |
| Interest on long-term debt | 3,606,049 | - | - | - | (3,606,049) | - | (3,606,049) | - |
| Total governmental activities | 126,399,685 | 13,877,858 | 11,689,458 | 489,407 | (100,342,962) | - | (100,342,962) | - |
| Business-type activities | | | | | | | | |
| Water and sewer | 49,708,507 | 53,843,060 | - | - | - | 4,134,553 | 4,134,553 | - |
| Sanitation | 12,656,576 | 14,657,374 | - | - | - | 2,000,798 | 2,000,798 | - |
| Stormwater | 3,197,639 | 5,644,550 | - | - | - | 2,446,911 | 2,446,911 | - |
| Public parking | 1,201,311 | 1,453,405 | - | - | - | 252,094 | 252,094 | - |
| Total business-type activities | 66,764,033 | 75,598,389 | - | - | - | 8,834,356 | 8,834,356 | - |
| Total primary government | 193,163,718 | 89,476,247 | 11,689,458 | 489,407 | (100,342,962) | 8,834,356 | (91,508,606) | - |
| Component units | | | | | | | | |
| Lawrence-Douglas County Housing Authority | 10,563,005 | 1,848,898 | 9,106,396 | 840,687 | - | - | - | 1,232,976 |
| Lawrence Memorial Hospital | 325,087,999 | 317,459,355 | 11,582,315 | 3,209,559 | - | - | - | 7,163,230 |
| Lawrence Memorial Hospital Endowment Association | 3,785,848 | - | 4,253,737 | - | - | - | - | 467,889 |
| Lawrence Surgery Center, LLC | 9,426,380 | 9,698,016 | - | - | - | - | - | 271,636 |
| Lawrence Public Library | 5,206,606 | 32,303 | 5,660,464 | - | - | - | - | 486,161 |
| Total component units | \$ 354,069,838 | \$ 329,038,572 | \$ 30,602,912 | \$ 4,050,246 | - | - | - | 9,621,892 |
| General revenues | | | | | | | | |
| Property and vehicle tax | | | | | 43,957,928 | - | 43,957,928 | - |
| Sales, liquor, guest and gas tax | | | | | 53,573,414 | - | 53,573,414 | - |
| Franchise tax | | | | | 7,207,175 | - | 7,207,175 | - |
| Unrestricted grants and contributions | | | | | 26,864 | - | 26,864 | - |
| Interest income | | | | | 312,560 | 111,472 | 424,032 | 7,819,113 |
| Miscellaneous | | | | | 1,537,853 | 540,553 | 2,078,406 | 1,165,008 |
| Transfers, net | | | | | 4,877,739 | (4,877,739) | - | - |
| Subtotal general revenues and transfers | | | | | 111,493,533 | (4,225,714) | 107,267,819 | 8,984,121 |
| Change in net position | | | | | 11,150,571 | 4,608,642 | 15,759,213 | 18,606,013 |
| Net position - beginning, as restated | | | | | 223,726,530 | 197,274,068 | 421,000,598 | 303,846,325 |
| Net position - ending | | | | | \$ 234,877,101 | \$ 201,882,710 | \$ 436,759,811 | \$ 322,452,338 |

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

City of Lawrence, Kansas

**Balance Sheet
Governmental Funds
December 31, 2021**

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 22,166,228 | \$ 18,544,998 | \$ 25,643,051 | \$ 51,707,711 | \$ 118,061,988 |
| Receivables: | | | | | |
| Taxes | 32,122,837 | 11,930,033 | - | 7,463,401 | 51,516,271 |
| Special assessments | - | 12,154,051 | - | - | 12,154,051 |
| Intergovernmental | 21,811 | - | - | 1,950,067 | 1,971,878 |
| Accounts (net allowance for uncollectibles) | 2,004,845 | - | - | 1,608,582 | 3,613,427 |
| Franchise fees | 598,538 | - | - | - | 598,538 |
| Loans | 280,135 | 8,424 | - | 368,308 | 656,867 |
| Accrued interest | 11,747 | 24,291 | 42,767 | 70,990 | 149,795 |
| Due from other funds | 251,063 | - | - | - | 251,063 |
| Prepaid | 43,294 | - | - | 159,165 | 202,459 |
| Inventories | 303,776 | - | - | - | 303,776 |
| Other assets | - | - | - | 91,098 | 91,098 |
| Restricted assets | | | | | |
| Cash and investments | 105,186 | - | 2,136,629 | 241,324 | 2,483,139 |
| Total assets | \$ 57,909,460 | \$ 42,661,797 | \$ 27,822,447 | \$ 63,660,646 | \$ 192,054,350 |
| Liabilities, deferred inflows of resources and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 3,868,775 | \$ 3,732 | \$ 1,080,081 | \$ 3,101,791 | \$ 8,054,379 |
| Accrued payroll | 2,049,420 | - | - | 27,694 | 2,077,114 |
| Customer deposits | 50,748 | - | - | 5,725 | 56,473 |
| Due to other funds | - | - | - | 251,063 | 251,063 |
| Unearned revenue | 632,277 | - | - | 6,883,896 | 7,516,173 |
| Other liabilities | 105,050 | - | - | 156,576 | 261,626 |
| Total liabilities | 6,706,270 | 3,732 | 1,080,081 | 10,426,745 | 18,216,828 |
| Deferred inflows of resources, | | | | | |
| Unavailable revenue | 26,278,775 | 24,084,083 | - | 5,780,790 | 56,143,648 |
| Total liabilities and deferred inflows of resources | 32,985,045 | 24,087,815 | 1,080,081 | 16,207,535 | 74,360,476 |
| Fund balance: | | | | | |
| Nonspendable | 347,070 | - | - | 159,165 | 506,235 |
| Restricted | 105,186 | 18,573,982 | 26,742,366 | 47,320,111 | 92,741,645 |
| Assigned | 2,584,296 | - | - | - | 2,584,296 |
| Unassigned | 21,887,863 | - | - | (26,165) | 21,861,698 |
| Total fund balances | 24,924,415 | 18,573,982 | 26,742,366 | 47,453,111 | 117,693,874 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 57,909,460 | \$ 42,661,797 | \$ 27,822,447 | \$ 63,660,646 | \$ 192,054,350 |

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 the Net Position of Governmental Activities
December 31, 2021**

| | | |
|--|----------------------|------------------------------|
| Total governmental fund balances | | \$ 117,693,874 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | \$ 516,884,234 | |
| Accumulated depreciation | <u>(211,185,661)</u> | 305,698,573 |
| 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. | | |
| | | 7,226,211 |
| 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 | | 16,765,548 |
| Deferred outflows of resources - OPEB | | 1,882,298 |
| Deferred inflows of resources - pension | | (16,402,372) |
| Deferred inflows of resources - OPEB | | (1,005,965) |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| | | 14,208,426 |
| The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | |
| Compensated absences | (7,017,836) | |
| Total OPEB liability | (11,301,474) | |
| Net pension liability | (52,036,875) | |
| General obligation bonds payable | (112,523,998) | |
| Temporary note | (27,014,451) | |
| Capital lease payable | (684,928) | |
| Accrued interest on the bonds | <u>(609,930)</u> | (211,189,492) |
| Net position of governmental activities | | <u><u>\$ 234,877,101</u></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, 2021**

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 66,550,842 | \$ 11,691,846 | \$ - | \$ 18,945,808 | \$ 97,188,496 |
| Special assessments | 35,857 | 1,322,091 | - | - | 1,357,948 |
| Licenses and permits | 1,778,017 | - | - | - | 1,778,017 |
| Charges for services | 10,854,433 | - | - | 353,091 | 11,207,524 |
| Fines, forfeitures and penalties | 909,911 | - | - | 30,069 | 939,980 |
| Interest | 132,550 | 123,921 | (111,067) | 110,485 | 255,889 |
| Intergovernmental | 695,022 | - | 231,756 | 17,377,233 | 18,304,011 |
| Reimbursements | 142,956 | 139,534 | - | 279,416 | 561,906 |
| Contributions | 7,263 | 84,345 | - | 44,655 | 136,263 |
| Miscellaneous | 677,222 | - | - | 1,549,919 | 2,227,141 |
| Total revenues | 81,784,073 | 13,361,737 | 120,689 | 38,690,676 | 133,957,175 |
| Expenditures: | | | | | |
| Current expenditures: | | | | | |
| General government | 9,518,750 | 148,694 | 57,870 | 13,646,791 | 23,372,105 |
| Public safety | 49,694,753 | - | 73,414 | 4,050,188 | 53,818,355 |
| Public works | 8,997,986 | - | 2,809,071 | 3,699,750 | 15,506,807 |
| Health | 1,666,440 | - | - | 1,692,033 | 3,358,473 |
| Social services | 286,249 | - | - | 1,281,308 | 1,567,557 |
| Culture and recreation | 10,791,165 | - | 5,901 | 1,388,475 | 12,185,541 |
| Tourism | - | - | - | 1,996,716 | 1,996,716 |
| Economic development | - | - | - | 2,222,764 | 2,222,764 |
| Capital outlay | 953,170 | - | 4,137,127 | 4,025,459 | 9,115,756 |
| Debt service: | | | | | |
| Principal retirement | 125,908 | 6,499,000 | 40,070,000 | 25,120 | 46,720,028 |
| Interest and fiscal charges | - | 3,378,329 | - | 192 | 3,378,521 |
| Issuance costs | - | - | 157,459 | - | 157,459 |
| Total expenditures | 82,034,421 | 10,026,023 | 47,310,842 | 34,028,796 | 173,400,082 |
| Excess (deficiency) of revenues over expenditures | (250,348) | 3,335,714 | (47,190,153) | 4,661,880 | (39,442,907) |
| Other financing sources (uses): | | | | | |
| Issuance of debt | - | - | 56,262,000 | - | 56,262,000 |
| Issuance of debt premium | - | - | 2,715,048 | - | 2,715,048 |
| Sale of property - proceeds received | 570,349 | - | - | 5,950 | 576,299 |
| Transfers in | 4,433,816 | 1,283,174 | - | 9,416,837 | 15,133,827 |
| Transfers out | (4,846,583) | - | - | (5,213,128) | (10,059,711) |
| Total other financing sources | 157,582 | 1,283,174 | 58,977,048 | 4,209,659 | 64,627,463 |
| Net change in fund balance | (92,766) | 4,618,888 | 11,786,895 | 8,871,539 | 25,184,556 |
| Fund balance - beginning | 25,017,181 | 13,955,094 | 14,955,471 | 38,581,572 | 92,509,318 |
| Fund balance - ending | \$ 24,924,415 | \$ 18,573,982 | \$ 26,742,366 | \$ 47,453,111 | \$ 117,693,874 |

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, 2021**

| | | |
|--|----|------------|
| Total net change in fund balances - governmental funds | \$ | 25,184,556 |
|--|----|------------|

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 | \$ 12,517,203 | | |
| Net book value of disposed asset | (147,642) | | |
| Depreciation expense | <u>(16,439,627)</u> | | (4,070,066) |

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 | | (25,913) | |
| Proceeds on issuance of bonds | | (56,262,000) | |
| Proceeds on issuance of bond premiums | | (2,715,048) | |
| General obligation and temporary notes principal payments | | 46,569,000 | |
| Capital lease principal payments | | 151,028 | |
| Amortization of premiums, net | | 966,773 | |

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.

(3,070,550)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds.

2,282

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 | | 653,848 | |
| Pension expense | | 3,336,762 | |
| OPEB expense | | <u>429,899</u> | |

Changes in net position of governmental activities

\$ 11,150,571

City of Lawrence, Kansas

**General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021**

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|---|---------------------|-----------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 61,018,000 | \$ 61,018,000 | \$ 66,550,844 | \$ 5,532,844 |
| Licenses and permits | 1,446,000 | 1,456,000 | 1,778,018 | 322,018 |
| Intergovernmental | 919,000 | 919,000 | 695,022 | (223,978) |
| Charges for Services | 12,987,000 | 12,992,000 | 10,890,351 | (2,101,649) |
| Fines, forfeitures, and penalties | 1,400,000 | 1,400,000 | 909,911 | (490,089) |
| Interest | 250,000 | 250,000 | 132,550 | (117,450) |
| Miscellaneous | 963,000 | 1,172,767 | 1,397,729 | 224,962 |
| Total revenues | 78,983,000 | 79,207,767 | 82,354,425 | 3,146,658 |
| Expenditures | | | | |
| General government | 9,427,000 | 9,867,000 | 9,644,661 | (222,339) |
| Public safety | 52,824,000 | 52,896,573 | 49,514,380 | (3,382,193) |
| Public works | 12,289,000 | 16,630,000 | 8,391,797 | (8,238,203) |
| Culture and recreation | 11,775,000 | 12,384,000 | 10,667,818 | (1,716,182) |
| Health | 2,646,000 | 2,656,000 | 1,666,438 | (989,562) |
| Social Services | 290,000 | 290,000 | 254,720 | (35,280) |
| Capital outlay | 3,343,000 | 2,937,194 | 827,171 | (2,110,023) |
| Total expenditures | 92,594,000 | 97,660,767 | 80,966,985 | (16,693,782) |
| Excess (deficiency) of revenues over (under) expenditures | (13,611,000) | (18,453,000) | 1,387,440 | 19,840,440 |
| Other financing sources (uses) | | | | |
| Transfers in | 17,518,000 | 19,490,000 | 4,433,816 | (15,056,184) |
| Transfers out | (2,896,000) | (3,301,000) | (4,846,583) | (1,545,583) |
| Total other financing sources (uses) | 14,622,000 | 16,189,000 | (412,767) | (16,601,767) |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | \$ 1,011,000 | \$ (2,264,000) | 974,673 | \$ 3,238,673 |
| Fund balance, beginning of year, GAAP basis | | | 25,017,181 | |
| Fund balance, end of year, budget basis | | | 25,991,854 | |
| Adjustments, encumbrances | | | (1,067,439) | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 24,924,415</u> | |

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, 2021

| | Business-Type Activities: Enterprise Funds | | | | Governmental Activities: Internal Service Funds |
|--|---|----------------------|----------------------------------|------------------------------|---|
| | Water and Sewer | Sanitation | Nonmajor Proprietary Funds | Total Enterprise Funds | |
| Assets and deferred outflows of resources | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 22,911,051 | \$ 12,954,794 | \$ 7,579,207 | \$ 43,445,052 | \$ 22,786,323 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Accounts | 7,892,686 | 2,805,349 | 1,013,994 | 11,712,029 | 235,311 |
| Accrued interest | 150,709 | 14,964 | 9,262 | 174,935 | 21,342 |
| Inventories | 3,558,560 | - | - | 3,558,560 | 473,181 |
| Prepaid | 503,937 | 193 | - | 504,130 | - |
| Restricted cash: | | | | | |
| Customer deposits | - | 57,189 | - | 57,189 | - |
| Current portion of revenue bonds | 7,890,525 | - | - | 7,890,525 | - |
| Total current assets | 42,907,468 | 15,832,489 | 8,602,463 | 67,342,420 | 23,516,157 |
| Noncurrent assets: | | | | | |
| Restricted cash and investments | 75,637,875 | - | - | 75,637,875 | 1,884 |
| Land held for resales | - | - | 181,874 | 181,874 | - |
| Capital assets: | | | | | |
| Land | 4,731,595 | - | 2,324,546 | 7,056,141 | - |
| Construction in progress | 5,809,904 | - | 111,859 | 5,921,763 | 63,029 |
| Building and improvements | 247,258,046 | 2,737,540 | 3,859,228 | 253,854,814 | 704,842 |
| Equipment | 20,515,017 | 9,360,115 | 3,345,663 | 33,220,795 | 390,564 |
| Infrastructure | 165,481,166 | - | 17,640,237 | 183,121,403 | - |
| Less: accumulated depreciation | (160,534,252) | (7,398,376) | (13,408,356) | (181,340,984) | (894,948) |
| Total capital assets | 283,261,476 | 4,699,279 | 13,873,177 | 301,833,932 | 263,487 |
| Total noncurrent assets | 358,899,351 | 4,699,279 | 14,055,051 | 377,653,681 | 265,371 |
| Total assets | 401,806,819 | 20,531,768 | 22,657,514 | 444,996,101 | 23,781,528 |
| Deferred outflows of resources: | | | | | |
| Pension related amounts | 1,823,397 | 1,206,300 | 288,477 | 3,318,174 | 255,950 |
| OPEB related amounts | 550,726 | 297,044 | 75,115 | 922,885 | 395,717 |
| Total deferred outflows of resources | 2,374,123 | 1,503,344 | 363,592 | 4,241,059 | 651,667 |
| Total assets and deferred outflows of resources | \$ 404,180,942 | \$ 22,035,112 | \$ 23,021,106 | \$ 449,237,160 | \$ 24,433,195 |

(Continued)

City of Lawrence, Kansas

**Statement of Net Position (Continued)
Proprietary Funds
December 31, 2021**

| | Business-Type Activities: Enterprise Funds | | | | Governmental Activities: Internal Service Funds |
|---|---|----------------------|----------------------------------|------------------------------|---|
| | Water and Sewer | Sanitation | Nonmajor Proprietary Funds | Total Enterprise Funds | |
| Liabilities and deferred inflows of resources | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 3,661,474 | \$ 417,137 | \$ 362,770 | \$ 4,441,381 | \$ 744,144 |
| Interest payable | 609,930 | - | - | 609,930 | - |
| Claims payable | - | - | - | - | 2,315,829 |
| Accrued payroll | 392,072 | 213,249 | 44,986 | 650,307 | 188,986 |
| Compensated absences | 549,079 | 285,145 | 57,232 | 891,456 | 432,329 |
| Current portion of general obligation bonds payable | 725,000 | - | - | 725,000 | - |
| Total unrestricted current liabilities | 5,937,555 | 915,531 | 464,988 | 7,318,074 | 3,681,288 |
| Current liabilities payable from restricted assets: | | | | | |
| Customer deposits | 1,288,313 | 57,189 | - | 1,345,502 | - |
| Current portion of revenue bonds | 7,890,525 | - | - | 7,890,525 | - |
| Total current liabilities payable from restricted assets | 9,178,838 | 57,189 | - | 9,236,027 | - |
| Total current liabilities | 15,116,393 | 972,720 | 464,988 | 16,554,101 | 3,681,288 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 671,096 | 348,510 | 69,950 | 1,089,556 | 528,402 |
| General obligation bonds payable | 525,000 | - | - | 525,000 | - |
| Revenue bonds payable | 216,152,288 | - | - | 216,152,288 | - |
| Net pension liability | 5,415,674 | 2,567,209 | 651,285 | 8,634,168 | 3,836,135 |
| Total OPEB liability | 3,306,597 | 1,783,471 | 450,993 | 5,541,061 | 2,375,913 |
| Total noncurrent liabilities | 226,070,655 | 4,699,190 | 1,172,228 | 231,942,073 | 6,740,450 |
| Total liabilities | 241,187,048 | 5,671,910 | 1,637,216 | 248,496,174 | 10,421,738 |
| Deferred inflows of resources: | | | | | |
| Pension related amounts | 2,144,859 | 1,016,734 | 257,939 | 3,419,532 | 1,519,288 |
| OPEB related amounts | 294,326 | 158,750 | 40,143 | 493,219 | 211,483 |
| Total deferred inflows of resources | 2,439,185 | 1,175,484 | 298,082 | 3,912,751 | 1,730,771 |
| Total liabilities and deferred inflows of resources | \$ 243,626,233 | \$ 6,847,394 | \$ 1,935,298 | \$ 252,408,925 | \$ 12,152,509 |
| Net position | | | | | |
| Net investment in capital assets | \$ 118,592,405 | \$ 4,699,279 | \$ 13,798,322 | \$ 137,090,006 | \$ 263,487 |
| Restricted for: | | | | | |
| Debt service | 8,105,872 | - | - | 8,105,872 | - |
| Capital outlay | 171,714 | - | - | 171,714 | - |
| Unrestricted | 33,684,718 | 10,488,439 | 7,287,486 | 51,460,643 | 12,017,199 |
| Total net position | \$ 160,554,709 | \$ 15,187,718 | \$ 21,085,808 | 196,828,235 | \$ 12,280,686 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | 5,054,475 | |
| Net position of business-type activities | | | | <u>\$ 201,882,710</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, 2021

| | Business-Type Activities: Enterprise Funds | | | | Governmental Activities: |
|--|---|----------------------|----------------------------------|------------------------------|------------------------------|
| | Water and Sewer | Sanitation | Nonmajor Proprietary Funds | Total Enterprise Funds | Internal Service Funds |
| Operating revenues | | | | | |
| Charges for services | \$ 53,791,047 | \$ 14,636,792 | \$ 6,980,942 | \$ 75,408,781 | \$ 31,182,274 |
| Other sales | 52,013 | - | - | 52,013 | 1,210,357 |
| Total operating revenues | 53,843,060 | 14,636,792 | 6,980,942 | 75,460,794 | 32,392,631 |
| Operating expenses | | | | | |
| Continuing operations | 601 | 11,620,685 | 3,708,058 | 15,329,344 | 3,668,757 |
| Transmission and distribution | 24,196,199 | - | - | 24,196,199 | - |
| General administration | 8,797,291 | 70,324 | 19,703 | 8,887,318 | 21,659,360 |
| Health insurance claims | - | - | - | - | 9,977,804 |
| Depreciation | 10,609,750 | 930,431 | 653,469 | 12,193,650 | 37,353 |
| Total operating expenses | 43,603,841 | 12,621,440 | 4,381,230 | 60,606,511 | 35,343,274 |
| Operating income (loss) | 10,239,219 | 2,015,352 | 2,599,712 | 14,854,283 | (2,950,643) |
| Nonoperating revenues (expenses) | | | | | |
| Investment income (loss) | 72,460 | 7,782 | (1,822) | 78,420 | 26,714 |
| Interest / amortization expense | (5,872,822) | 9,930 | - | (5,862,892) | - |
| Gain (loss) on sale of capital assets | (52,757) | (45,066) | (17,720) | (115,543) | 7,814 |
| Rental income | 217,209 | - | 6,000 | 223,209 | 67,035 |
| Miscellaneous | 18,497 | 126,494 | 100,537 | 245,528 | 38,283 |
| Total nonoperating revenues (expenses) | (5,617,413) | 99,140 | 86,995 | (5,431,278) | 139,846 |
| Income (loss) before transfers | 4,621,806 | 2,114,492 | 2,686,707 | 9,423,005 | (2,810,797) |
| Transfers in | 349,000 | - | - | 349,000 | 194,373 |
| Transfers out | (2,837,000) | (1,473,739) | (916,000) | (5,226,739) | (390,750) |
| Total transfers | (2,488,000) | (1,473,739) | (916,000) | (4,877,739) | (196,377) |
| Change in net position | 2,133,806 | 640,753 | 1,770,707 | 4,545,266 | (3,007,174) |
| Net position, beginning | 158,420,903 | 14,546,965 | 19,315,101 | 192,282,969 | 15,287,860 |
| Net position, ending | <u>\$ 160,554,709</u> | <u>\$ 15,187,718</u> | <u>\$ 21,085,808</u> | <u>196,828,235</u> | <u>\$ 12,280,686</u> |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | | | | 63,376 | |
| Change in net position of business-type activities | | | | <u>\$ 4,608,642</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, 2021**

| | Business-Type Activities: Enterprise Funds | | | Governmental Activities: Internal Service Funds | |
|--|---|---------------------|----------------------------------|---|---------------------|
| | Water and Sewer | Sanitation | Nonmajor Proprietary Funds | Total Enterprise Funds | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ 53,606,172 | \$ 14,419,773 | \$ 6,688,522 | \$ 74,714,467 | \$ 32,329,571 |
| Cash paid to suppliers of goods and services | (23,932,665) | (8,575,716) | (2,710,992) | (35,219,373) | (30,650,959) |
| Cash received from (paid to) employees | (8,686,163) | (4,119,825) | (1,045,074) | (13,851,062) | 499,465 |
| Net cash provided by operating activities | 20,987,344 | 1,724,232 | 2,932,456 | 25,644,032 | 2,178,077 |
| Cash flows from capital and related financing activities: | | | | | |
| Purchase and construction of capital assets | (4,274,507) | (831,543) | (414,046) | (5,520,096) | (81,542) |
| Proceeds from land held for resale | - | - | 39,148 | 39,148 | - |
| Proceeds from sale of capital assets | 67,485 | 259,949 | 20,300 | 347,734 | 7,814 |
| Proceeds from issuance of debt | 50,196,436 | - | - | 50,196,436 | - |
| Principal payments on general obligation bonds | (3,395,000) | (320,000) | - | (3,715,000) | - |
| Principal payments on revenue bonds | (7,915,000) | - | - | (7,915,000) | - |
| Interest payments on debt | (7,042,212) | 160,526 | - | (6,881,686) | - |
| Net cash provided by (used in) capital and related financing activities | 27,637,202 | (731,068) | (354,598) | 26,551,536 | (73,728) |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers in | 349,000 | - | - | 349,000 | 194,373 |
| Transfers out | (2,837,000) | (1,473,739) | (916,000) | (5,226,739) | (390,750) |
| Net cash provided by (used in) noncapital financing activities | (2,488,000) | (1,473,739) | (916,000) | (4,877,739) | (196,377) |
| Cash flows from investing activities: | | | | | |
| Purchase of investments | (50,000,000) | - | (2,005,000) | (52,005,000) | (49,294,366) |
| Sale of investments | 3,607,736 | 1,102,620 | 2,079 | 4,712,435 | 45,442,747 |
| Interest received | 343,244 | 82,446 | 42,046 | 467,736 | 142,878 |
| Net cash provided by (used in) investing activities | (46,049,020) | 1,185,066 | (1,960,875) | (46,824,829) | (3,708,741) |
| Net increase (decrease) in cash and cash equivalents | 87,526 | 704,491 | (299,017) | 493,000 | (1,800,769) |
| Cash and cash equivalents, beginning | 11,019,881 | 535,724 | 373,913 | 11,929,518 | 2,914,911 |
| Cash and cash equivalents, ending | <u>\$ 11,107,407</u> | <u>\$ 1,240,215</u> | <u>\$ 74,896</u> | <u>\$ 12,422,518</u> | <u>\$ 1,114,142</u> |

(Continued)

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, 2021

| | Business-Type Activities: Enterprise Funds | | | Governmental Activities: | |
|--|---|----------------------|----------------------------------|------------------------------|------------------------------|
| | Water and Sewer | Sanitation | Nonmajor Proprietary Funds | Total Enterprise Funds | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 10,239,219 | \$ 2,015,352 | \$ 2,599,712 | \$ 14,854,283 | \$ (2,950,643) |
| Net cash provided by (used in) operating activities: | | | | | |
| Depreciation expense | 10,609,750 | 930,431 | 653,469 | 12,193,650 | 37,353 |
| Rent receipts | 217,209 | - | 6,000 | 223,209 | 67,035 |
| Miscellaneous Income | 18,497 | 126,494 | 100,537 | 245,528 | 38,283 |
| (Increase) decrease in accounts receivable | (494,132) | (387,301) | (398,957) | (1,280,390) | (168,378) |
| (Increase) decrease in inventories | (360,734) | - | - | (360,734) | (99,676) |
| (Increase) decrease in prepaids | 191,684 | 4,559 | 2,273 | 198,516 | 373,169 |
| (Increase) decrease in deferred outflows | | | | | |
| Pension related amounts | 31,147 | (156,210) | (30,853) | (155,916) | 539,879 |
| OPEB related amounts | 2,219 | 37,027 | 17,043 | 56,289 | (207,563) |
| Increase (decrease) in meter deposits payable | 21,538 | 43,788 | - | 65,326 | - |
| Increase (decrease) in accounts payable | 103,131 | (273,555) | 212,838 | 42,414 | (8,503) |
| Increase (decrease) in claims payable | - | - | - | - | 381,189 |
| Increase (decrease) in accrued payroll | 37,085 | 38,430 | 1,873 | 77,388 | 60,044 |
| Increase (decrease) in net pension liability | (1,532,905) | (1,367,253) | (313,976) | (3,214,134) | 854,335 |
| Increase (decrease) in total OPEB liability | 110,651 | (147,414) | (81,664) | (118,427) | 1,288,404 |
| Increase (decrease) in deferred inflows | | | | | |
| Pension related amounts | 1,795,402 | 818,862 | 209,394 | 2,823,658 | 1,369,327 |
| OPEB related amounts | 155,965 | 75,157 | 17,083 | 248,205 | 164,401 |
| Increase (decrease) in accrued compensated absences | (158,382) | (34,135) | (62,316) | (254,833) | 439,421 |
| Net cash provided by (used in) operating activities | \$ 20,987,344 | \$ 1,724,232 | \$ 2,932,456 | \$ 25,644,032 | \$ 2,178,077 |
| Noncash capital activities-capital assets in accounts payable | \$ 1,034,475 | \$ - | \$ 74,855 | \$ 1,109,330 | \$ - |
| Cash and investment amounts reported on the statement of net position: | | | | | |
| Cash and investments | \$ 22,911,051 | \$ 12,954,794 | \$ 7,579,207 | \$ 43,445,052 | \$ 22,786,323 |
| Restricted cash - customer deposits | - | 57,189 | - | 57,189 | - |
| Restricted cash - revenue bonds | 7,890,525 | - | - | 7,890,525 | - |
| Restricted cash and investments - noncurrent | 75,637,875 | - | - | 75,637,875 | 1,884 |
| | \$ 106,439,451 | \$ 13,011,983 | \$ 7,579,207 | \$ 127,030,641 | \$ 22,788,207 |
| Reconciliation of amounts reported on the statement of net position: | | | | | |
| Cash and cash equivalents | \$ 11,107,407 | \$ 1,240,215 | \$ 74,896 | \$ 12,422,518 | \$ 1,114,142 |
| Investments | 95,332,044 | 11,771,768 | 7,504,311 | 114,608,123 | 21,674,065 |
| Total cash and investments | \$ 106,439,451 | \$ 13,011,983 | \$ 7,579,207 | \$ 127,030,641 | \$ 22,788,207 |

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, 2021

| | Lawrence-Douglas County Housing Authority | Lawrence Memorial Hospital | Lawrence Memorial Hospital Endowment Association | Lawrence Surgery Center, LLC | Lawrence Public Library | Total Component Units |
|--|---|----------------------------------|--|------------------------------------|-------------------------------|-----------------------------|
| Assets and deferred outflows of resources | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 8,743,065 | \$ 90,970,027 | \$ 730,039 | \$ 609,924 | \$ 1,856,501 | \$ 102,909,556 |
| Receivables (net of allowances for uncollectibles) | 32,482 | 50,780,434 | 930,169 | 1,326,318 | - | 53,069,403 |
| Due from other entities | 218,117 | 339,123 | - | - | - | 557,240 |
| Inventories | 70,269 | 6,404,137 | - | 327,794 | - | 6,802,200 |
| Prepaid | 117,391 | 11,587,498 | - | 21,274 | - | 11,726,163 |
| Other assets | - | 1,808,312 | - | - | - | 1,808,312 |
| Restricted cash | 366,736 | 2,510,151 | - | - | - | 2,876,887 |
| Total current assets | 9,548,060 | 164,399,682 | 1,660,208 | 2,285,310 | 1,856,501 | 179,749,761 |
| Noncurrent assets: | | | | | | |
| Restricted cash and investments | - | 26,915,669 | - | - | - | 26,915,669 |
| Investments | - | - | 14,072,139 | - | - | 14,072,139 |
| Receivables (net of allowances for uncollectibles) | - | - | 1,177,418 | - | - | 1,177,418 |
| Capital assets: | | | | | | |
| Capital assets, nondepreciable | | | | | | |
| Land | 1,128,679 | 12,628,353 | - | - | - | 13,757,032 |
| Construction in progress | 1,247,284 | 2,363,436 | - | - | - | 3,610,720 |
| Capital assets, depreciable | 29,845,423 | 363,325,125 | - | 3,934,292 | 5,579,082 | 402,683,922 |
| Less: accumulated depreciation | (17,302,535) | (141,413,107) | - | (2,570,196) | (2,564,552) | (163,850,390) |
| Total capital assets | 14,918,851 | 236,903,807 | - | 1,364,096 | 3,014,530 | 256,201,284 |
| Total noncurrent assets | 14,918,851 | 263,819,476 | 15,249,557 | 1,364,096 | 3,014,530 | 298,366,510 |
| Total assets | 24,466,911 | 428,219,158 | 16,909,765 | 3,649,406 | 4,871,031 | 478,116,271 |
| Deferred outflows of resources: | | | | | | |
| Pension related amounts | 389,800 | - | - | - | 617,442 | 1,007,242 |
| OPEB related amounts | 1,638 | - | - | - | 4,681 | 6,319 |
| Total deferred outflows of resources | 391,438 | - | - | - | 622,123 | 1,013,561 |
| Total assets and deferred outflows of resources | 24,858,349 | 428,219,158 | 16,909,765 | 3,649,406 | 5,493,154 | 479,129,832 |
| Liabilities and deferred inflows of resources | | | | | | |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 65,528 | 7,944,111 | 4,814 | 260,565 | 47,207 | 8,322,225 |
| Interest payable | - | 1,891,241 | - | - | - | 1,891,241 |
| Accrued payroll and expenses | 40,618 | 22,162,170 | - | 549,631 | 1,961 | 22,754,380 |
| Due to other entities | 98,153 | 19,171,649 | - | - | - | 19,269,802 |
| Unearned revenue | 334,799 | - | - | - | - | 334,799 |
| Other liabilities | 187,491 | 1,474,836 | 107 | - | - | 1,662,434 |
| Current portion of compensated absences | 13,110 | - | - | - | 94,861 | 107,971 |
| Current portion of revenue bonds payable | - | 3,241,492 | - | - | - | 3,241,492 |
| Current portion of other long-term liabilities | - | - | - | 143,192 | - | 143,192 |
| Total current liabilities | 739,699 | 55,885,499 | 4,921 | 953,388 | 144,029 | 57,727,536 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 117,988 | - | - | - | 192,597 | 310,585 |
| Revenue bonds payable | - | 93,542,018 | - | - | - | 93,542,018 |
| Loan payable | 199,315 | - | - | - | - | 199,315 |
| Net pension liability | 1,192,468 | - | - | - | 1,693,486 | 2,885,954 |
| Total OPEB liability | 26,870 | - | - | - | 145,531 | 172,401 |
| Other long-term liabilities | - | - | - | 659,284 | - | 659,284 |
| Total noncurrent liabilities | 1,536,641 | 93,542,018 | - | 659,284 | 2,031,614 | 97,769,557 |
| Total liabilities | 2,276,340 | 149,427,517 | 4,921 | 1,612,672 | 2,175,643 | 155,497,093 |
| Deferred inflows of resources: | | | | | | |
| Pension related amounts | 497,165 | - | - | - | 638,955 | 1,136,120 |
| OPEB related amounts | 31,120 | - | - | - | 13,161 | 44,281 |
| Total deferred inflows of resources | 528,285 | - | - | - | 652,116 | 1,180,401 |
| Total liabilities and deferred inflows of resources | 2,804,625 | 149,427,517 | 4,921 | 1,612,672 | 2,827,759 | 156,677,494 |
| Net position | | | | | | |
| Net investment in capital assets | 14,719,536 | 147,379,633 | - | 1,364,096 | 3,014,530 | 166,477,795 |
| Restricted for: | | | | | | |
| Capital | - | 2,075,702 | - | 1,237,825 | - | 3,313,527 |
| Hospital - specific operating activities | - | 93,278 | 9,047,592 | - | - | 9,140,870 |
| Housing assistance | 89,798 | - | - | - | - | 89,798 |
| Unrestricted | 7,244,390 | 129,243,028 | 7,857,252 | (565,187) | (349,135) | 143,430,348 |
| Total net position | \$ 22,053,724 | \$ 278,791,641 | \$ 16,904,844 | \$ 2,036,734 | \$ 2,665,395 | \$ 322,452,338 |

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, 2021

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | | | | Total |
|--|-----------------------|-------------------------|--|--|---|----------------------------------|--|------------------------------------|-------------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Lawrence-Douglas County Housing Authority | Lawrence Memorial Hospital | Lawrence Memorial Hospital Endowment Association | Lawrence Surgery Center, LLC | Lawrence Public Library | |
| Component units | | | | | | | | | | |
| Lawrence-Douglas County Housing Authority | \$ 10,563,005 | \$ 1,848,898 | \$ 9,106,396 | \$ 840,687 | \$ 1,232,976 | \$ - | \$ - | \$ - | \$ - | \$ 1,232,976 |
| Lawrence Memorial Hospital | 325,087,999 | 317,459,355 | 11,582,315 | 3,209,559 | - | 7,163,230 | - | - | - | 7,163,230 |
| Lawrence Memorial Hospital Endowment Association | 3,785,848 | - | 4,253,737 | - | - | - | 467,889 | - | - | 467,889 |
| Lawrence Surgery Center, LLC | 9,426,380 | 9,698,016 | - | - | - | - | - | 271,636 | - | 271,636 |
| Lawrence Public Library | 5,206,606 | 32,303 | 5,660,464 | - | - | - | - | - | 486,161 | 486,161 |
| Total component units | \$ 354,069,838 | \$ 329,038,572 | \$ 30,602,912 | \$ 4,050,246 | 1,232,976 | 7,163,230 | 467,889 | 271,636 | 486,161 | 9,621,892 |
| General revenues | | | | | | | | | | |
| Investment income | | | | | 5,783 | 6,082,694 | 1,730,342 | - | 294 | 7,819,113 |
| Miscellaneous | | | | | 71,238 | - | - | 1,082,838 | 10,932 | 1,165,008 |
| Subtotal general revenues | | | | | 77,021 | 6,082,694 | 1,730,342 | 1,082,838 | 11,226 | 8,984,121 |
| Change in net position | | | | | 1,309,997 | 13,245,924 | 2,198,231 | 1,354,474 | 497,387 | 18,606,013 |
| Net position - beginning, as restated | | | | | 20,743,727 | 265,545,717 | 14,706,613 | 682,260 | 2,168,008 | 303,846,325 |
| Net position - ending | | | | | \$ 22,053,724 | \$ 278,791,641 | \$ 16,904,844 | \$ 2,036,734 | \$ 2,665,395 | \$ 322,452,338 |

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 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 and proprietary funds. 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 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 and when revenues are both measurable and available.

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. Revenues for grants and similar items are considered to be available if they are collected within 90 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 three internal service funds. The Health Insurance Fund accounts for the payments of health insurance claims. The Administrative Services Fund accounts for the repairs and maintenance of the City's fleet of vehicles and equipment, as well as the City's information systems, human resources and finance departments' expenses. These expenses are charged to other City funds based on certain criteria and ratios. The Risk Management fund accounts for payments for auto and general liability claims, as well as workers' compensation claims, insurance premiums and other administrative expenses.

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.

Capital Projects Fund is used to account for financial resources designated for the acquisition or construction of major capital projects other than those financed by proprietary funds.

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.

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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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, and some of the Special Revenue Funds. The City prepares and adopts budgets for all funds, however only those governmental 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.

To amend originally adopted budgeted revenues or expenditures, 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 statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. The City Commission amended the budget for revenues that were not ad valorem property tax related for multiple funds in 2021.

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). In transportation development district funds, overspending of budget is authorized as long as the total expenditures within the fund do not exceed the total revenues. 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.

Pooled cash and investments: The City maintains a cash and investment pool that is available for use by all funds managed by the City. 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 2022, plus delinquent taxes.

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 and vehicle taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property and vehicle 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, 2021, the City had \$12,154,051 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.

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".

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Prepaid: Prepaid balances are for payments made by the City in the current year to provide services occurring in subsequent fiscal years, and the related fund balance is reported as nonspendable as the fund balance is not available for other expenditures and is not in spendable form. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The City recognizes and records prepaid expenditures only if the transaction is non-recurring in nature.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Unearned revenue: Unearned revenue arises when resources are received by the City but not yet recognized as revenue since it has not been earned. In subsequent periods when all applicable eligibility requirements are met, revenue is recognized.

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 liability, 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 governmental funds report unavailable revenues primarily from property taxes and special assessments along with other miscellaneous revenues. In the City's government-wide statements, the property and vehicle 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 through resolution approved prior to year-end. Any modification of the commitment requires the same type of action. Assigned fund balances include amounts that are constrained by the City's management 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.

On September 19, 2017, the Governing Body approved a fund balance policy for the General Fund. The policy states the City shall maintain a minimum unassigned fund balance equal to 25% of the following year's expenditure budget. The policy allows for the City to reduce the unassigned Fund Balance in the General Fund below the 25% target to provide temporary funding for emergency needs in the case of a natural disaster, prolonged economic downturn, or other non-recurring need at the Governing Body's discretion. If it is anticipated at the completion of any fiscal year that the projected amount of fund balance in the General Fund will be less than the minimum established target, the balance shall be restored to the minimum target amount within a five-year period.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The following is the detail for fund balance classifications in the financial statements:

| | Major Governmental Funds | | | Other Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------|----------------------|-----------------------|--------------------------|--------------------------|
| | General Fund | Debt Service Fund | Capital Projects Fund | | |
| Fund balances: | | | | | |
| Nonspendable for: | | | | | |
| Prepays | \$ 43,294 | \$ - | \$ - | \$ 159,165 | \$ 202,459 |
| Inventories | 303,776 | - | - | - | 303,776 |
| Total nonspendable for | 347,070 | - | - | 159,165 | 506,235 |
| Restricted for: | | | | | |
| Capital outlay | - | - | 21,517,313 | 18,023,131 | 39,540,444 |
| Debt service | - | 18,573,982 | - | - | 18,573,982 |
| General government | 105,186 | - | 2,788,609 | 17,009,150 | 19,902,945 |
| Public safety | - | - | 77,834 | 1,505,930 | 1,583,764 |
| Public works | - | - | 2,090,431 | 5,583,665 | 7,674,096 |
| Social services | - | - | - | 2,532,419 | 2,532,419 |
| Culture and recreation | - | - | 268,179 | 510,584 | 778,763 |
| Tourism | - | - | - | 1,313,059 | 1,313,059 |
| Economic development | - | - | - | 842,173 | 842,173 |
| Total restricted for | 105,186 | 18,573,982 | 26,742,366 | 47,320,111 | 92,741,645 |
| Assigned for: | | | | | |
| General government | 19,000 | - | - | - | 19,000 |
| Public safety | 39,733 | - | - | - | 39,733 |
| Public works | 2,200,538 | - | - | - | 2,200,538 |
| Culture and recreation | 325,025 | - | - | - | 325,025 |
| Total assigned for | 2,584,296 | - | - | - | 2,584,296 |
| Unassigned | 21,887,863 | - | - | (26,165) | 21,861,698 |
| | <u>\$ 24,924,415</u> | <u>\$ 18,573,982</u> | <u>\$ 26,742,366</u> | <u>\$ 47,453,111</u> | <u>\$ 117,693,874</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 \$26,679,854 for debt service, \$45,064,591 for capital improvements and \$2,532,419 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 the City appoints the voting majority and has the ability to impose its will.

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 the City appoints the voting majority and has the ability to impose its will. In addition, the hospital has its own discretely presented component units, the Lawrence Memorial Hospital Endowment Association (the Endowment Association) and the Lawrence Surgery Center, LLC (the Surgery Center), which are also presented as a discretely presented component units in the City's financial statements.

The Endowment Association is a legally separate tax-exempt component unit of the Hospital. The Endowment Association is exclusively dedicated to the support of the Hospital. The Endowment Association's operations are managed by a board of directors separate from the Hospital's board. In October 1984, the City, upon request of the Hospital, passed an ordinance granting the Hospital's board of trustees the power to transfer personal property and funds previously donated to the Hospital to the Endowment Association to be held in trust for the benefit of the Hospital. A trust agreement was established between the Hospital and the Endowment Association. Although the Hospital does not control the timing or amount of receipts from the Endowment Association, substantially all of the Endowment Association's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Endowment Association can only be used by, or for the benefit of the Hospital, the Endowment Association is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 2. Reporting Entity (Continued)

The Surgery Center is an ambulatory surgical care center located in Lawrence, Kansas. In 2020, the Hospital increased its ownership interest in the Surgery Center to 70%. As the Hospital now holds a majority equity interest in the Surgery Center, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, the reporting entity changed to include the Surgery Center as a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

The Endowment Association and the Surgery Center report under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No significant modifications have been made to the Endowment Association's or the Surgery Center's statements in the City's financial reporting entity for these differences.

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 the City has the voting majority of the board, and there is a financial benefit or burden relationship.

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 because eXplore Lawrence's governing body is substantively the same as the City's and there is a financial benefit or burden relationship between eXplore Lawrence and the City. eXplore Lawrence is therefore combined within the City's primary governing statements as a Special Revenue Fund.

eXplore Lawrence is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB), including Topic 958. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to eXplore Lawrence's financial information in the City's financial statements for these differences.

Complete financial statements for each of the individual component units may be obtained at the entities' 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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments

At December 31, 2021, the City's carrying values of cash and investments are summarized as follows:

| | |
|----------------------------------|-----------------------|
| Cash: | |
| Deposits | \$ 22,159,311 |
| Certificates of deposit | 69,451,324 |
| Petty cash | 4,988 |
| Total cash | <u>91,615,623</u> |
| Investments: | |
| Kansas Municipal investment pool | 2,053,159 |
| U.S. Treasury notes | 54,767,805 |
| U.S. Treasury bills | 21,409,007 |
| U.S. Federal Agency issues | 91,202,558 |
| Municipal Bonds | 4,131,669 |
| Mutual Funds | 5,184,154 |
| Total investments | <u>178,748,352</u> |
| Total cash and investments | <u>\$ 270,363,975</u> |

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

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

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

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

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 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:

U.S. Treasury notes and bills: These investments are reported at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates and fixed-income pricing models.

Municipal Bonds: Fair value for these investments is determined using quoted prices for similar assets or liabilities in active markets.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Mutual Funds: These investments are reported at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates and fixed-income pricing models.

Federal Agency issues: U.S. Government securities are reported at fair value based on bullet (noncall) spread scale for each issuer for maturities going out to 40 years. These spreads represent credit risk and are obtained from the new issue market, secondary trading and dealer quotes.

An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. Final spreads are added to a U.S. Treasury curve. A cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.

The City has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

At December 31, 2021, 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) | \$ 43,596,497 | Moody's Aaa | 2/18/2022 to 3/28/2025 | 2 |
| Federal National Mortgage Association (FNMA) | 348,404 | Moody's Aaa | 11/16/2023 | 2 |
| Federal Farm Credit Bank (FFCB) | 47,257,657 | Moody's Aaa | 2/24/2022 to 6/30/2025 | 2 |
| Municipal Bonds | 4,131,669 | Moody's Aaa | 9/1/2022 to 9/1/2024 | 1 |
| Mutual Funds | 5,184,154 | N/A | N/A | 1 |
| U.S. Treasury notes | 54,767,805 | Moody's Aaa | 5/15/2022 to 2/15/20223 | 1 |
| U.S. Treasury bills | 21,409,007 | Moody's Aaa | 2/15/2022 to 11/03/2022 | 1 |
| | <u>176,695,193</u> | | | |
| Investments measured by the net asset value (NAV) | | | | |
| Kansas Municipal Investment Pool | 2,053,159 | N/A | Current | |
| | <u>\$ 178,748,352</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, 2021, the City had \$2,053,159 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

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.

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 50% of the City's cash and investment portfolio to be invested in the certificates of deposit of any one institution.

As of December 31, 2021, the City's investments include FHLB and FFCB, which represent 25% and 27%, 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 4. Tax Revenue

Tax revenue for the year ended December 31, 2021, is as follows:

| | Primary Government | | | Total |
|-------------------------|----------------------|----------------------|--------------------------|----------------------|
| | General Fund | Debt Service Fund | Other Governmental Funds | |
| Property taxes | \$ 22,655,306 | \$ 10,730,181 | \$ 6,255,432 | \$ 39,640,919 |
| Motor vehicle taxes | 2,058,301 | 961,665 | 417,290 | 3,437,256 |
| Utility franchise taxes | 7,207,175 | - | - | 7,207,175 |
| Sales tax | 34,630,060 | - | 12,273,086 | 46,903,146 |
| Total | <u>\$ 66,550,842</u> | <u>\$ 11,691,846</u> | <u>\$ 18,945,808</u> | <u>\$ 97,188,496</u> |

Included in intergovernmental revenue in the governmental fund financial statements is also approximately \$6 million of state liquor tax, state guest tax and state fuel tax. These tax revenues are presented as intergovernmental revenues because they were received from the State.

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2021, were as follows:

| | Primary Government | | | Total |
|------|--------------------|-------------------|---------------|-----------|
| | General Fund | Debt Service Fund | Library Funds | |
| Levy | \$ 19.935 | \$ 9.313 | \$ 4.042 | \$ 33.290 |

Note 5. Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year ended December 31, 2021:

| Type of Issue | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 83,320,000 | \$ 29,740,000 | \$ 6,499,000 | \$ 106,561,000 | \$ 7,570,000 |
| General obligation bonds premium | 4,548,554 | 1,730,148 | 315,704 | 5,962,998 | - |
| General obligation bonds, net | <u>87,868,554</u> | <u>31,470,148</u> | <u>6,814,704</u> | <u>112,523,998</u> | <u>7,570,000</u> |
| General obligation temporary note | 40,070,000 | 26,522,000 | 40,070,000 | 26,522,000 | 26,522,000 |
| General obligation temporary note premium | 158,620 | 984,900 | 651,069 | 492,451 | 492,451 |
| General obligation temporary note, net | <u>40,228,620</u> | <u>27,506,900</u> | <u>40,721,069</u> | <u>27,014,451</u> | <u>27,014,451</u> |
| Capital lease | 835,956 | - | 151,028 | 684,928 | 110,622 |
| Compensated absences | 8,192,994 | 3,059,049 | 3,273,476 | 7,978,567 | 3,561,509 |
| Net pension liability | 72,245,672 | - | 16,372,662 | 55,873,010 | - |
| Total OPEB liability | <u>13,560,580</u> | <u>116,807</u> | <u>-</u> | <u>13,677,387</u> | <u>-</u> |
| Total | <u>\$ 222,932,376</u> | <u>\$ 62,152,904</u> | <u>\$ 67,332,939</u> | <u>\$ 217,752,341</u> | <u>\$ 38,256,582</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

| Type of Issue | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------|----------------------|---------------|---------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| General obligation bonds | \$ 4,965,000 | \$ - | \$ 3,715,000 | \$ 1,250,000 | \$ 725,000 |
| General obligation premium | 291,052 | - | 291,052 | - | - |
| General obligation, net | 5,256,052 | - | 4,006,052 | 1,250,000 | 725,000 |
| Revenue bonds | 167,100,000 | 46,560,000 | 7,915,000 | 205,745,000 | 7,890,525 |
| Revenue bonds premium | 15,591,558 | 3,636,436 | 930,181 | 18,297,813 | - |
| Revenue bonds, net | 182,691,558 | 50,196,436 | 8,845,181 | 224,042,813 | 7,890,525 |
| Compensated absences | 2,235,845 | 734,945 | 989,778 | 1,981,012 | 891,456 |
| Net pension liability | 11,848,302 | - | 3,214,134 | 8,634,168 | - |
| Total OPEB liability | 5,659,488 | - | 118,427 | 5,541,061 | - |
| Total | \$ 207,691,245 | \$ 50,931,381 | \$ 17,173,572 | \$ 241,449,054 | \$ 9,506,981 |

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

The general obligation temporary notes mature in 2022. The City does not intend to pay them off early.

Kansas statutes limit the amount of general obligation debt a city may issue to 30% of total assessed valuation. On December 31, 2021 the debt limitation for the City of Lawrence was \$472 million. The City's general obligation debt and temporary notes as of December 31, 2021 was \$133 million. This is approximately 28% 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 ACFR.

Capital leases: In July 2016, the City entered into a five-year capital lease agreement for vehicles with a total principal 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 and was paid off in the year ending December 31, 2021. In November 2017, the City entered into a ten-year capital lease agreement for equipment and vehicles with a total principal 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 \$1,028,559 and \$475,686 as of December 31, 2021, respectively.

The following is a schedule by year of future minimum lease payments under the capital lease as of December 31, 2021:

| | |
|-----------------------------------|-------------------|
| 2022 | \$ 125,908 |
| 2023 | 125,907 |
| 2024 | 125,908 |
| 2025 | 125,908 |
| 2026 | 125,908 |
| 2027 | 125,908 |
| | <u>755,447</u> |
| Less amount representing interest | (70,519) |
| Less current maturities | <u>(110,622)</u> |
| Noncurrent portion | <u>\$ 574,306</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

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, 2021.

Debt payable, other than claims and judgments and compensated absences, at December 31, 2021 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 | 2010B | 2022 | 1.250-3.000 | \$ 8,920,000 | \$ 835,000 | \$ 835,000 |
| Internal improvement * | 2010C | 2023 | 1.250-3.000 | 8,305,000 | 1,250,000 | 725,000 |
| Internal improvement | 2011 | 2023 | 2.000-3.000 | 3,895,000 | 730,000 | 360,000 |
| Internal improvement | 2012A | 2024 | 2.000-3.000 | 7,710,000 | 1,555,000 | 505,000 |
| Internal improvement | 2013 | 2025 | 2.000-4.000 | 4,405,000 | 1,550,000 | 375,000 |
| Internal improvement * | 2014A | 2024 | 2.000-5.000 | 25,065,000 | 18,280,000 | 1,110,000 |
| Internal improvement | 2014B | 2024 | 3.000-4.000 | 18,440,000 | 13,400,000 | 830,000 |
| Internal improvement | 2015 | 2030 | 2.000-3.000 | 9,450,000 | 6,130,000 | 610,000 |
| Internal improvement | 2017A | 2027 | 2.000-2.500 | 3,030,000 | 1,900,000 | 300,000 |
| Green internal improvement | 2017B | 2039 | 1.000-3.375 | 11,375,000 | 9,630,000 | 270,000 |
| Internal improvement | 2017C | 2027 | 0.950-2.400 | 654,000 | 406,000 | 65,000 |
| Internal improvement | 2017D | 2038 | 2.875-5.000 | 13,975,000 | 11,325,000 | 820,000 |
| Internal improvement | 2019A | 2039 | 3.000-3.250 | 3,880,000 | 3,300,000 | 325,000 |
| Internal improvement | 2020A | 2040 | 2.000-3.625 | 5,775,000 | 5,620,000 | 220,000 |
| Refunding | 2020B | 2034 | 1.000-1.850 | 2,325,000 | 2,160,000 | 170,000 |
| Internal improvement | 2021A | 2051 | 2.000-4.000 | 29,740,000 | 29,740,000 | 775,000 |
| | | | | | <u>107,811,000</u> | <u>8,295,000</u> |
| General obligation temporary notes: | | | | | | |
| Internal improvement | 2021-I | 2022 | 4.500 | 22,605,000 | 22,605,000 | 22,605,000 |
| Internal improvement | 2021-II | 2025 | 1.020 | 3,917,000 | 3,917,000 | 3,917,000 |
| | | | | | <u>26,522,000</u> | <u>26,522,000</u> |
| Debt Issue | Date Issued | Date Matured | Interest Rate | Original Amount | Balance at End of Year | Due in One Year |
| Revenue bonds: | | | | | | |
| Water and sewerage improvement | 2015A | 2040 | 2.000-5.000 | 85,375,000 | 75,350,000 | 2,805,000 |
| Water and sewerage improvement refunding | 2015B | 2025 | 3.000-5.000 | 8,960,000 | 3,670,000 | 880,000 |
| Water and sewerage improvement | 2016A | 2036 | 2.625-5.000 | 58,810,000 | 47,715,000 | 2,670,000 |
| Water and sewerage improvement | 2017A | 2037 | 1.320-5.000 | 17,195,000 | 14,405,000 | 760,000 |
| Water and sewerage improvement | 2018 | 2038 | 3.500-4.000 | 20,070,000 | 18,045,000 | 775,525 |
| Water and sewerage improvement | 2021 | 2042 | 1.875-4.000 | 46,560,000 | 46,560,000 | - |
| | | | | | <u>205,745,000</u> | <u>7,890,525</u> |
| | | | | | <u>\$ 340,078,000</u> | <u>\$ 42,707,525</u> |

* The Series 2014A bonds are split with 97% (\$19,020,000) reported in governmental activities and 3% (\$320,000) reported in business-type activities. The Series 2010C bonds are reported 100% in the business-type activities.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

In 2021, the City issued \$29,740,000 in general obligation bonds, series 2021A, for paying a portion of the costs of certain public improvement projects within the City. The General Obligation Bonds, Series 20201 are due in annual installments of \$675,000 to \$2,380,000 through September 2051, with interest due in semiannual installments at an interest rate ranging between 2.000% and 4.000%.

In 2021, the City issued \$22,605,000 in general obligation temporary notes, series 2021-I, for paying a portion of the costs of certain public improvements within the City. The General Obligation Temporary Notes, Series 2020-I are due May 1, 2022, with interest due in semiannual installments at an interest rate of 4.500%. The general obligation temporary notes are presented as long-term liabilities on the governmental activities statement of net position. The general obligation temporary notes were refinanced as part of the 2022 long-term debt transaction noted in the subsequent events footnote (Note 17).

In 2021, the City issued \$46,560,000 in water and sewage system improvement revenue bonds, series 2021 for paying a portion of the costs of certain repairs, alterations, extensions, reconstruction, enlargements or improvement to the water and sewage system within the City. The Revenue Bonds, Series 2021 are due in annual installments of \$1,335,000 to \$2,990,000 through September 2042, with interest due in semiannual installments at an interest rate ranging between 1.875% and 4.000%.

In 2021, the City issued \$3,917,000 in general obligation temporary notes, series 2021-II, for paying a portion of the costs of certain public improvements within the City. The General Obligation Temporary Notes, Series 2021-II are due beginning October 1, 2023 in annual installments of \$475,000 to \$2,963,000, with interest due in annual installments at an interest rate of 1.020%. The general obligation temporary notes are presented as long-term liabilities on the governmental activities statement of net position. The general obligation temporary notes were refinanced as part of the 2022 long-term debt transaction noted in the subsequent events footnote (Note 17).

The future annual requirements for general obligation bonds outstanding as of December 31, 2021, are as follows:

| | Governmental Activities | | Business-Type Activities | | Total Due |
|--------------|-------------------------|----------------------|--------------------------|------------------|-----------------------|
| | Principal | Interest | Principal | Interest | |
| Year ending: | | | | | |
| 2022 | \$ 7,570,000 | \$ 3,649,032 | \$ 725,000 | \$ 37,500 | \$ 11,981,532 |
| 2023 | 7,291,000 | 3,091,621 | 525,000 | 15,750 | 10,923,371 |
| 2024 | 7,162,000 | 2,830,179 | - | - | 9,992,179 |
| 2025 | 6,748,000 | 2,578,512 | - | - | 9,326,512 |
| 2026 | 6,554,000 | 2,354,578 | - | - | 8,908,578 |
| 2027-2031 | 29,701,000 | 8,515,729 | - | - | 38,216,729 |
| 2032-2036 | 22,635,000 | 3,992,960 | - | - | 26,627,960 |
| 2037-2041 | 11,510,000 | 1,493,488 | - | - | 13,003,488 |
| 2041-2046 | 3,505,000 | 630,444 | - | - | 4,135,444 |
| 2047-2051 | 3,885,000 | 251,175 | - | - | 4,136,175 |
| | <u>\$ 106,561,000</u> | <u>\$ 29,387,718</u> | <u>\$ 1,250,000</u> | <u>\$ 53,250</u> | <u>\$ 137,251,968</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

The future annual requirements for revenue bonds outstanding as of December 31, 2021, are as follows:

| Year ending: | Business-Type Activities | | |
|--------------|--------------------------|----------------------|-----------------------|
| | Principal Due | Interest Due | Total Due |
| 2022 | \$ 7,890,525 | \$ 7,390,552 | \$ 15,281,077 |
| 2023 | 9,415,000 | 7,200,294 | 16,615,294 |
| 2024 | 9,780,000 | 6,833,394 | 16,613,394 |
| 2025 | 10,170,000 | 6,443,544 | 16,613,544 |
| 2026 | 10,165,000 | 6,010,194 | 16,175,194 |
| 2027-2031 | 56,835,000 | 23,239,031 | 80,074,031 |
| 2032-2036 | 59,810,000 | 12,469,006 | 72,279,006 |
| 2037-2041 | 38,725,000 | 3,509,800 | 42,234,800 |
| 2042-2046 | 2,954,475 | 63,963 | 3,018,438 |
| | <u>\$ 205,745,000</u> | <u>\$ 73,159,778</u> | <u>\$ 278,904,778</u> |

The Water and Sewage 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.

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, 2021, total outstanding conduit debt was \$142,411,495.

Pledged revenues: The City has pledged future water and sewer operating revenues, net of specified operating expenses, to repay \$278,704,778 in water and sewer revenue and revenue refunding bonds. The bonds are payable solely from water and sewer net revenues and are payable through 2046. Annual principal and interest payments on the bonds have required an average of 57% 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 \$14,570,038 and \$25,081,033, respectively. This equates to a net revenue/debt ratio of 1.72 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 Liabilities (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 2018 | \$ 77,520,000 | \$ - | \$ 1,295,000 | \$ 76,225,000 | \$ 1,360,000 |
| Unamortized premiums | 7,011,294 | - | 408,829 | 6,602,465 | - |
| Note from direct borrowing | 9,279,958 | - | 267,847 | 9,012,111 | 277,979 |
| Capital lease obligations | 3,680,546 | 3,006,294 | 1,742,906 | 4,943,934 | 1,603,513 |
| Total long-term debt | <u>\$ 97,491,798</u> | <u>\$ 3,006,294</u> | <u>\$ 3,714,582</u> | <u>\$ 96,783,510</u> | <u>\$ 3,241,492</u> |

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee (restricted cash) for debt service and capital acquisitions in the balance sheets. The indenture agreements also require the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.10 to 1.00, and restrictions on incurrence of additional debt.

In 2021, the Hospital met the debt coverage ratio requirements established by the bond indenture.

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 | \$ 76,225,000 | \$ 1,360,000 |

Note from direct borrowing: The Hospital's outstanding note from direct borrowing of \$9,012,111 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 Liabilities (Continued)

Debt service requirements on long-term debt other than capital lease obligations for the Hospital as of December 31, 2021, are as follows:

| Year ending December 31, | Total to be Paid | Bonds | | Direct Borrowings | |
|--------------------------|-----------------------|----------------------|----------------------|---------------------|---------------------|
| | | Principal | Interest | Principal | Interest |
| 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 | 5,020,563 | 1,500,000 | 3,520,563 | 301,091 | 332,313 |
| 2025 | 5,020,563 | 1,575,000 | 3,445,563 | 313,358 | 320,046 |
| 2026 | 5,021,813 | 1,655,000 | 3,366,813 | 326,125 | 307,279 |
| 2027-2031 | 25,102,565 | 9,595,000 | 15,507,565 | 1,841,090 | 1,325,931 |
| 2032-2036 | 25,106,715 | 12,150,000 | 12,956,715 | 2,247,965 | 919,056 |
| 2037-2041 | 25,107,276 | 14,890,000 | 10,217,276 | 2,744,757 | 422,264 |
| 2042-2046 | 27,587,500 | 21,555,000 | 6,032,500 | 670,441 | 15,748 |
| 2047-2048 | 11,310,000 | 10,515,000 | 795,000 | - | - |
| | <u>\$ 139,319,121</u> | <u>\$ 76,225,000</u> | <u>\$ 63,094,121</u> | <u>\$ 9,012,111</u> | <u>\$ 4,342,162</u> |

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, 2021 total \$5,314,000, net of accumulated depreciation of \$2,261,000. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 3.250% to 4.000% together with the present value of the future minimum lease payments as of December 31, 2021:

| | Capital Lease Obligations |
|-----------------------------------|---------------------------------|
| 2022 | \$ 1,689,231 |
| 2023 | 1,545,334 |
| 2024 | 1,412,534 |
| 2025 | 384,517 |
| 2026 | 215,875 |
| | <u>5,247,491</u> |
| Less amount representing interest | (303,557) |
| Less current maturities | (1,603,513) |
| Noncurrent portion | <u>\$ 3,340,421</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|--------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 16,650,937 | \$ 103,835 | \$ - | \$ 16,754,772 |
| Construction in progress | 5,804,966 | 6,882,595 | 1,283,076 | 11,404,485 |
| Total capital assets, not being depreciated | 22,455,903 | 6,986,430 | 1,283,076 | 28,159,257 |
| Capital assets being depreciated: | | | | |
| Buildings | 135,566,375 | 106,613 | 36,849 | 135,636,139 |
| Improvements other than buildings | 54,747,057 | 149,791 | - | 54,896,848 |
| Machinery and equipment | 41,972,673 | 5,422,000 | 1,261,874 | 46,132,799 |
| Infrastructure | 251,943,801 | 1,273,825 | - | 253,217,626 |
| Total capital assets, being depreciated | 484,229,906 | 6,952,229 | 1,298,723 | 489,883,412 |
| Less accumulated depreciation for: | | | | |
| Buildings | 55,029,287 | 4,601,295 | 3,685 | 59,626,897 |
| Improvements other than buildings | 27,041,455 | 1,842,983 | - | 28,884,438 |
| Machinery and equipment | 28,415,217 | 4,951,401 | 1,147,394 | 32,219,224 |
| Infrastructure | 86,268,749 | 5,081,301 | - | 91,350,050 |
| Total accumulated depreciation | 196,754,708 | 16,476,980 | 1,151,079 | 212,080,609 |
| Total capital assets being depreciated, net | 287,475,198 | (9,524,751) | 147,644 | 277,802,803 |
| Governmental activities capital assets, net | \$ 309,931,101 | \$ (2,538,321) | \$ 1,430,720 | \$ 305,962,060 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,984,191 | \$ 71,950 | \$ - | \$ 7,056,141 |
| Construction in progress | 2,110,639 | 4,022,933 | 211,809 | 5,921,763 |
| Total capital assets, not being depreciated | 9,094,830 | 4,094,883 | 211,809 | 12,977,904 |
| Capital assets being depreciated: | | | | |
| Buildings | 87,708,754 | - | - | 87,708,754 |
| Improvements other than buildings | 166,146,062 | - | - | 166,146,062 |
| Machinery and equipment | 33,042,650 | 1,405,472 | 1,227,328 | 33,220,794 |
| Infrastructure | 182,788,716 | 389,934 | 57,248 | 183,121,402 |
| Total capital assets, being depreciated | 469,686,182 | 1,795,406 | 1,284,576 | 470,197,012 |
| Less accumulated depreciation for: | | | | |
| Buildings | 34,558,255 | 1,893,123 | - | 36,451,378 |
| Improvements other than buildings | 44,439,492 | 3,972,692 | - | 48,412,184 |
| Machinery and equipment | 14,724,270 | 2,731,856 | 902,966 | 16,553,160 |
| Infrastructure | 76,328,998 | 3,595,979 | 715 | 79,924,262 |
| Total accumulated depreciation | 170,051,015 | 12,193,650 | 903,681 | 181,340,984 |
| Total capital assets being depreciated, net | 299,635,167 | (10,398,244) | 380,895 | 288,856,028 |
| Business-type activities capital assets, net | \$ 308,729,997 | \$ (6,303,361) | \$ 592,704 | \$ 301,833,932 |

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 | \$ 13,757,032 | \$ - | \$ - | \$ 13,757,032 |
| Construction in progress | 1,971,839 | 2,922,331 | 1,283,450 | 3,610,720 |
| Total capital assets, not being depreciated | 23,545,934 | 2,922,331 | 1,283,450 | 17,367,752 |
| Capital assets being depreciated: | | | | |
| Buildings | 276,735,890 | 2,274,171 | 3,208,145 | 275,801,916 |
| Improvements other than buildings | 9,343,339 | 29,186 | 4,258 | 9,368,267 |
| Collection | 3,524,298 | 663,315 | 342,346 | 3,845,267 |
| Machinery and equipment | 114,664,684 | 7,241,700 | 8,237,912 | 113,668,472 |
| Total capital assets, being depreciated | 396,451,150 | 10,208,372 | 11,792,661 | 402,683,922 |
| Less accumulated depreciation for: | | | | |
| Buildings | 83,932,463 | 7,244,317 | 2,923,999 | 88,252,781 |
| Improvements other than buildings | 2,773,303 | 470,016 | 4,261 | 3,239,058 |
| Collection | 1,098,001 | 415,908 | 229,833 | 1,284,076 |
| Machinery and equipment | 70,772,360 | 7,686,943 | 7,384,828 | 71,074,475 |
| Total accumulated depreciation | 158,576,127 | 15,817,184 | 10,542,921 | 163,850,390 |
| Total capital assets being depreciated, net | 237,875,023 | (5,608,812) | 1,249,740 | 238,833,532 |
| Component unit capital assets, net | \$ 261,420,957 | \$ (2,686,481) | \$ 2,533,190 | \$ 256,201,284 |

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

| | |
|--|----------------------|
| Governmental activities: | |
| General government | \$ 2,079,367 |
| Public safety | 4,660,239 |
| Public works | 6,940,185 |
| Social services | 757,706 |
| Culture and recreation | 1,955,325 |
| Economic Development | 46,086 |
| Tourism | 719 |
| | <u>16,439,627</u> |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 37,353 |
| Total depreciation expense, governmental activities | <u>\$ 16,476,980</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets (Continued)

Business-type activities:

| | |
|--|----------------------|
| Water and sewer | \$ 10,609,750 |
| Sanitation | 930,431 |
| Parking | 4,020 |
| Stormwater | 649,449 |
| Total depreciation expense, business-type activities | <u>\$ 12,193,650</u> |

Component units:

| | |
|---|----------------------|
| Lawrence-Douglas County Housing Authority | \$ 873,532 |
| Lawrence Surgery Center | 365,923 |
| Lawrence Memorial Hospital | 14,101,715 |
| Lawrence Public Library | 476,014 |
| Total depreciation expense, component units | <u>\$ 15,817,184</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 Firefighters
- 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 Firefighters group.

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

Benefits: Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firefighters) with ten or more years of credited service, may retire as early as age 55 (Police and Firefighters 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 Firefighters 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

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, 2020.

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 | 8.87% | 8.87% |
| Police and firefighters | 22.80% | 22.80% |

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 2021 are 6.00% for Local employees and 7.15% for Police and Firefighters.

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 Firefighters
- 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, 2021, 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, 2021.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2021, the City's proportion for the Local employees group was 1.642%, which was an increase of 0.028% from its proportion measured at June 30, 2020. At June 30, 2021, the City's proportion for the Police and Firefighters group was 4.695%, which was an increase of 0.145% from its proportion measured at June 30, 2020.

Net pension liability: At December 31, 2021, the City reported a liability of \$19,703,845 and \$44,803,333 for its total proportionate share of the net pension liability for the Local and Police and Firefighters groups, respectively, for a total net pension liability of \$64,507,178 as of December 31, 2021.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021 as the measurement date, using the following actuarial assumptions:

| Assumptions | Rate |
|---|-------------------------------------|
| Price inflation | 2.75% |
| 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 | 7.25% |

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.

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, 2020 valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2016, through December 31, 2018.

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, 2021 are summarized in the following table:

| Asset | Long-Term Allocation | Long-Term Expected Rate of Return |
|------------------------|-------------------------|---|
| U.S. equities | 23.50% | 5.20% |
| Non-U.S. equities | 23.50 | 6.40 |
| Private equity | 8.00 | 9.50 |
| Private real estate | 11.00 | 4.45 |
| Yield driven | 8.00 | 4.70 |
| Real return | 11.00 | 3.25 |
| Fixed income | 11.00 | 1.55 |
| Short-term investments | 4.00 | 0.25 |
| | <u>100.00%</u> | |

Discount rate: The discount rate used to measure the total pension liability was 7.25%. 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 & Firefighters, and Judges. Future employer contribution rates were also modeled for Police & Firefighters 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.

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 7.25%, 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 or 1-percentage point higher than the current rate:

| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Local | \$ 32,410,912 | \$ 19,703,845 | \$ 9,047,359 |
| Police and firefighters | 67,245,516 | 44,803,333 | 26,030,441 |
| Total | <u>\$ 99,656,428</u> | <u>\$ 64,507,178</u> | <u>\$ 35,077,800</u> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

Pension expense: For the year ended December 31, 2021, the City recognized total pension expense of \$7,713,938 which is comprised of local pension expense of \$1,571,794 and Police and Firefighters pension expense of \$6,142,144. Total pension expense 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, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firefighters groups from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Local: | | |
| Differences between actual and expected experience | \$ 777,756 | \$ 178,410 |
| Net differences between projected and actual earnings on investments | - | 6,996,781 |
| Changes in assumptions | 3,878,725 | - |
| Changes in proportion | 781,910 | 628,449 |
| Total | 5,438,391 | 7,803,640 |
| Police and Firefighters: | | |
| Differences between actual and expected experience | 3,535,319 | - |
| Net differences between projected and actual earnings on investments | - | 11,754,215 |
| Changes in assumptions | 5,699,047 | - |
| Changes in proportion | 1,266,895 | 1,783,337 |
| Total | 10,501,261 | 13,537,552 |
| Total: | | |
| Differences between actual and expected experience | 4,313,075 | 178,410 |
| Net differences between projected and actual earnings on investments | - | 18,750,996 |
| Changes in assumptions | 9,577,772 | - |
| Changes in proportion | 2,048,805 | 2,411,786 |
| Total | 15,939,652 | 21,341,192 |
| City contributions subsequent to measurement date for both groups | 4,400,020 | - |
| Total | \$ 20,339,672 | \$ 21,341,192 |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

\$4,400,020 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, 2022. 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 Outflows | Police and Firefighters Deferred Outflows | Total Deferred Outflows |
|----------------------------|-------------------------------|--|-------------------------------|
| 2022 | \$ (460,970) | \$ (92,725) | \$ (553,695) |
| 2023 | (271,803) | (360,003) | (631,806) |
| 2024 | (239,911) | (484,624) | (724,535) |
| 2025 | (1,544,140) | (2,398,834) | (3,942,974) |
| 2026 | 151,575 | 299,895 | 451,470 |
| | <u>\$ (2,365,249)</u> | <u>\$ (3,036,291)</u> | <u>\$ (5,401,540)</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, 2021, the following funds had interfund receivables and payables to the following funds:

| | Due From Other Funds General Fund |
|--|--|
| Due to other funds, other governmental funds | <u>\$ 251,063</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, 2021, follows:

| Fund | Transfers Out | Transfers In |
|------------------------|----------------------|----------------------|
| General | \$ 4,846,583 | \$ 4,433,816 |
| Debt service | - | 1,283,174 |
| Other governmental | 5,213,128 | 9,416,837 |
| Water and sewer | 2,837,000 | 349,000 |
| Sanitation | 1,473,739 | - |
| Internal service funds | 390,750 | 194,373 |
| Nonmajor proprietary | 916,000 | - |
| | <u>\$ 15,677,200</u> | <u>\$ 15,677,200</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 \$2,837,000 and \$934,000, respectively, to the general fund in lieu of franchise fees for various utilities. The general fund transferred \$350,000 to the Housing Trust Fund. The Transportation Fund and the Capital Sales Tax Fund transferred \$2,734,000 and \$2,065,428 respectively to the Equipment Reserve fund for the purchase of new vehicles. 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.

Note 9. Commitments and Contingencies

Contract commitments: At December 31, 2021, the City had construction contract commitments totaling \$8,892,157. The City expects to receive the contracted services during fiscal year 2022.

Contract commitments are either funded by revenue bonds, general obligation bonds, tax revenues or grant revenues.

| Description | Authorized | Expended | Remaining Authority |
|--|----------------------|---------------------|---------------------|
| ERP System | \$ 2,039,088 | \$ 64,395 | \$ 1,974,693 |
| Switchgear and Substation Maintenance | 158,075 | 115,706 | 42,369 |
| 2020 CIPP Project | 504,849 | 406,569 | 98,280 |
| 2021 Sidewalk Improvement | 1,244,647 | 181,094 | 1,063,553 |
| Bowersock Dam Rehabilitation | 1,617,314 | 952,531 | 664,783 |
| Lawrence Loop | 755,754 | 724,387 | 31,367 |
| Burroughs Creek Splash Park | 379,333 | 158,065 | 221,268 |
| E 9th Street | 118,278 | - | 118,278 |
| Santa Fe Depot Parking Lot | 173,366 | - | 173,366 |
| Naismith Valley Interceptor and Pump Station 8 Abandonment | 5,588,902 | 1,084,702 | 4,504,200 |
| | <u>\$ 12,579,606</u> | <u>\$ 3,687,449</u> | <u>\$ 8,892,157</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, 2021, the City had a total of \$16,614,621 in encumbrances, which are reported as part of the governmental fund balance sheet as follows:

| | Assigned | Unassigned | Total |
|--------------------------|---------------------|----------------------|----------------------|
| General Fund | \$ 2,584,296 | \$ - | \$ 2,584,296 |
| Capital Projects Fund | - | 5,225,053 | 5,225,053 |
| Other governmental funds | - | 8,805,272 | 8,805,272 |
| | <u>\$ 2,584,296</u> | <u>\$ 14,030,325</u> | <u>\$ 16,614,621</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 \$2,214,853 at December 31, 2021 in the risk management fund. The primary government's claims liability reported in the Statement of Net Position at December 31, 2021 was \$2,315,829, for general and worker's comp liabilities. The liability reported in the financial statements at December 31, 2021 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.

Contingent liabilities: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, and all States of the United States of America.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the City.

It is reasonable possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including expected credit losses on receivables and investments; net pension and OPEB liabilities and related deferred outflows and liabilities; and contingent obligations.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 9. Commitments and Contingencies (Continued)

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.

| | 2021 | 2020 |
|-----------------------------------|---------------------|---------------------|
| Unpaid claims, January 1 | \$ 1,441,318 | \$ 1,340,456 |
| Incurred claims (including IBNRs) | 9,977,804 | 9,133,869 |
| Claim payments | 9,852,577 | 9,033,007 |
| Unpaid claims, December 31 | <u>\$ 1,566,545</u> | <u>\$ 1,441,318</u> |

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 \$6.9 million from the County for this agreement for the year ending December 31, 2021.

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.

City of Lawrence, Kansas

Notes to the Basic 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 | \$ 305,962,060 | \$ 301,833,932 | \$ 607,795,992 |
| Less: | | | |
| Current portion of temporary notes payable | (27,014,451) | - | (27,014,451) |
| Current portion of general obligation bonds | (7,570,000) | (725,000) | (8,295,000) |
| Current portion of revenue bonds | - | (7,890,525) | (7,890,525) |
| Current portion of capital lease payable | (110,622) | - | (110,622) |
| Noncurrent portion of general obligation bonds | (104,953,998) | (525,000) | (105,478,998) |
| Noncurrent portion of revenue bonds | - | (216,152,288) | (216,152,288) |
| Noncurrent portion of capital lease payable | (574,306) | - | (574,306) |
| Capital in accounts payable | - | (1,109,330) | (1,109,330) |
| Plus: | | | |
| Unspent general obligation bonds, revenue bonds and temporary note proceeds | 26,742,367 | 61,658,217 | 88,400,584 |
| Net investment in capital assets | <u>\$ 192,481,050</u> | <u>\$ 137,090,006</u> | <u>\$ 329,571,056</u> |

Note 12. Postemployment Health Care Plans

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

Below is a summary of amounts reported by the City:

| | City Plan | KPERS Plan | Total |
|--------------------------------|---------------|--------------|---------------|
| Total OPEB liability | \$ 17,193,359 | \$ 2,025,089 | \$ 19,218,448 |
| Deferred outflows of resources | 2,673,351 | 527,549 | 3,200,900 |
| Deferred inflows of resources | 1,383,137 | 327,530 | 1,710,667 |
| OPEB expense | 1,611,670 | 193,158 | 1,804,828 |

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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

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 65.

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.

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 \$591,452 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.

The City did not contribute directly to the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

| | |
|--------------------------------|-------------------|
| Active employees: | |
| KPERS 1 | 191 |
| KPERS 2 | 82 |
| KPERS 3 | 233 |
| Police and fire | 265 |
| Total active employees | <u>771</u> |
| Inactives: | |
| Retirees/disabled—subscribers | 66 |
| Spouses of retirees/disabled | 16 |
| Total inactive covered members | <u>82</u> |
| Total | <u><u>853</u></u> |

Total OPEB liability: The City's total OPEB liability of \$17,193,359 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2020.

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 December 31, 2020 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% for all employees |
| Inflation rate | 2.50% |
| Discount rate | 2.04% measurement date 1.96% year preceding measurement date |
| Health care cost trend rates | 7.50% for 2021 decreasing to an ultimate rate 4.0% in 2032 |
| Dental cost trend rate | 3.00% |
| Healthy mortality rates | Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted Mortality with Scale MP-2021 Full Generational Improvement |
| Disabled mortality rates | Society of Actuaries Pub-2010 Public Retirement Plans Headcount-weighted Mortality with MP-2021 Full Generational Improvement |

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

Changes in the total OPEB liability:

| | Total OPEB Liability |
|--|-------------------------|
| Balance as of December 31, 2020 | \$ 17,429,851 |
| Changes for the year: | |
| Service cost | 1,079,077 |
| Interest | 356,979 |
| Differences between expected and actual experience | (787,722) |
| Changes in assumptions | (293,374) |
| Benefit payments | (591,452) |
| Net changes | (236,492) |
| Balance as of December 31, 2021 | \$ 17,193,359 |

Changes in assumptions: The discount rate was changed from 1.96% at the beginning of the year to 2.04% at the end of the year. The scale used for the mortality assumption was changed from MP-2020 Full Generational Improvement to MP-2021 Full Generational Improvement. The retiree contribution premiums, admin fees and stop-loss premiums were updated. The salary scale assumption changed from 1.50% to 2.50%. This resulted in a decrease of costs by \$293,374.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

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 or 1-percentage-point higher than the current discount rate:

| | Discount Rate | | |
|----------------------|---------------|---------------|---------------|
| | 1% Decrease | | 1% Increase |
| | 1.04% | 2.04% | 3.04% |
| Total OPEB liability | \$ 18,967,764 | \$ 17,193,359 | \$ 15,586,359 |

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 or 1-percentage-point higher than the current healthcare cost trend rates:

| | Health Care Cost Trend Rates | | |
|----------------------|------------------------------|------------------------|------------------------|
| | (6.5% | (7.5% | (8.5% |
| | Decreasing to 3.5%) | Decreasing to 4.5%) | Decreasing to 5.5%) |
| Total OPEB liability | \$ 15,010,036 | \$ 17,193,359 | \$ 19,809,657 |

OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended December 31, 2021, the City recognized OPEB expense of \$1,611,670. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Changes of assumptions or other inputs | \$ 1,951,153 | \$ 357,833 |
| Differences between expected and actual experience | 722,198 | 1,025,304 |
| | <u>\$ 2,673,351</u> | <u>\$ 1,383,137</u> |

Amounts reported as deferred outflows of resources and 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: | |
| 2022 | \$ 175,617 |
| 2023 | 175,617 |
| 2024 | 175,617 |
| 2025 | 175,617 |
| 2026 | 175,617 |
| Thereafter | 412,129 |
| | <u>\$ 1,290,214</u> |

Note 12. Postemployment Health Care Plans (Continued)

KPERS Other Postemployment Benefit Plan

Plan description: The City participates in a single-employer long-term disability 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.

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.

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 December 31, 2020:

| | |
|------------------|-------|
| Active members | 516 |
| Disabled members | 11 |
| | <hr/> |
| | 527 |
| | <hr/> |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Total OPEB liability: The City's total OPEB liability of \$2,025,089 was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021 as the measurement date, using the following actuarial assumptions:

| | |
|------------------|---|
| Salary increases | 2.75% |
| Inflation rate | 3.50% |
| Discount rate | 2.16% - measurement date |
| | 2.21% - year preceding measurement date |

Mortality rates were based on 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 Projection Scale MP-2021.

The discount rate is based upon the Bond Buyer General Obligation 20-Year Municipal Bond Index as of the measurement date.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2016 – December 31, 2018. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2020 KPERS pension valuation.

Changes in total OPEB liability

| | Total OPEB Liability |
|--------------------------------------|-------------------------|
| Balance as of December 31, 2020 | \$ 1,790,217 |
| Changes for the year: | |
| Service cost | 132,546 |
| Interest | 40,164 |
| Effect of economic/demographic gains | 268,941 |
| Changes in assumptions | 5,190 |
| Benefit payments | (211,969) |
| Net changes | 234,872 |
| Balance as of December 31, 2021 | \$ 2,025,089 |

Changes in assumptions: The discount rate was changed from 2.21% at the beginning of the year to 2.16% 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 2.16%, 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 or 1-percentage point higher than the current rate:

| | 1% Decrease 1.16% | Discount Rate 2.16% | 1% Increase 3.16% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB liability | \$ 2,131,148 | \$ 2,025,089 | \$ 1,923,105 |

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

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, 2021, the City recognized OPEB expense of \$193,158, which includes the changes in the total OPEB liability, 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, 2021, The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual | \$ 375,754 | \$ 278,540 |
| Changes of assumptions or other inputs | 151,795 | 48,990 |
| | <u>\$ 527,549</u> | <u>\$ 327,530</u> |

Amounts reported as deferred outflows of resources and 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 June 30: | |
| 2022 | \$ 20,448 |
| 2023 | 20,448 |
| 2024 | 20,448 |
| 2025 | 20,448 |
| 2026 | 22,734 |
| Thereafter | 95,493 |
| | <u>\$ 200,019</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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 13. Pollution Remediation (Continued)

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.

A Data Gap Study report was prepared by GHD Services Inc. (GHD) and approved by Kansas Department of Health and Environment (KDHE) on March 6, 2020. The Data Gap Study provided GHD and the City the necessary information to complete the Cost-Benefit Analysis (CBA) report, detailing multiple remediation options for both soil and groundwater at the site. The CBA report for potential remedial efforts in addition to or in place of groundwater collection for land application was submitted to Kansas Department of Health and Environment Bureau of Remediation (KDHE BER) on April 6, 2020. Comments on the CBA report were received on April 27, 2020, and subsequently addressed. KDHE BER approved the CBA on July 1, 2020.

On February 2, 2021, the City commission approved a supplemental agreement to the Engineering Services Agreement with GHD. The next steps included evaluating the findings of the Data Gap Study and remedial options in the CBA report. The City negotiated the next scope of work with GHD that included a pre-design investigation and work plan. The scope of work additionally included installing new monitoring wells, containment wells, and submitting a Current Site Conditions Report with analytical information from the new monitoring wells. Phase one of this effort included professional services related to site study, analysis of alternative remediation strategies and regulatory approvals for alternative strategies prepared by GHD. The project scope included data review, existing remediation systems evaluation, and remediation alternative evaluation and recommendation.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 13. Pollution Remediation (Continued)

In May 2021, GHD began the initial phase of the groundwater monitoring well installation work plan as outlined in the current scope of work. Seventeen new monitoring wells were drilled and developed over a period of approximately four weeks in May and early June. During the third week of June, GHD performed well sampling on all existing (30 wells) and new monitoring wells (17 wells). The City of Lawrence water quality laboratory conducted the analyses of the samples for ammonia-nitrogen and nitrate/nitrite-nitrogen and turned over the results to GHD. On September 30, 2021, GHD finalized the Supplemental Investigation Report and submitted to KDHE BER for review on November 9, 2021. After addressing comments from KDHE BER on January 11, 2022, and meeting with members of KDHE BER on January 26, 2022, the Supplemental Investigation Report was approved by KDHE on February 10, 2022.

Under the terms of the scope of work in Supplemental Agreement No. 2, GHD and the City held a Remedial Alternatives Workshop on February 22, 2022. The primary goal of this workshop was to re-evaluate and discuss the remedial alternatives described in the CBA and Supplemental Investigation Report. Members of City staff, GHD, and engineering consultants were invited to contribute their expertise to the workshop.

The remedial alternatives selection for the remediation site is progressing. A meeting has been scheduled with KDHE to present and discuss the recommended remedial options selected by GHD and the City. The outcome of this meeting will determine the next steps in the remedial process. Future steps, which may be preceded by pilot testing, will include development of a Remedial Design Plan and revisions to the Remedial Action Plan. Until pilot studies are completed on the remedial alternatives, an estimate of the environmental remediation liability remains uncertain, and therefore no liability has been recorded as of December 31, 2021.

Note 14. Economic Development

Property tax abatements: In 2021, the City of Lawrence participated in real property tax abatements for six 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 14. Economic Development (Continued)

| Company | Commitments | Type & percent Abatement in 2021 | Amount Abated in 2021 |
|--|---|---|------------------------------|
| 3840 Greenway Circle LLC/Screen-It Graphics (Grandstand) | Business relocation and expansion, job creation and retention | Real Property Taxes, 65% | \$121,674 |
| Sunlite Science & Technology, Inc. | Business relocation and expansion, job creation and retention | Real Property Taxes, 50% | \$21,059 |
| 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% | \$435,762 |
| VanTrust Building 1 ¹ | Industrial spec building in Lawrence VenturePark | Real Property Taxes 70% (PILOT) | \$201,413 |
| Plastikon Expansion Phase I & II | Business expansion, job creation and retention | Real Property Taxes, 70% | \$114,648 |
| Grandstand Expansion | Business expansion, job creation and retention | Real Property Taxes, 70% | \$82,496 |

Note 1 – Under agreement with the City, Van Trust Phase I is subject to pre-determined Payment in Lieu of Tax (PILOT) payments.

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

Neighborhood Revitalization Areas (NRA): During 2021, the City of Lawrence had eight established neighborhood revitalization areas. six properties were eligible for an NRA rebate for the property taxes levied in 2021. 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 14. Economic Development (Continued)

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2021:

| Neighborhood Revitalization Area | Purpose | Duration- percent of Increment Subject to NRA | Rebate Amount in 2021 |
|---|--|---|-----------------------|
| 8th and Pennsylvania District (720 E 9th Street) 1040 Vermont (Treanor Architect Headquarters) | Revitalization of historic warehouse district Redevelopment of vacant building into architectural headquarters/office space | 95% 10Y-70% in 2019 | \$17,869 \$11,579 |
| 810/812 Pennsylvania (Cider Building) | Redevelopment of vacant, historic building into art gallery and commercial office space | 10Y-95% | \$26,426 |
| 1106 Rhode Island (Hernly Architect's Studio) | Rehab and development of vacant, historical structures into office and residential space | 10Y-85% | \$11,405 |
| 900 Delaware (9 Del Lofts) | Redevelopment of vacant parcel into multi-family, affordable housing | 15Y-95% | \$35,314 |
| 826 Pennsylvania Street (Mixed-use, Commercial/Residential) | Rehab and redevelopment of dilapidated structure into mixed-use commercial & residential | 10-Y, 85% County, 50% City and USD | \$41,789 |
| 1101/1115 Indiana (Mixed-Use, Student Housing) | Redevelopment of underutilized property for mixed-use commercial and residential space | 10Y-85% | \$510,824 |
| 8th and Pennsylvania District (720 E 9th Street) | Revitalization of historic warehouse district | 95% | \$17,869 |
| 1040 Vermont (Treanor Architect Headquarters) | Redevelopment of vacant building into architectural headquarters/office space | 10Y-70% in 2019 | \$11,579 |

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 December 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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 14. Economic Development (Continued)

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.

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2021:

| 2021 Tax increment Financing (TIF) (For all taxing jurisdictions) | | | |
|---|-------------------------------------|-----------|-----------------------|
| TIF District | Description | | Total |
| Downtown 2000 | 901 New Hampshire | | \$28,085 ¹ |
| Oread | TIF Sales Tax | \$127,725 | \$425,198 |
| | TIF Property Tax | \$297,473 | |
| 9th & New Hampshire: South Project | 900 New Hampshire: TIF Sales Tax | \$74,010 | \$399,499 |
| | 900 New Hampshire: TIF Property Tax | \$305,514 | |
| | City Retained TIF (5%) | \$19,975 | |
| 9th & New Hampshire: North Project | 888 New Hampshire: TIF Sales Tax | \$0 | \$241,668 |
| | 888 New Hampshire: TIF Property Tax | \$229,585 | |
| | City Retained TIF (5%) | \$12,083 | |

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 2021, the City had retained a total of \$189,261 in TIF revenue (\$3,880 in 2015, \$21,789 in 2016, \$24,386 in 2017, \$35,975 in 2018, \$36,745 in 2019, \$34,428 in 2020 and \$32,058 in 2021).

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 14. Economic Development (Continued)

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.

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 2021.

| 2021 Transportation Development District (TDD) (for All Taxing Jurisdictions) | | | |
|--|---|---------|---------------------|
| TDD District | Purpose | Expires | Total Reimbursement |
| The Oread | Aid in funding transportation improvements related to The Oread Hotel TDD district. | 2031 | \$65,998 |
| Free-State (Bauer Farms) | Aid in funding transportation improvements related to the Free-State TDD development district. | 2031 | \$333,968 |
| 9th & New Hampshire | | | |
| 900 New Hampshire (South) | Aid in funding transportation improvements related to the 9th & New Hampshire TDD district. | 2037 | \$0 |
| 888 New Hampshire (North) | | | \$0 |
| City Retained TDD | City retains first \$850,000 of TDD Revenue as a contribution toward the City parking garage at 10th & New Hampshire. | | \$31,346 |

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, 2020, the City had retained the entire amount of distributed 900 New Hampshire TDD tax revenue of \$62,226.

Note 15. 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. The statements which might impact the City are as follows:

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending December 31, 2022, 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.
- GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with its year ending December 31, 2022. This Statement establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. Under Statement 91 a government entity no longer reports a liability for any conduit debt that it has issued; however, the issuer should recognize a liability for any additional commitments or voluntary commitments to support the debt service.
- GASB Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB statements. In particular, this Statement addresses the effective date of GASB Statement No. 87, *Leases* and Implementation Guide No. 2019-3, *Leases*, which is effective upon issuance. It also addresses (1) Reporting of intra-entity transfers of assets between the primary government employer and component unit defined benefit retirement plans; (2) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (3) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (4) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (5) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (7) Terminology used to refer to derivative instruments, all of which are effective for the City with its year ending December 31, 2022.
- GASB No. 93, *Replacement of Interbank Offered Rates* establishes how the City will report the change of any of its variable payment debt that are tied to the London Interbank Offered Rate (LIBOR) when the LIBOR standard is no longer used after December 31, 2021. This statement will be effective for the City with its year ending December 31, 2021 except for provision relating to the removal of the LIBOR rate, which will be effective for the fiscal year ending December 31, 2022.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* will improve financial reporting by addressing issues related to public-private and public-public partnerships and provides guidance for accounting and reporting for availability payment arrangements. This statement will be effective for the City with its year ending December 31, 2023.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. This statement will be effective for the City with its year ending December 31, 2023.
- GASB Statement No. 99, *Omnibus 2022*, addresses practice issues that have been identified during implementation and application of certain GASB statements. The Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The Statement will be effective for the City at various times over the next two years

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

Note 16. Restatement

During 2020, the Housing Authority did not properly account for its HUD CARES Act grants in the prior year and as a result, \$90,134 of income should have been recognized in the Move-To-Work Program. Additionally, the Public Housing program did not recognize \$38,505 of prior year revenue or expenses related to its HUD CARES Act grant.

| | Aggregate Discretely Presented Component Units |
|--|---|
| Net position January 1, 2021, as previously reported | \$ 303,756,191 |
| Component unit adjustment | 90,134 |
| Net position January 1, 2021, as restated | <u><u>\$ 303,846,325</u></u> |

Note 17. Subsequent Events

On April 28, 2022, the City issued \$5,800,000 in General Obligation Improvement Bonds, Series 2022A and \$52,135,000 in General Obligation Temporary Notes, Series 2022I. The bonds and notes were issued for the purpose of paying a portion of the cost of certain 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

| | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 1,079,077 | \$ 898,426 | \$ 681,971 | \$ 701,279 |
| Interest | 356,979 | 521,767 | 483,736 | 410,745 |
| Differences between expected and actual experience | (787,722) | (386,654) | 993,023 | - |
| Changes of assumptions | (293,374) | 166,522 | 2,495,496 | (147,396) |
| Benefit payments | (591,452) | (528,056) | (718,830) | (236,456) |
| Net change in total OPEB liability | (236,492) | 672,005 | 3,935,396 | 728,172 |
| Total OPEB liability—beginning | 17,429,851 | 16,757,846 | 12,822,450 | 12,094,278 |
| Total OPEB liability—ending | <u>\$ 17,193,359</u> | <u>\$ 17,429,851</u> | <u>\$ 16,757,846</u> | <u>\$ 12,822,450</u> |
| Covered employee payroll | <u>\$ 50,793,649</u> | <u>\$ 50,793,649</u> | <u>\$ 46,574,172</u> | <u>\$ 46,574,172</u> |
| Total OPEB liability as a percentage of covered employee payroll | 33.85% | 34.32% | 35.98% | 27.53% |

Notes to schedule:

2021 Changes of assumptions: The discount rate was changed from 1.96% at the beginning of the year to 2.04% at the end of the year. The scale used for the mortality assumption was changed from MP-2020 Full Generational Improvement to MP-2021 Full Generational Improvement. The assumed salary scale per employee was revised from 1.5% to 2.5%.

2020 Changes of assumptions: The discount rate was changed from 3.50% at the beginning of the year to 1.96% at the end of the year. The scale used for the mortality assumption was changed from MP-2019 Full Generational Improvement to MP-2020 Full Generational Improvement. The assumed coverage tier distribution for future retiring employees was changed from Single – 65%, Single + Spouse – 25% and Family – 10% to 70%, 20% and 10% respectively. The assumed salary scale was changed from 2.5% – General employees, 1.5% – Police employees and 2.5% – Fire employees to 1.5% for all employees.

2019 Changes of assumptions: The discount rate was changed from 3.68% at the beginning of the year to 3.50% at the end of the year. The mortality was changed from RPH-2014 Adjusted to 2006 Total Dataset Headcount-Weighted Mortality with MP-2018 Full Generational Improvement to Pub-2010 Public Retirement Plan Headcount-Weighted Mortality with MP-2019 Full Generational Improvement and the retiree contribution premiums, admin fees and stop-loss premiums were updated. This resulted in a increase of costs by \$2,495,496.

2018 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

| | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 132,546 | \$ 107,158 | \$ 108,334 | \$ 107,683 |
| Interest | 40,164 | 70,045 | 69,119 | 66,254 |
| Effect of economic/demographic gains | 268,941 | (331,807) | 193,076 | (23,557) |
| Changes of assumptions | 5,190 | 151,873 | 37,534 | (26,501) |
| Benefit payments | (211,969) | (200,611) | (182,614) | (195,792) |
| Net change in total OPEB liability | 234,872 | (203,342) | 225,449 | (71,913) |
| Total OPEB liability—beginning | 1,790,217 | 1,993,559 | 1,768,110 | 1,840,023 |
| Total OPEB liability—ending | <u>\$ 2,025,089</u> | <u>\$ 1,790,217</u> | <u>\$ 1,993,559</u> | <u>\$ 1,768,110</u> |
| Covered employee payroll | <u>\$ 30,346,501</u> | <u>\$ 29,075,960</u> | <u>\$ 26,579,520</u> | <u>\$ 27,873,554</u> |
| Total OPEB liability as a percentage of covered employee payroll | 6.67% | 6.16% | 7.50% | 6.34% |

Notes to schedule:

2021 Changes of assumptions: The discount rate was changed from 2.21% at the beginning of the year to 2.16% at the end of the year. This resulted in a increase of costs by \$5,190.

2020 Changes of assumptions: The discount rate was changed from 3.50% at the beginning of the year to 2.21% at the end of the year. This resulted in a increase of costs by \$151,873. The demographic assumptions have been updated based upon the most recent KPERS experience study. The discount rate was updated in accordance with the requirements of GASB Statement No. 75. The mortality projection scale was updated to the most recent table published by the Society of Actuaries.

2019 Changes of assumptions: The discount rate was changed from 3.87% at the beginning of the year to 3.50% at the end of the year. This resulted in a increase of costs by \$37,534.

2018 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.

City of Lawrence, Kansas

Required Supplementary Information (Continued) Schedule of the City's Proportionate Share of the Net Pension Liability—KPERs December 31, 2021

| | December 31, | | | | | | | | |
|--|---------------|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|
| | Local | Police | | Local | Police | | Local | Police | |
| | 2021 | and Firefighters | | 2020 | and Firefighters | | 2019 | and Firefighters | |
| | 2021 | 2021 | Total | 2020 | 2020 | Total | 2019 | 2019 | Total |
| City's proportion of the net pension liability | 1.642% | 4.695% | | 1.614% | 4.550% | | 1.563% | 4.629% | |
| City's proportionate share of the net pension liability | \$ 19,703,845 | \$ 44,803,333 | \$ 64,507,178 | \$ 27,985,700 | \$ 56,108,274 | \$ 84,093,974 | \$ 21,845,415 | \$ 46,853,480 | \$ 68,698,895 |
| City's covered payroll | \$ 31,343,058 | \$ 25,621,338 | \$ 56,964,396 | \$ 30,497,900 | \$ 25,004,984 | \$ 55,502,884 | \$ 28,798,716 | \$ 25,785,226 | \$ 54,583,942 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 62.87% | 174.87% | | 91.76% | 224.39% | | 75.86% | 181.71% | |
| Plan fiduciary net position as a percentage of the total net pension liability | 81.14% | 76.09% | | 70.77% | 66.81% | | 75.02% | 71.22% | |

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, 2021

| | December 31, | | | | | | | | |
|--|---------------|------------------|--------------|---------------|------------------|--------------|---------------|------------------|--------------|
| | Local | Police | | Local | Police | | Local | Police | |
| | 2021 | and Firefighters | | 2020 | and Firefighters | | 2019 | and Firefighters | |
| | 2021 | 2021 | Total | 2020 | 2020 | Total | 2019 | 2019 | Total |
| Contractually required contribution | \$ 2,840,596 | \$ 5,984,568 | \$ 8,825,164 | \$ 2,670,841 | \$ 5,638,072 | \$ 8,308,913 | \$ 2,497,226 | \$ 5,232,406 | \$ 7,729,632 |
| Contributions in relation to the contractually required contribution | 2,840,596 | 5,984,568 | 8,825,164 | 2,670,841 | 5,638,072 | 8,308,913 | 2,497,226 | 5,232,406 | 7,729,632 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 31,776,341 | \$ 25,589,111 | | \$ 31,020,210 | \$ 25,709,408 | | \$ 29,501,415 | \$ 24,798,549 | |
| Contributions as a percentage of covered payroll | 8.94% | 23.39% | | 8.61% | 21.93% | | 8.46% | 21.10% | |

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

| December 31, | | | | | | | | | | | |
|---------------|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|
| Local | Police | | Local | Police | | Local | Police | | Local | Police | |
| 2018 | and Firefighters | | 2017 | and Firefighters | | 2016 | and Firefighters | | 2015 | and Firefighters | |
| 2018 | 2018 | Total | 2017 | 2017 | Total | 2016 | 2016 | Total | 2015 | 2015 | Total |
| 1.613% | 4.889% | | 1.722% | 5.130% | | 1.683% | 4.954% | | 1.678% | 5.068% | |
| \$ 22,476,271 | \$ 47,041,107 | \$ 69,517,378 | \$ 24,948,735 | \$ 48,108,856 | \$ 73,057,591 | \$ 26,042,494 | \$ 46,013,453 | \$ 72,055,947 | \$ 22,038,579 | \$ 36,797,128 | \$ 58,835,707 |
| \$ 28,857,883 | \$ 24,857,649 | \$ 53,715,532 | \$ 29,272,989 | \$ 24,092,226 | \$ 53,365,215 | \$ 29,365,147 | \$ 24,053,146 | \$ 53,418,293 | \$ 27,253,827 | \$ 22,717,357 | \$ 49,971,184 |
| 77.89% | 189.24% | | 85.23% | 199.69% | | 88.69% | 191.30% | | 80.86% | 161.98% | |
| 74.22% | 71.53% | | 72.15% | 70.99% | | 68.55% | 69.30% | | 71.98% | 74.60% | |

| December 31, | | | | | | | | | | | |
|---------------|------------------|--------------|---------------|------------------|--------------|---------------|------------------|--------------|---------------|------------------|--------------|
| Local | Police | | Local | Police | | Local | Police | | Local | Police | |
| 2018 | and Firefighters | | 2017 | and Firefighters | | 2016 | and Firefighters | | 2015 | and Firefighters | |
| 2018 | 2018 | Total | 2017 | 2017 | Total | 2016 | 2016 | Total | 2015 | 2015 | Total |
| \$ 2,459,149 | \$ 5,064,566 | \$ 7,523,715 | \$ 2,463,442 | \$ 4,723,704 | \$ 7,187,146 | \$ 2,687,252 | \$ 4,919,631 | \$ 7,606,883 | \$ 2,783,814 | \$ 5,137,753 | \$ 7,921,567 |
| 2,459,149 | 5,064,566 | 7,523,715 | 2,463,442 | 4,723,704 | 7,187,146 | 2,687,252 | 4,919,631 | 7,606,883 | 2,783,814 | 5,137,753 | 7,921,567 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 29,310,477 | \$ 25,209,388 | | \$ 29,118,723 | \$ 24,822,401 | | \$ 29,272,898 | \$ 24,092,226 | | \$ 29,365,147 | \$ 24,053,146 | |
| 8.39% | 20.09% | | 8.46% | 19.03% | | 9.18% | 20.42% | | 9.48% | 21.36% | |

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, 2020 valuation to determine the actuarially determined contribution.

| | |
|--------------------------------------|--|
| Valuation timing | December 31, 2020 |
| Actuarial cost method | Entry-age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 12 - 25 years (layered bases) |
| Asset valuation method | 5-year smoothed value |
| Inflation | 2.75% |
| Salary increases including inflation | Police and firefighters 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 Projection Scale MP-2021. |

City of Lawrence, Kansas

Nonmajor Governmental Funds Special Revenue Funds

Budgeted Funds

Guest Tax Fund—This fund is used to account for the 6% guest tax received on the occupancy of hotels and motels in the City.

Library Fund—This fund is used to account for the tax receipts collected and disbursed to the local public library.

Transportation Fund—This fund is used to account for revenues and expenditures associated with the fixed route bus system and para-transit services of the City.

Special Alcohol Fund—This fund is used to account for one-third of the liquor tax received by the City from the State of Kansas. The revenues are used to finance contractual programs for the prevention and treatment of drug and alcohol abuse.

Special Gas Tax Fund—This fund is used to account for the gasoline tax received from the State of Kansas and Douglas County. The expenditures are primarily for repairs of streets and to provide for new traffic signals.

Special Recreation Fund—This fund is used to account for one-third of the liquor tax received from the State of Kansas. These funds are used to provide additional resources for recreational activities and historic tours.

Free State TDD Fund—This fund accounts for proceeds from the Free State Transportation Development District that are paid to the developers to reimburse them for public improvements (K.S.A. 12-17,140).

Oread TDD/TIF Fund—This fund accounts for proceeds from the Oread Transportation Development District and Tax Increment Financing District that are paid to the developers to reimburse them for public improvements (K.S.A. 12-17,140).

9 NH South TDD/TIF Fund—This fund accounts for proceeds from the 9 NH South Transportation Development District and Tax Increment Financing District that are paid to the developers to reimburse them for public improvements (K.S.A. 12-17,140).

901 NH TIF Fund—This fund accounts for proceeds from the 901 NH Tax Increment Financing District that are paid to the developers to reimburse them for public improvements (K.S.A. 12-1770 to K.S.A. 12-1780d).

Neighborhood Revitalization Areas Fund—This fund accounts for all property tax rebates issued to property owners within Neighborhood Revitalization Areas who make qualifying improvements to their property (K.S.A. 12-17,114).

9 NH North TDD/TIF Fund—This fund is used to account for proceeds from the 9 NH North Transportation Development District and Tax Increment Financing District that are paid to the developers to reimburse them for public improvements (K.S.A. 12-17,140).

City Parks Memorial Fund—This fund is used to account for donations received from the public to fund special requests for landscaping and flower gardens (K.S.A. 79-2925).

City of Lawrence, Kansas

Nonmajor Governmental Funds Special Revenue Funds

Budgeted Funds (Continued)

Farmland Remediation Fund—This fund is used to account for escrow funds received and remediation costs for the former Farmland Industries property (K.S.A. 12-1663).

Cemetery Perpetual Care Fund—This fund is used to provide monies for the maintenance of the City Cemetery (K.S.A. 12-1408).

Housing Trust Fund—This fund is used to support the acquisition, construction, and rehabilitation of affordable housing (K.S.A. 12-16,114).

Wee Folks Scholarship Fund—The fund was started with a \$12,000 donation from the St. Patrick's Day Parade organization. The City is to seek matching donations. The fund is to be used to provide scholarships for Lawrence youth for recreational activities (K.S.A. 79-2925).

Law Enforcement Trust Fund—This fund is used to account for proceeds from the sale of assets forfeited in a legal proceeding. Receipts in the fund are used to defray the cost of complex investigations, purchase technical equipment or provide matching funds for federal grants (K.S.A. 60-4117).

Nonbudgeted Funds

Airport Improvement Fund—This fund is used to account for grant proceeds received from the Federal Aviation and Administration and the operations of the airport. Revenues are generated from the fixed based operator and farming income (K.S.A. 79-2925).

Capital Improvement Reserve Fund—This fund is used to account for major capital improvements which are not funded by long-term debt. Transfers from the General Fund provide the resources for these expenditures (K.S.A. 12-1,118).

Equipment Reserve Fund—This fund is used to account for major equipment purchases which are not budgeted in the operating funds of the Governmental Fund Types or financed with general obligation bonds. Transfers from the General Fund provide the resources for these expenditures (K.S.A. 12-1,117).

Cemetery Mausoleum Fund—This fund is used to provide monies for the City Mausoleum (K.S.A. 12-1408).

Outside Agency Fund—This fund is used to account for grants passed through the outside agencies (K.S.A. 12-1663).

Fair Housing Assistance Fund—This fund is used to account for federal housing assistance grants received by the City. The monies are used to promote fair housing practices in the City and to assure compliance with federal regulations governing fair housing practices (K.S.A. 12-1663).

Community Development Fund—This fund is used to account for federal block grants received and related program income. These funds are used to provide assistance to low and moderate income individuals and areas in the City (K.S.A. 12-1663).

Home Program Fund—This fund is used to account for federal funds received to assist low income residents to purchase homes (K.S.A. 12-1663).

Transportation Planning Fund—This fund is used to account for federal grants received for urban transportation planning (K.S.A. 12-1663).

City of Lawrence, Kansas

**Nonmajor Governmental Funds
Special Revenue Funds**

Nonbudgeted Funds (Continued)

State Grant Fund—This fund is used to account for grants issued by State of Kansas Agencies (K.S.A. 12-1663).

American Recovery Plan Act (ARPA) Fund—This fund is used to account for the tranche of federal dollars authorized by the American Recovery Plan Act through the Department of Treasury (K.S.A. 12-1663).

eXplore Lawrence Fund—This fund is used to account for the activities of eXplore Lawrence as a component unit blended into the financial statements.

Lawrence Parks and Recreation Endowment Fund—The fund is to be used to account for activities of the Lawrence Park and Recreation Endowment Fund held at the Douglas County Community Foundation.

City of Lawrence, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021

| | Guest Tax | Library | Transportation | Special Alcohol | Special Gas Tax | Special Recreation | Airport Improvement |
|---|-------------------|---------------------|----------------------|--------------------|---------------------|-----------------------|------------------------|
| Assets | | | | | | | |
| Cash and investments | \$ 206,418 | \$ 42,930 | \$ 14,707,054 | \$ 9,406 | \$ 2,740,553 | \$ 53,566 | \$ 676,620 |
| Receivables: | | | | | | | |
| Taxes | - | 5,177,260 | 788,343 | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Accounts (net allowance for uncollectibles) | 463,779 | - | - | 219,525 | 673,240 | 219,525 | 27,500 |
| Loans | - | - | - | 164,479 | - | - | - |
| Accrued interest | 254 | - | 21,983 | - | 4,010 | 101 | 532 |
| Prepaid | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - |
| Restricted assets, | | | | | | | |
| cash and investments | - | - | - | - | - | - | 5,725 |
| Total assets | \$ 670,451 | \$ 5,220,190 | \$ 15,517,380 | \$ 393,410 | \$ 3,417,803 | \$ 273,192 | \$ 710,377 |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 42,885 | - | \$ 81,657 | - | \$ 532 | \$ 3,577 | \$ 5,985 |
| Accrued payroll | 3,354 | - | 1,176 | - | - | - | 2,473 |
| Customer deposits | - | - | - | - | - | - | 5,725 |
| Due to other funds | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | 120 |
| Other liabilities | - | - | - | - | - | - | - |
| Total liabilities | 46,239 | - | 82,833 | - | 532 | 3,577 | 14,303 |
| Deferred inflows of resources, | | | | | | | |
| unavailable revenue | - | 5,177,260 | - | 384,005 | - | 219,525 | - |
| Total deferred inflows of resources | - | 5,177,260 | - | 384,005 | - | 219,525 | - |
| Total liabilities and deferred inflows of resources | 46,239 | 5,177,260 | 82,833 | 384,005 | 532 | 223,102 | 14,303 |
| Fund balance: | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | 624,212 | 42,930 | 15,434,547 | 9,405 | 3,417,271 | 50,090 | 696,074 |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balance (deficit) | 624,212 | 42,930 | 15,434,547 | 9,405 | 3,417,271 | 50,090 | 696,074 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 670,451 | \$ 5,220,190 | \$ 15,517,380 | \$ 393,410 | \$ 3,417,803 | \$ 273,192 | \$ 710,377 |

| Capital Improvement Reserve | Equipment Reserve | Free State TDD | Oread TDD/TIF | 9 NH South TDD/TIF | 901 NH TIF | Neighborhood Revitalization Areas | 9 NH North TDD/TIF | City Parks Memorial |
|-----------------------------------|----------------------|----------------------|-------------------|-----------------------|-------------------|---|--------------------------|---------------------------|
| \$ 12,410,773 | \$ 6,929,000 | \$ 29,261 | \$ 116,673 | \$ 455,734 | \$ 114,452 | \$ 1,634 | \$ 62,096 | \$ 98,698 |
| 1,182,514 | - | 59,850 | 35,297 | 22,973 | - | - | 78 | - |
| - | 45,932 | - | - | - | - | - | - | - |
| - | - | - | 2,369 | 1,094 | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 22,827 | 11,227 | - | - | - | - | - | - | 100 |
| - | 156,065 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| <u>\$ 13,616,114</u> | <u>\$ 7,142,224</u> | <u>\$ 89,111</u> | <u>\$ 154,339</u> | <u>\$ 479,801</u> | <u>\$ 114,452</u> | <u>\$ 1,634</u> | <u>\$ 62,174</u> | <u>\$ 98,798</u> |

| | | | | | | | | |
|--------------|------------------|---------------|---------------|--------------|----------|----------|----------|-----------|
| \$ 6,563 | \$ 1,406,299 | \$ 29,159 | \$ 21,763 | \$ 8,412 | \$ - | \$ - | \$ - | \$ 19 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| <u>6,563</u> | <u>1,406,299</u> | <u>29,159</u> | <u>21,763</u> | <u>8,412</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19</u> |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |

| | | | | | | | | |
|--------------|------------------|---------------|---------------|--------------|----------|----------|----------|-----------|
| <u>6,563</u> | <u>1,406,299</u> | <u>29,159</u> | <u>21,763</u> | <u>8,412</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19</u> |
|--------------|------------------|---------------|---------------|--------------|----------|----------|----------|-----------|

| | | | | | | | | |
|-------------------|------------------|---------------|----------------|----------------|----------------|--------------|---------------|---------------|
| - | 156,065 | - | - | - | - | - | - | - |
| 13,609,551 | 5,579,860 | 59,952 | 132,576 | 471,389 | 114,452 | 1,634 | 62,174 | 98,779 |
| - | - | - | - | - | - | - | - | - |
| <u>13,609,551</u> | <u>5,735,925</u> | <u>59,952</u> | <u>132,576</u> | <u>471,389</u> | <u>114,452</u> | <u>1,634</u> | <u>62,174</u> | <u>98,779</u> |

| | | | | | | | | |
|----------------------|---------------------|------------------|-------------------|-------------------|-------------------|-----------------|------------------|------------------|
| <u>\$ 13,616,114</u> | <u>\$ 7,142,224</u> | <u>\$ 89,111</u> | <u>\$ 154,339</u> | <u>\$ 479,801</u> | <u>\$ 114,452</u> | <u>\$ 1,634</u> | <u>\$ 62,174</u> | <u>\$ 98,798</u> |
|----------------------|---------------------|------------------|-------------------|-------------------|-------------------|-----------------|------------------|------------------|

(Continued)

City of Lawrence, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
December 31, 2021

| | Farmland Remediation | Cemetery Perpetual Care | Cemetery Mausoleum | Housing Trust | Outside Agency | Wee Folks Scholarship | Fair Housing Assistance | Community Development |
|---|-------------------------|-------------------------------|-----------------------|---------------------|-------------------|--------------------------|-------------------------------|--------------------------|
| Assets | | | | | | | | |
| Cash and investments | \$ 2,322,921 | \$ 34,402 | \$ 12 | \$ 2,026,918 | \$ - | \$ 77,251 | \$ 249,320 | \$ 21,890 |
| Receivables: | | | | | | | | |
| Taxes | - | - | - | 197,086 | - | - | - | - |
| Intergovernmental | - | - | - | - | 979,411 | - | - | 128,143 |
| Accounts (net allowance for uncollectibles) | - | - | - | - | - | - | - | 1,550 |
| Loans | - | - | - | - | - | - | - | 203,829 |
| Accrued interest | 6,934 | 39 | - | 2,606 | - | 78 | - | - |
| Prepaid expense | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - |
| Restricted assets, | | | | | | | | |
| cash and investments | 8,319 | - | - | - | - | 24,000 | - | - |
| Total assets | <u>\$ 2,338,174</u> | <u>\$ 34,441</u> | <u>\$ 12</u> | <u>\$ 2,226,610</u> | <u>\$ 979,411</u> | <u>\$ 101,329</u> | <u>\$ 249,320</u> | <u>\$ 355,412</u> |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 582 | \$ 5 | \$ - | \$ 425 | \$ 751,697 | \$ 20 | \$ 1,352 | \$ 69,393 |
| Accrued payroll | 3,032 | - | - | - | 7,409 | - | 389 | 3,735 |
| Customer deposits | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | 164,608 | - | - | - |
| Unearned revenue | - | - | - | - | - | - | 29,213 | 203,829 |
| Other liabilities | - | - | - | - | - | - | - | - |
| Total liabilities | <u>3,614</u> | <u>5</u> | <u>-</u> | <u>425</u> | <u>923,714</u> | <u>20</u> | <u>30,954</u> | <u>276,957</u> |
| Deferred inflows of resources, | | | | | | | | |
| unavailable revenue | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u>3,614</u> | <u>5</u> | <u>-</u> | <u>425</u> | <u>923,714</u> | <u>20</u> | <u>30,954</u> | <u>276,957</u> |
| Fund balance: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 2,334,560 | 34,436 | 12 | 2,226,185 | 55,697 | 101,309 | 218,366 | 78,455 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balance (deficit) | <u>2,334,560</u> | <u>34,436</u> | <u>12</u> | <u>2,226,185</u> | <u>55,697</u> | <u>101,309</u> | <u>218,366</u> | <u>78,455</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,338,174</u> | <u>\$ 34,441</u> | <u>\$ 12</u> | <u>\$ 2,226,610</u> | <u>\$ 979,411</u> | <u>\$ 101,329</u> | <u>\$ 249,320</u> | <u>\$ 355,412</u> |

| Home Program | Transportation Planning | eXplore Lawrence | Lawrence Parks & Recreation Endowment | Law Enforcement Trust | State Grants | ARPA | Total Nonmajor Governmental Funds |
|------------------|----------------------------|---------------------|---|-----------------------------|---------------------|---------------------|--|
| \$ - | \$ - | \$ 573,882 | \$ 74,730 | \$ 299,714 | \$ 715,463 | \$ 6,656,340 | \$ 51,707,711 |
| - | - | - | - | - | - | - | 7,463,401 |
| 80,224 | 62,425 | - | - | - | 653,932 | - | 1,950,067 |
| - | - | - | - | - | - | - | 1,608,582 |
| - | - | - | - | - | - | - | 368,308 |
| - | - | - | - | 299 | - | - | 70,990 |
| - | - | 3,100 | - | - | - | - | 159,165 |
| - | - | 91,098 | - | - | - | - | 91,098 |
| - | - | 203,280 | - | - | - | - | 241,324 |
| <u>\$ 80,224</u> | <u>\$ 62,425</u> | <u>\$ 871,360</u> | <u>\$ 74,730</u> | <u>\$ 300,013</u> | <u>\$ 1,369,395</u> | <u>\$ 6,656,340</u> | <u>\$ 63,660,646</u> |

| | | | | | | | |
|----------------|---------------|----------------|----------|--------------|----------------|------------------|-------------------|
| \$ 73,431 | \$ 1,358 | \$ 22,837 | \$ - | \$ 1,766 | \$ 572,074 | \$ - | \$ 3,101,791 |
| 1,156 | 4,970 | - | - | - | - | - | 27,694 |
| - | - | - | - | - | - | - | 5,725 |
| 31,802 | 54,653 | - | - | - | - | - | 251,063 |
| - | - | - | - | - | - | 6,650,734 | 6,883,896 |
| - | - | 156,576 | - | - | - | - | 156,576 |
| <u>106,389</u> | <u>60,981</u> | <u>179,413</u> | <u>-</u> | <u>1,766</u> | <u>572,074</u> | <u>6,650,734</u> | <u>10,426,745</u> |

| | | | | | | | |
|---|---|---|---|---|---|---|-----------|
| - | - | - | - | - | - | - | 5,780,790 |
| - | - | - | - | - | - | - | 5,780,790 |

| | | | | | | | |
|---------|--------|---------|---|-------|---------|-----------|------------|
| 106,389 | 60,981 | 179,413 | - | 1,766 | 572,074 | 6,650,734 | 16,207,535 |
|---------|--------|---------|---|-------|---------|-----------|------------|

| | | | | | | | |
|-----------------|--------------|----------------|---------------|----------------|----------------|--------------|-------------------|
| - | - | 3,100 | - | - | - | - | 159,165 |
| - | 1,444 | 688,847 | 74,730 | 298,247 | 797,321 | 5,606 | 47,320,111 |
| (26,165) | - | - | - | - | - | - | (26,165) |
| <u>(26,165)</u> | <u>1,444</u> | <u>691,947</u> | <u>74,730</u> | <u>298,247</u> | <u>797,321</u> | <u>5,606</u> | <u>47,453,111</u> |

| | | | | | | | |
|------------------|------------------|-------------------|------------------|-------------------|---------------------|---------------------|----------------------|
| <u>\$ 80,224</u> | <u>\$ 62,425</u> | <u>\$ 871,360</u> | <u>\$ 74,730</u> | <u>\$ 300,013</u> | <u>\$ 1,369,395</u> | <u>\$ 6,656,340</u> | <u>\$ 63,660,646</u> |
|------------------|------------------|-------------------|------------------|-------------------|---------------------|---------------------|----------------------|

City of Lawrence, Kansas

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Nonmajor Governmental Funds
Year Ended December 31, 2021

| | Guest Tax | Library | Transportation | Special Alcohol | Special Gas Tax | Special Recreation |
|--|-------------------|------------------|----------------------|--------------------|---------------------|-----------------------|
| Revenues | | | | | | |
| Taxes | \$ - | \$ 4,991,605 | \$ 4,235,794 | \$ - | \$ - | \$ - |
| Charges for services | - | - | 291,660 | - | - | - |
| Fines, forfeitures and penalties | - | - | - | - | - | - |
| Interest | (301) | - | 77,014 | - | (859) | (562) |
| Intergovernmental | 1,426,080 | - | - | 563,762 | 3,109,920 | 563,762 |
| Reimbursements | - | - | - | - | - | - |
| Contributions | - | - | 9,280 | - | - | - |
| Miscellaneous | - | - | - | 9,092 | - | - |
| Total revenues | <u>1,425,779</u> | <u>4,991,605</u> | <u>4,613,748</u> | <u>572,854</u> | <u>3,109,061</u> | <u>563,200</u> |
| Expenditures | | | | | | |
| General government | - | 4,978,000 | 3,546,127 | - | - | - |
| Public safety | - | - | - | 970,000 | - | - |
| Public works | - | - | - | - | 1,966,947 | - |
| Health | - | - | - | - | - | - |
| Social service | - | - | - | - | - | - |
| Culture and recreation | 248,350 | - | - | - | - | 1,100,157 |
| Tourism | 1,226,614 | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Capital outlay | - | - | 182,705 | - | 176,793 | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | <u>1,474,964</u> | <u>4,978,000</u> | <u>3,728,832</u> | <u>970,000</u> | <u>2,143,740</u> | <u>1,100,157</u> |
| Excess (deficiency) of revenues over expenditures | <u>(49,185)</u> | <u>13,605</u> | <u>884,916</u> | <u>(397,146)</u> | <u>965,321</u> | <u>(536,957)</u> |
| Other financing sources (uses): | | | | | | |
| Sale of property - proceeds received | - | - | 5,950 | - | - | - |
| Transfers in | 465,000 | - | - | 465,000 | - | 432,000 |
| Transfers out | (377,000) | - | (2,734,000) | - | - | - |
| Total other financing sources (uses) | <u>88,000</u> | <u>-</u> | <u>(2,728,050)</u> | <u>465,000</u> | <u>-</u> | <u>432,000</u> |
| Net change in fund balance | <u>38,815</u> | <u>13,605</u> | <u>(1,843,134)</u> | <u>67,854</u> | <u>965,321</u> | <u>(104,957)</u> |
| Fund balance (deficit), beginning of year | <u>585,397</u> | <u>29,325</u> | <u>17,277,681</u> | <u>(58,449)</u> | <u>2,451,950</u> | <u>155,047</u> |
| Fund balance (deficit), end of year | <u>\$ 624,212</u> | <u>\$ 42,930</u> | <u>\$ 15,434,547</u> | <u>\$ 9,405</u> | <u>\$ 3,417,271</u> | <u>\$ 50,090</u> |

| Airport Improvement | Capital Improvement Reserve | Equipment Reserve | Free State TDD | Oread TDD/TIF | 9 NH South TDD/TIF | 901 NH TIF | Neighborhood Revitalization Areas | 9 NH North TDD/TIF | City Parks Memorial |
|------------------------|-----------------------------------|----------------------|----------------------|------------------|-----------------------|---------------|---|--------------------------|---------------------------|
| \$ - | \$ 6,353,691 | \$ - | \$ 330,736 | \$ 578,547 | \$ 442,511 | \$ 28,085 | \$ 684,222 | \$ 241,668 | \$ - |
| 19,576 | - | - | - | - | - | - | - | - | - |
| - | - | 30,069 | - | - | - | - | - | - | - |
| 120 | (2,772) | 17,907 | - | - | - | - | - | - | 72 |
| - | - | - | - | - | - | - | - | - | - |
| - | 270,484 | 4,498 | - | - | - | - | - | - | 50 |
| 4,658 | - | - | - | - | - | - | - | - | 21,342 |
| 175,409 | - | - | - | - | - | - | - | - | - |
| 199,763 | 6,621,403 | 52,474 | 330,736 | 578,547 | 442,511 | 28,085 | 684,222 | 241,668 | 21,464 |
| - | - | 324,185 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 291,419 | 1,321,250 | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 12,093 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | 333,967 | 577,056 | 370,216 | 28,085 | 683,856 | 229,584 | - |
| 42,164 | 870,047 | 1,961,267 | - | - | - | - | - | - | - |
| - | 25,120 | - | - | - | - | - | - | - | - |
| - | 192 | - | - | - | - | - | - | - | - |
| 333,583 | 2,216,609 | 2,285,452 | 333,967 | 577,056 | 370,216 | 28,085 | 683,856 | 229,584 | 12,093 |
| (133,820) | 4,404,794 | (2,232,978) | (3,231) | 1,491 | 72,295 | - | 366 | 12,084 | 9,371 |
| - | - | - | - | - | - | - | - | - | - |
| 252,000 | 500,000 | 6,934,116 | - | - | - | - | - | - | - |
| - | (2,065,428) | - | - | - | - | - | - | - | - |
| 252,000 | (1,565,428) | 6,934,116 | - | - | - | - | - | - | - |
| 118,180 | 2,839,366 | 4,701,138 | (3,231) | 1,491 | 72,295 | - | 366 | 12,084 | 9,371 |
| 577,894 | 10,770,185 | 1,034,787 | 63,183 | 131,085 | 399,094 | 114,452 | 1,268 | 50,090 | 89,408 |
| \$ 696,074 | \$ 13,609,551 | \$ 5,735,925 | \$ 59,952 | \$ 132,576 | \$ 471,389 | \$ 114,452 | \$ 1,634 | \$ 62,174 | \$ 98,779 |

(Continued)

City of Lawrence, Kansas

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2021

| | Farmland Remediation | Cemetery Perpetual Care | Cemetery Mausoleum | Housing Trust | Outside Agency | Wee Folks Scholarship |
|--|-------------------------|-------------------------------|-----------------------|------------------|-------------------|--------------------------|
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,058,949 | \$ - | \$ - |
| Charges for services | - | 19,200 | - | - | - | - |
| Fines, forfeitures and penalties | - | - | - | - | - | - |
| Interest | 1,143 | 30 | - | 1,908 | - | 1 |
| Intergovernmental | - | - | - | - | 5,533,446 | - |
| Reimbursements | - | - | - | - | 3,008 | - |
| Contributions | - | - | - | - | - | 1,140 |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | 1,143 | 19,230 | - | 1,060,857 | 5,536,454 | 1,141 |
| Expenditures | | | | | | |
| General government | - | - | - | - | 3,510,906 | - |
| Public safety | - | - | - | - | 63,416 | - |
| Public works | 87,853 | - | - | - | 27,812 | - |
| Health | - | - | - | - | 1,692,033 | - |
| Social service | - | - | - | 376,512 | - | - |
| Culture and recreation | - | 12 | - | - | 7,924 | 19,238 |
| Tourism | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Capital outlay | 25,629 | - | - | - | 479,290 | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | 113,482 | 12 | - | 376,512 | 5,781,381 | 19,238 |
| Excess (deficiency) of revenues over expenditures | (112,339) | 19,218 | - | 684,345 | (244,927) | (18,097) |
| Other financing sources (uses): | | | | | | |
| Sale of capital assets | - | - | - | - | - | - |
| Transfers in | - | - | - | 350,000 | - | - |
| Transfers out | - | - | - | - | (36,700) | - |
| Total other financing sources (uses) | - | - | - | 350,000 | (36,700) | - |
| Net change in fund balance | (112,339) | 19,218 | - | 1,034,345 | (281,627) | (18,097) |
| Fund balance (deficit), beginning of year | 2,446,899 | 15,218 | 12 | 1,191,840 | 337,324 | 119,406 |
| Fund balance (deficit), end of year | \$ 2,334,560 | \$ 34,436 | \$ 12 | \$ 2,226,185 | \$ 55,697 | \$ 101,309 |

| Fair Housing Assistance | Community Development | Home Program | Transportation Planning | eXplore Lawrence | Lawrence Parks & Recreation Endowment | Law Enforcement Trust | State Grant | ARPA | Total Nonmajor Governmental Funds |
|-------------------------------|--------------------------|-----------------|----------------------------|---------------------|---|-----------------------------|----------------|-----------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 18,945,808 |
| - | - | - | - | 22,655 | - | - | - | - | 353,091 |
| - | - | - | - | - | - | - | - | - | 30,069 |
| (428) | - | - | - | 1,647 | 9,149 | 810 | - | 5,606 | 110,485 |
| 25,200 | 343,681 | 433,011 | 242,832 | - | - | - | 2,135,539 | 3,000,000 | 17,377,233 |
| - | - | - | 1,376 | - | - | - | - | - | 279,416 |
| - | - | - | - | - | 8,235 | - | - | - | 44,655 |
| - | 118,028 | 4,432 | - | 1,144,033 | - | 98,925 | - | - | 1,549,919 |
| 24,772 | 461,709 | 437,443 | 244,208 | 1,168,335 | 17,384 | 99,735 | 2,135,539 | 3,005,606 | 38,690,676 |
| - | - | - | 241,388 | - | - | - | 1,046,185 | - | 13,646,791 |
| - | - | - | - | - | - | 16,772 | - | 3,000,000 | 4,050,188 |
| - | - | - | - | - | - | - | 4,469 | - | 3,699,750 |
| - | - | - | - | - | - | - | - | - | 1,692,033 |
| 19,832 | 412,767 | 472,197 | - | - | - | - | - | - | 1,281,308 |
| - | - | - | - | - | 701 | - | - | - | 1,388,475 |
| - | - | - | - | 770,102 | - | - | - | - | 1,996,716 |
| - | - | - | - | - | - | - | - | - | 2,222,764 |
| - | - | - | - | - | - | - | 287,564 | - | 4,025,459 |
| - | - | - | - | - | - | - | - | - | 25,120 |
| - | - | - | - | - | - | - | - | - | 192 |
| 19,832 | 412,767 | 472,197 | 241,388 | 770,102 | 701 | 16,772 | 1,338,218 | 3,000,000 | 34,028,796 |
| 4,940 | 48,942 | (34,754) | 2,820 | 398,233 | 16,683 | 82,963 | 797,321 | 5,606 | 4,661,880 |
| - | - | - | - | - | - | - | - | - | 5,950 |
| - | - | - | 18,721 | - | - | - | - | - | 9,416,837 |
| - | - | - | - | - | - | - | - | - | (5,213,128) |
| - | - | - | 18,721 | - | - | - | - | - | 4,209,659 |
| 4,940 | 48,942 | (34,754) | 21,541 | 398,233 | 16,683 | 82,963 | 797,321 | 5,606 | 8,871,539 |
| 213,426 | 29,513 | 8,589 | (20,097) | 293,714 | 58,047 | 215,284 | - | - | 38,581,572 |
| \$ 218,366 | \$ 78,455 | \$ (26,165) | \$ 1,444 | \$ 691,947 | \$ 74,730 | \$ 298,247 | \$ 797,321 | \$ 5,606 | \$ 47,453,111 |

City of Lawrence, Kansas

Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|-------------------|----------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 11,368,000 | \$ 11,368,000 | \$ 11,691,846 | \$ 323,846 |
| Special assessment | 1,116,000 | 1,116,000 | 1,322,091 | 206,091 |
| Interest | 300,000 | 300,000 | 123,921 | (176,079) |
| Intergovernmental | - | - | 84,345 | 84,345 |
| Miscellaneous | 325,000 | 325,000 | 139,534 | (185,466) |
| Total revenues | 13,109,000 | 13,109,000 | 13,361,737 | 252,737 |
| Expenditures | | | | |
| General government | 12,000 | 23,000 | 148,694 | 125,694 |
| Debt service | | | | |
| Principal retirement | 8,908,000 | 8,603,000 | 6,499,000 | (2,104,000) |
| Interest and fiscal charges | 4,555,000 | 4,555,000 | 3,378,329 | (1,176,671) |
| Total expenditures | 13,475,000 | 13,181,000 | 10,026,023 | (3,154,977) |
| Excess (deficiency) of revenues over (under) expenditures | (366,000) | (72,000) | 3,335,714 | 3,407,714 |
| Other financing sources (uses): | | | | |
| Transfers in | 1,069,000 | 1,069,000 | 1,283,174 | 214,174 |
| Total other financing sources (uses) | 1,069,000 | 1,069,000 | 1,283,174 | 214,174 |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | \$ 703,000 | \$ 997,000 | 4,618,888 | \$ 3,621,888 |
| Fund balance, beginning of year | | | 13,955,094 | |
| Fund balance, end of year | | | <u>\$ 18,573,982</u> | |

City of Lawrence, Kansas

Capital Improvement Reserve Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|---|-----------------------|-----------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 5,347,000 | \$ 5,347,000 | \$ 6,353,691 | \$ 1,006,691 |
| Interest | 20,000 | 20,000 | 41,751 | 21,751 |
| Miscellaneous | - | - | 270,484 | 270,484 |
| Total revenues | 5,367,000 | 5,367,000 | 6,665,926 | 1,298,926 |
| Expenditures | | | | |
| General government | - | - | 44,524 | 44,524 |
| Public works | 9,000 | 9,000 | 457,668 | 448,668 |
| Capital outlay | - | - | 125,971 | 125,971 |
| Total expenditures | 9,000 | 9,000 | 628,163 | 619,163 |
| Excess (deficiency) of revenues over (under) expenditures | 5,358,000 | 5,358,000 | 6,037,763 | 679,763 |
| Other financing sources (uses), | | | | |
| Transfers in | - | - | 500,000 | 500,000 |
| Transfers out | (12,335,000) | (13,899,240) | (2,065,428) | 11,833,812 |
| Total other financing sources (uses) | (12,335,000) | (13,899,240) | (1,565,428) | 12,333,812 |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | \$ (6,977,000) | \$ (8,541,240) | 4,472,335 | \$ 13,013,575 |
| Fund balance, beginning of year, GAAP basis | | | 10,770,185 | |
| Fund balance, end of year, budget basis | | | 15,242,520 | |
| Adjustments, encumbrances | | | (1,632,969) | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 13,609,551</u> | |

City of Lawrence, Kansas

Guest Tax Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 1,600,000 | \$ 1,600,000 | \$ 1,426,080 | \$ (173,920) |
| Interest | 2,000 | 2,000 | 634 | (1,366) |
| Total revenues | <u>1,602,000</u> | <u>1,602,000</u> | <u>1,426,714</u> | <u>(175,286)</u> |
| Expenditures | | | | |
| General government | - | - | 936 | 936 |
| Culture and recreation | - | - | 3,354 | 3,354 |
| Tourism - contractual services | 1,538,000 | 1,538,000 | 1,436,507 | (101,493) |
| Total expenditures | <u>1,538,000</u> | <u>1,538,000</u> | <u>1,440,797</u> | <u>(97,203)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>64,000</u> | <u>64,000</u> | <u>(14,083)</u> | <u>(78,083)</u> |
| Other financing sources (uses), | | | | |
| Transfers in | - | - | 465,000 | 465,000 |
| Transfers out | (377,000) | (377,000) | (377,000) | - |
| Total other financing sources (uses) | <u>(377,000)</u> | <u>(377,000)</u> | <u>88,000</u> | <u>465,000</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ (313,000)</u> | <u>\$ (313,000)</u> | <u>73,917</u> | <u>\$ 386,917</u> |
| Fund balance, beginning of year, GAAP basis | | | <u>585,397</u> | |
| Fund balance, end of year, budget basis | | | 659,314 | |
| Adjustments, encumbrances | | | <u>(35,102)</u> | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 624,212</u> | |

City of Lawrence, Kansas

Library Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 4,903,000 | \$ 4,903,000 | \$ 4,991,605 | \$ 88,605 |
| Total revenues | 4,903,000 | 4,903,000 | 4,991,605 | 88,605 |
| Expenditures | | | | |
| General government, contractual services | 4,987,000 | 4,978,000 | 4,978,000 | - |
| Total expenditures | 4,987,000 | 4,978,000 | 4,978,000 | - |
| (Deficiency) of revenues (under) expenditures | <u>\$ (84,000)</u> | <u>\$ (75,000)</u> | 13,605 | <u>\$ 88,605</u> |
| Fund balance, beginning of year | | | 29,325 | |
| Fund balance, end of year | | | <u>\$ 42,930</u> | |

City of Lawrence, Kansas

Transportation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 4,258,000 | \$ 4,258,000 | \$ 4,235,794 | \$ (22,206) |
| Charges for services | 400,000 | 400,000 | 291,660 | (108,340) |
| Interest | 300,000 | 300,000 | 77,014 | (222,986) |
| Miscellaneous | - | - | 15,230 | 15,230 |
| Total revenues | 4,958,000 | 4,958,000 | 4,619,698 | (338,302) |
| Expenditures | | | | |
| General government | 3,505,000 | 3,505,000 | 3,468,529 | (36,471) |
| Capital Outlay | 1,000 | 1,000 | 182,705 | 181,705 |
| Total expenditures | 3,506,000 | 3,506,000 | 3,651,234 | 145,234 |
| Excess (deficiency) of revenues over (under) expenditures | 1,452,000 | 1,452,000 | 968,464 | (483,536) |
| Other financing sources (uses): | | | | |
| Transfers out | (5,738,000) | (6,234,000) | (2,734,000) | 3,500,000 |
| Total other financing sources (uses) | (5,738,000) | (6,234,000) | (2,734,000) | 3,500,000 |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ (4,286,000)</u> | <u>\$ (4,782,000)</u> | <u>(1,765,536)</u> | <u>\$ 3,016,464</u> |
| Fund balance, beginning of year, GAAP basis | | | 17,277,681 | |
| Fund balance, end of year, budget basis | | | 15,512,145 | |
| Adjustments, encumbrances | | | <u>(77,598)</u> | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 15,434,547</u> | |

City of Lawrence, Kansas

Special Alcohol Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---------------------|---------------------|------------------|----------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 818,000 | \$ 818,000 | \$ 563,762 | \$ (254,238) |
| Miscellaneous | - | - | 9,092 | 9,092 |
| Total revenues | <u>818,000</u> | <u>818,000</u> | <u>572,854</u> | <u>(245,146)</u> |
| Expenditures | | | | |
| Public safety, contractual services | - | - | 970,000 | 970,000 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>970,000</u> | <u>970,000</u> |
| (Deficiency) of revenues (under) expenditures | <u>818,000</u> | <u>818,000</u> | <u>(397,146)</u> | <u>(1,215,146)</u> |
| Other financing sources (uses), | | | | |
| transfers in | - | - | 465,000 | 465,000 |
| Transfers out | (970,000) | (970,000) | - | 970,000 |
| Total other financing sources (uses) | <u>(970,000)</u> | <u>(970,000)</u> | <u>465,000</u> | <u>1,435,000</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ (152,000)</u> | <u>\$ (152,000)</u> | <u>67,854</u> | <u>\$ 219,854</u> |
| Fund balance, beginning of year | | | <u>(58,449)</u> | |
| Fund deficit, end of year | | | <u>\$ 9,405</u> | |

City of Lawrence, Kansas

Special Gas Tax Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 2,888,000 | \$ 2,888,000 | \$ 3,109,920 | \$ 221,920 |
| Interest | 51,000 | 51,000 | 3,710 | (47,290) |
| Total revenues | <u>2,939,000</u> | <u>2,939,000</u> | <u>3,113,630</u> | <u>174,630</u> |
| Expenditures | | | | |
| General government | - | - | 4,570 | 4,570 |
| Public safety | - | 2,226,696 | 1,920,856 | (305,840) |
| Total expenditures | <u>-</u> | <u>2,226,696</u> | <u>1,925,426</u> | <u>(301,270)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,939,000</u> | <u>712,304</u> | <u>1,188,204</u> | <u>475,900</u> |
| Other financing sources (uses), | | | | |
| Transfers out | (3,914,000) | (1,688,304) | - | 1,688,304 |
| Total other financing sources (uses) | <u>(3,914,000)</u> | <u>(1,688,304)</u> | <u>-</u> | <u>1,688,304</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ (975,000)</u> | <u>\$ (976,000)</u> | <u>1,188,204</u> | <u>\$ 2,164,204</u> |
| Fund balance, beginning of year, GAAP basis | | | <u>2,451,950</u> | |
| Fund balance, end of year, budget basis | | | 3,640,154 | |
| Adjustments, encumbrances | | | <u>(222,883)</u> | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 3,417,271</u> | |

City of Lawrence, Kansas
Special Recreation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Budgetary Basis Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 818,000 | \$ 818,000 | \$ 563,762 | \$ (254,238) |
| Interest | - | - | 183 | 183 |
| Total revenues | <u>818,000</u> | <u>818,000</u> | <u>563,945</u> | <u>(254,055)</u> |
| Expenditures | | | | |
| General government | - | - | 745 | 745 |
| Culture and recreation | - | - | 1,045,247 | 1,045,247 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>1,045,992</u> | <u>1,045,992</u> |
| (Deficiency) of revenues (under) expenditures | <u>818,000</u> | <u>818,000</u> | <u>(482,047)</u> | <u>(1,300,047)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 432,000 | 432,000 |
| Transfers out | (1,050,000) | (1,050,000) | - | 1,050,000 |
| Total other financing sources (uses) | <u>(1,050,000)</u> | <u>(1,050,000)</u> | <u>432,000</u> | <u>1,482,000</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ (232,000)</u> | <u>\$ (232,000)</u> | <u>(50,047)</u> | <u>\$ 181,953</u> |
| Fund balance, beginning of year, GAAP basis | | | <u>155,047</u> | |
| Fund balance, end of year, budget basis | | | 105,000 | |
| Adjustments, encumbrances | | | <u>(54,910)</u> | |
| Fund balance, end of year, GAAP basis | | | <u>\$ 50,090</u> | |

City of Lawrence, Kansas

Free State TDD Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 312,000 | \$ 312,000 | \$ 330,736 | \$ 18,736 |
| Total revenues | 312,000 | 312,000 | 330,736 | 18,736 |
| Expenditures | | | | |
| Economic development, contractual service | 312,000 | 334,000 | 333,967 | (33) |
| Total expenditures | 312,000 | 334,000 | 333,967 | (33) |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (22,000)</u> | (3,231) | <u>\$ 18,769</u> |
| Fund balance, beginning of year | | | 63,183 | |
| Fund balance, end of year | | | <u>\$ 59,952</u> | |

City of Lawrence, Kansas
Oread TDD/TIF Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 651,000 | \$ 651,000 | \$ 557,163 | \$ (93,837) |
| Interest | - | - | 21,384 | 21,384 |
| Total revenues | <u>651,000</u> | <u>651,000</u> | <u>578,547</u> | <u>(72,453)</u> |
| Expenditures | | | | |
| Economic development, contractual service | <u>629,000</u> | <u>651,000</u> | <u>577,056</u> | <u>(73,944)</u> |
| Total expenditures | <u>629,000</u> | <u>651,000</u> | <u>577,056</u> | <u>(73,944)</u> |
| (Deficiency) of revenues (under) expenditures | <u>\$ 22,000</u> | <u>\$ -</u> | <u>1,491</u> | <u>\$ 1,491</u> |
| Fund balance, beginning of year | | | <u>131,085</u> | |
| Fund balance, end of year | | | <u>\$ 132,576</u> | |

City of Lawrence, Kansas

9 NH South TDD/TIF Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|-----------------|-------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 568,000 | \$ 568,000 | \$ 432,369 | \$ (135,631) |
| Intergovernmental | 28,000 | 28,000 | 10,142 | (17,858) |
| Total revenues | <u>596,000</u> | <u>596,000</u> | <u>442,511</u> | <u>(153,489)</u> |
| Expenditures | | | | |
| Economic development, contractual service | <u>596,000</u> | <u>596,000</u> | <u>370,216</u> | <u>(225,784)</u> |
| Total expenditures | <u>596,000</u> | <u>596,000</u> | <u>370,216</u> | <u>(225,784)</u> |
| Excess of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>72,295</u> | <u>\$ 72,295</u> |
| Fund balance, beginning of year | | | <u>399,094</u> | |
| Fund balance, end of year | | | <u>\$ 471,389</u> | |

City of Lawrence, Kansas

901 NH TIF Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|-----------------|-------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 29,000 | \$ 29,000 | \$ 28,085 | \$ (915) |
| Total revenues | 29,000 | 29,000 | 28,085 | (915) |
| Expenditures | | | | |
| Economic development, contractual service | 29,000 | 29,000 | 28,085 | (915) |
| Total expenditures | 29,000 | 29,000 | 28,085 | (915) |
| Excess of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning of year | | | 114,452 | |
| Fund balance, end of year | | | <u>\$ 114,452</u> | |

City of Lawrence, Kansas
Neighborhood Revitalization Areas Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-----------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 757,000 | \$ 757,000 | \$ 684,222 | \$ (72,778) |
| Total revenues | <u>757,000</u> | <u>757,000</u> | <u>684,222</u> | <u>(72,778)</u> |
| Expenditures | | | | |
| Economic development, contractual service | <u>757,000</u> | <u>757,000</u> | <u>683,856</u> | <u>(73,144)</u> |
| Total expenditures | <u>757,000</u> | <u>757,000</u> | <u>683,856</u> | <u>(73,144)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>366</u> | <u>\$ 366</u> |
| Fund balance, beginning of year | | | <u>1,268</u> | |
| Fund balance, end of year | | | <u>\$ 1,634</u> | |

City of Lawrence, Kansas

9 NH North TDD/TIF Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 301,000 | \$ 301,000 | \$ 241,668 | \$ (59,332) |
| Total revenues | 301,000 | 301,000 | 241,668 | (59,332) |
| Expenditures | | | | |
| Economic development, contractual service | 301,000 | 301,000 | 229,584 | (71,416) |
| Total expenditures | 301,000 | 301,000 | 229,584 | (71,416) |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | 12,084 | <u>\$ 12,084</u> |
| Fund balance, beginning of year | | | 50,090 | |
| Fund balance, end of year | | | <u>\$ 62,174</u> | |

City of Lawrence, Kansas
City Parks Memorial Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------------|------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ 378 | \$ 378 |
| Miscellaneous | 15,000 | 15,000 | 21,392 | 6,392 |
| Total revenues | 15,000 | 15,000 | 21,770 | 6,770 |
| Expenditures | | | | |
| General government | - | - | 306 | 306 |
| Culture and recreation | 16,000 | 16,000 | 12,093 | (3,907) |
| Total expenditures | 16,000 | 16,000 | 12,399 | (3,601) |
| Excess of revenues over expenditures | (1,000) | (1,000) | 9,371 | 10,371 |
| Excess of revenues over expenditures and other financing sources (uses) | <u>\$ (1,000)</u> | <u>\$ (1,000)</u> | 9,371 | <u>\$ 10,371</u> |
| Fund balance, beginning of year | | | 89,408 | |
| Fund balance, end of year | | | <u>\$ 98,779</u> | |

City of Lawrence, Kansas
Farmland Remediation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ 30,000 | \$ 30,000 | \$ 1,143 | \$ (28,857) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>30,000</u> | <u>30,000</u> | <u>1,143</u> | <u>(28,857)</u> |
| Expenditures | | | | |
| Public works | 1,066,000 | 1,066,000 | 87,853 | (978,147) |
| Capital Outlay | 89,000 | 89,000 | 25,629 | (63,371) |
| Total expenditures | <u>1,155,000</u> | <u>1,155,000</u> | <u>113,482</u> | <u>(1,041,518)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,125,000)</u> | <u>\$ (1,125,000)</u> | <u>(112,339)</u> | <u>\$ 1,012,661</u> |
| Fund balance, beginning of year | | | <u>2,446,899</u> | |
| Fund balance, end of year | | | <u>\$ 2,334,560</u> | |

City of Lawrence, Kansas
Cemetery Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------------|------------------|-------------------------------|
| Revenues | | | | |
| Charges for Services | \$ 5,000 | \$ 5,000 | \$ 19,200 | \$ 14,200 |
| Interest | - | - | 142 | 142 |
| Total revenues | <u>5,000</u> | <u>5,000</u> | <u>19,342</u> | <u>14,342</u> |
| Expenditures | | | | |
| General government | - | - | 112 | 112 |
| Culture and recreation, contractual services | 6,000 | 6,000 | 12 | (5,988) |
| Total expenditures | <u>6,000</u> | <u>6,000</u> | <u>124</u> | <u>(5,876)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,000)</u> | <u>\$ (1,000)</u> | <u>19,218</u> | <u>\$ 20,218</u> |
| Fund balance, beginning of year | | | <u>15,218</u> | |
| Fund balance, end of year | | | <u>\$ 34,436</u> | |

City of Lawrence, Kansas
Housing Trust Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 878,000 | \$ 878,000 | \$ 1,058,949 | \$ 180,949 |
| Interest | 15,000 | 15,000 | 8,032 | (6,968) |
| Total revenues | <u>893,000</u> | <u>893,000</u> | <u>1,066,981</u> | <u>173,981</u> |
| Expenditures | | | | |
| General government | - | - | 6,124 | 6,124 |
| Social service, contractual Services | 1,236,000 | 1,236,000 | 376,512 | (859,488) |
| Total expenditures | <u>1,236,000</u> | <u>1,236,000</u> | <u>382,636</u> | <u>(853,364)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(343,000)</u> | <u>(343,000)</u> | <u>684,345</u> | <u>1,027,345</u> |
| Other financing sources (uses), transfers in | 350,000 | 350,000 | 350,000 | - |
| Total other financing sources (uses) | <u>350,000</u> | <u>350,000</u> | <u>350,000</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures and other sources (uses) | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>1,034,345</u> | <u>\$ 1,027,345</u> |
| Fund balance, beginning of year | | | <u>1,191,840</u> | |
| Fund balance, end of year | | | <u>\$ 2,226,185</u> | |

City of Lawrence, Kansas

Wee Folks Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|-------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ 2,000 | \$ 2,000 | \$ 278 | \$ (1,722) |
| Miscellaneous | 1,000 | 1,000 | 1,140 | 140 |
| Total revenues | <u>3,000</u> | <u>3,000</u> | <u>1,418</u> | <u>(1,582)</u> |
| Expenditures | | | | |
| Culture and recreation | <u>36,000</u> | <u>36,000</u> | <u>19,515</u> | <u>(16,485)</u> |
| Total expenditures | <u>36,000</u> | <u>36,000</u> | <u>19,515</u> | <u>(16,485)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (33,000)</u> | <u>\$ (33,000)</u> | <u>(18,097)</u> | <u>\$ 14,903</u> |
| Fund balance, beginning of year | | | <u>119,406</u> | |
| Fund balance, end of year | | | <u>\$ 101,309</u> | |

City of Lawrence, Kansas
Law Enforcement Trust Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|-------------------|-------------------------------|
| Revenues | | | | |
| Interest | \$ 2,000 | \$ 2,000 | \$ 810 | \$ (1,190) |
| Miscellaneous | 20,000 | 20,000 | 98,925 | 78,925 |
| Total revenues | <u>22,000</u> | <u>22,000</u> | <u>99,735</u> | <u>77,735</u> |
| Expenditures | | | | |
| General government | - | - | 797 | 797 |
| Public safety | 51,000 | 51,000 | 15,975 | (35,025) |
| Total expenditures | <u>51,000</u> | <u>51,000</u> | <u>16,772</u> | <u>(34,228)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (29,000)</u> | <u>\$ (29,000)</u> | 82,963 | <u>\$ 111,963</u> |
| Fund balance, beginning of year | | | <u>215,284</u> | |
| Fund balance, end of year | | | <u>\$ 298,247</u> | |

City of Lawrence, Kansas

Nonmajor Proprietary Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Public Parking Fund—This fund is used to account for the operation of all parking facilities owned by the City.

Storm Water Utility Fund—This fund is used to account for the storm water fees and expenses for repair and maintenance of the storm water system.

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City of Lawrence, Kansas
Combining Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2021

| | Public Parking | Storm Water Utility | Total Nonmajor Proprietary Funds |
|--|-------------------|---------------------------|---|
| Assets and deferred outflows of resources | | | |
| Current assets: | | | |
| Cash and investments | \$ 972,247 | \$ 6,606,960 | \$ 7,579,207 |
| Receivables (net of allowance for uncollectibles) | | | |
| Accounts | 42,424 | 971,570 | 1,013,994 |
| Accrued interest | 1,090 | 8,172 | 9,262 |
| Total current assets | <u>1,015,761</u> | <u>7,586,702</u> | <u>8,602,463</u> |
| Noncurrent assets: | | | |
| Property held for resale | - | 181,874 | 181,874 |
| Capital assets: | | | |
| Land | 479,055 | 1,845,491 | 2,324,546 |
| Construction in progress | - | 111,859 | 111,859 |
| Building and improvements | 3,844,229 | 14,999 | 3,859,228 |
| Equipment | 78,952 | 3,266,711 | 3,345,663 |
| Infrastructure | - | 17,640,237 | 17,640,237 |
| Less: accumulated depreciation | (3,910,717) | (9,497,639) | (13,408,356) |
| Total capital assets | <u>491,519</u> | <u>13,381,658</u> | <u>13,873,177</u> |
| Total noncurrent assets | <u>491,519</u> | <u>13,563,532</u> | <u>14,055,051</u> |
| Total assets | <u>1,507,280</u> | <u>21,150,234</u> | <u>22,657,514</u> |
| Deferred outflows of resources: | | | |
| Pension related amounts | 119,094 | 169,383 | 288,477 |
| OPEB related amounts | 34,143 | 40,972 | 75,115 |
| Total deferred outflows of resources | <u>153,237</u> | <u>210,355</u> | <u>363,592</u> |
| Total assets and deferred outflows of resources | <u>1,660,517</u> | <u>21,360,589</u> | <u>23,021,106</u> |
| Liabilities and deferred inflows of resources | | | |
| Current liabilities: | | | |
| Accounts payable | 40,984 | 321,786 | 362,770 |
| Accrued payroll | 18,675 | 26,311 | 44,986 |
| Compensated absences | 19,633 | 37,599 | 57,232 |
| Total current liabilities | <u>79,292</u> | <u>385,696</u> | <u>464,988</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 23,996 | 45,954 | 69,950 |
| Net pension liability | 301,679 | 349,606 | 651,285 |
| Total OPEB liability | 204,997 | 245,996 | 450,993 |
| Total noncurrent liabilities | <u>530,672</u> | <u>641,556</u> | <u>1,172,228</u> |
| Total liabilities | <u>609,964</u> | <u>1,027,252</u> | <u>1,637,216</u> |
| Deferred inflows of resources: | | | |
| Pension related amounts | 119,479 | 138,460 | 257,939 |
| OPEB related amounts | 18,247 | 21,896 | 40,143 |
| Total deferred inflows of resources | <u>137,726</u> | <u>160,356</u> | <u>298,082</u> |
| Total liabilities and deferred inflows of resources | <u>747,690</u> | <u>1,187,608</u> | <u>1,935,298</u> |
| Net position | | | |
| Net investment in capital assets | 434,683 | 13,363,639 | 13,798,322 |
| Unrestricted | 478,144 | 6,809,342 | 7,287,486 |
| Total net position | <u>\$ 912,827</u> | <u>\$ 20,172,981</u> | <u>\$ 21,085,808</u> |

City of Lawrence, Kansas

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
Year Ended December 31, 2021

| | Public Parking | Stormwater Utility | Total Nonmajor Proprietary Funds |
|------------------------------------|-------------------|-----------------------|---|
| Operating revenues | | | |
| Charges for services | \$ 1,452,346 | \$ 5,528,596 | \$ 6,980,942 |
| Total operating revenues | <u>1,452,346</u> | <u>5,528,596</u> | <u>6,980,942</u> |
| Operating expenses | | | |
| Continuing operations | 1,197,799 | 2,510,259 | 3,708,058 |
| General administration | - | 19,703 | 19,703 |
| Depreciation | 4,020 | 649,449 | 653,469 |
| Total operating expenses | <u>1,201,819</u> | <u>3,179,411</u> | <u>4,381,230</u> |
| Operating income | <u>250,527</u> | <u>2,349,185</u> | <u>2,599,712</u> |
| Nonoperating revenues (expenses): | | | |
| Investment income (loss) | 235 | (2,057) | (1,822) |
| Gain on sale of capital assets | 508 | (18,228) | (17,720) |
| Rental income | 6,000 | - | 6,000 |
| Miscellaneous | 100,537 | - | 100,537 |
| Total nonoperating revenues | <u>107,280</u> | <u>(20,285)</u> | <u>86,995</u> |
| Income before transfers | <u>357,807</u> | <u>2,328,900</u> | <u>2,686,707</u> |
| Transfers out | (200,000) | (716,000) | (916,000) |
| Total transfers | <u>(200,000)</u> | <u>(716,000)</u> | <u>(916,000)</u> |
| Change in net position | <u>157,807</u> | <u>1,612,900</u> | <u>1,770,707</u> |
| Net position, beginning | <u>755,020</u> | <u>18,560,081</u> | <u>19,315,101</u> |
| Net position, ending | <u>\$ 912,827</u> | <u>\$ 20,172,981</u> | <u>\$ 21,085,808</u> |

City of Lawrence, Kansas
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2021

| | Public Parking | Stormwater Utility | Total Nonmajor Proprietary Funds |
|--|-------------------|-----------------------|---|
| Cash flows from operating activities: | | | |
| Cash received from customers and users | \$ 1,529,605 | \$ 5,158,917 | \$ 6,688,522 |
| Cash paid to suppliers of goods and services | (746,669) | (1,964,323) | (2,710,992) |
| Cash paid to employees | (481,192) | (563,882) | (1,045,074) |
| Net cash provided by (used in) operating activities | 301,744 | 2,630,712 | 2,932,456 |
| Cash flows from capital and related financing activities: | | | |
| Purchase and construction of capital assets | (2,012) | (412,034) | (414,046) |
| Proceeds from land held for resale | - | 39,148 | 39,148 |
| Proceeds from sale of capital assets | - | 20,300 | 20,300 |
| Net cash provided by (used in) capital and related financing activities | (2,012) | (352,586) | (354,598) |
| Cash flows from noncapital financing activities: | | | |
| Transfers out | (200,000) | (716,000) | (916,000) |
| Net cash provided by (used in) noncapital financing activities | (200,000) | (716,000) | (916,000) |
| Cash flows from investing activities: | | | |
| Purchase of investments | (80,000) | (1,925,000) | (2,005,000) |
| Sale of investments | 1,492 | 587 | 2,079 |
| Interest received | 4,813 | 37,233 | 42,046 |
| Net cash provided by (used in) investing activities | (73,695) | (1,887,180) | (1,960,875) |
| Net increase (decrease) in cash and cash equivalents | 26,037 | (325,054) | (299,017) |
| Cash and cash equivalents, beginning | 86,791 | 287,122 | 373,913 |
| Cash and cash equivalents, ending | <u>\$ 112,828</u> | <u>\$ (37,932)</u> | <u>\$ 74,896</u> |

City of Lawrence, Kansas

Combining Statement of Cash Flows (Continued)
Nonmajor Proprietary Funds
Year Ended December 31, 2021

| | Public Parking | Stormwater Utility | Total Nonmajor Proprietary Funds |
|--|-------------------|-----------------------|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 250,527 | \$ 2,349,185 | \$ 2,599,712 |
| Net cash provided by operating activities: | | | |
| Depreciation expense | 4,020 | 649,449 | 653,469 |
| Rental income | 6,000 | - | 6,000 |
| Miscellaneous income | 100,537 | - | 100,537 |
| (Increase) decrease in accounts receivable | (29,278) | (369,679) | (398,957) |
| (Increase) decrease in prepaids | 511 | 1,762 | 2,273 |
| (Increase) decrease in deferred outflows | | | |
| OPEB related amounts | 4,256 | 12,787 | 17,043 |
| Increase (decrease) in accounts payable | 23,839 | 188,999 | 212,838 |
| Increase (decrease) in accrued payroll | (243) | 2,116 | 1,873 |
| Increase (decrease) in total OPEB liability | (16,943) | (64,721) | (81,664) |
| Increase (decrease) in deferred inflows | | | |
| OPEB related amounts | 8,638 | 8,445 | 17,083 |
| Increase (decrease) in compensated absences | (23,241) | (39,075) | (62,316) |
| Net cash provided by operating activities | \$ 301,744 | \$ 2,630,712 | \$ 2,932,456 |
| Noncash capital activities - capital assets in accounts payable | \$ 56,836 | \$ 18,019 | \$ 74,855 |
| Reconciliation of amounts reported on the statement of net position: | | | |
| Cash and cash equivalents | \$ 112,828 | \$ (37,932) | \$ 74,896 |
| Investments | 859,419 | 6,644,892 | 7,504,311 |
| Total cash and investments | \$ 972,247 | \$ 6,606,960 | \$ 7,579,207 |

City of Lawrence, Kansas

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Health Insurance Fund—This fund accounts for the payment of health insurance claims.

Administrative Services Fund—This fund accounts for the repairs and maintenance of the City's fleet of vehicles and equipment, as well as the City's information systems, human resources and finance departments' expenses. These expenses are charged to other City funds based on certain criteria and ratios.

Risk Management Fund—This fund accounts for payments for auto and general liability claims, as well as workers' compensation claims, insurance premiums and other administrative expenses.

City of Lawrence, Kansas

Combining Statement of Net Position (Deficit)
Internal Service Funds
December 31, 2021

| | Health Insurance | Administrative Services | Risk Management | Total |
|--|----------------------|----------------------------|---------------------|----------------------|
| Assets and deferred outflows of resources: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 16,731,852 | \$ 3,680,977 | \$ 2,373,494 | \$ 22,786,323 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Accounts | 212,285 | 23,026 | - | 235,311 |
| Accrued interest | 16,708 | 2,897 | 1,737 | 21,342 |
| Inventories | - | 473,181 | - | 473,181 |
| Total current assets | 16,960,845 | 4,180,081 | 2,375,231 | 23,516,157 |
| Noncurrent assets: Restricted cash | - | 1,884 | - | 1,884 |
| Capital assets: | | | | |
| Construction in progress | - | 63,029 | - | 63,029 |
| Building and improvements | - | 704,842 | - | 704,842 |
| Equipment | - | 390,564 | - | 390,564 |
| Less: accumulated depreciation | - | (894,948) | - | (894,948) |
| Total capital assets | - | 263,487 | - | 263,487 |
| Total noncurrent assets | - | 265,371 | - | 265,371 |
| Total assets | 16,960,845 | 4,445,452 | 2,375,231 | 23,781,528 |
| Deferred outflows of resources: | | | | |
| Pension related amounts | - | 274,725 | (18,775) | 255,950 |
| OPEB related amounts | - | 392,302 | 3,415 | 395,717 |
| Total deferred outflows of resources | - | 667,027 | (15,360) | 651,667 |
| Total assets and deferred outflows of resources | 16,960,845 | 5,112,479 | 2,359,871 | 24,433,195 |
| Liabilities and deferred inflows of resources: | | | | |
| Liabilities: | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 326,753 | \$ 376,057 | \$ 41,334 | \$ 744,144 |
| Claims payable | 1,566,545 | - | 749,284 | 2,315,829 |
| Accrued payroll | - | 188,787 | 199 | 188,986 |
| Compensated absences | - | 431,703 | 626 | 432,329 |
| Total current liabilities | 1,893,298 | 996,547 | 791,443 | 3,681,288 |
| Noncurrent liabilities: | | | | |
| Compensated absences | - | 523,147 | 5,255 | 528,402 |
| Net pension liability | - | 3,782,211 | 53,924 | 3,836,135 |
| Total OPEB liability | - | 2,355,413 | 20,500 | 2,375,913 |
| Total noncurrent liabilities | - | 6,660,771 | 79,679 | 6,740,450 |
| Total liabilities | 1,893,298 | 7,657,318 | 871,122 | 10,421,738 |
| Deferred inflows of resources: | | | | |
| Pension related amounts | - | 1,497,932 | 21,356 | 1,519,288 |
| OPEB related amounts | - | 209,659 | 1,824 | 211,483 |
| Total deferred inflows of resources | - | 1,707,591 | 23,180 | 1,730,771 |
| Total liabilities and deferred inflows of resources | 1,893,298 | 9,364,909 | 894,302 | 12,152,509 |
| Net position (deficit) | | | | |
| Net investment in capital assets | - | 263,487 | - | 263,487 |
| Unrestricted | 15,067,547 | (4,515,917) | 1,465,569 | 12,017,199 |
| Total net position (deficit) | \$ 15,067,547 | \$ (4,252,430) | \$ 1,465,569 | \$ 12,280,686 |

City of Lawrence, Kansas

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2021**

| | Health Insurance | Administrative Services | Risk Management | Total |
|---|----------------------|----------------------------|---------------------|----------------------|
| Operating revenuea | | | | |
| Charges for services | \$ 13,284,195 | \$ 15,026,079 | \$ 2,872,000 | \$ 31,182,274 |
| Other sales | 1,210,357 | - | - | 1,210,357 |
| Total operating revenues | <u>14,494,552</u> | <u>15,026,079</u> | <u>2,872,000</u> | <u>32,392,631</u> |
| Operating expenses | | | | |
| Continuing operations | - | 2,430,806 | 1,237,951 | 3,668,757 |
| General administration | 3,178,712 | 17,018,819 | 1,461,829 | 21,659,360 |
| Health insurance claims | 9,977,804 | - | - | 9,977,804 |
| Depreciation | - | 37,353 | - | 37,353 |
| Total operating expensea | <u>13,156,516</u> | <u>19,486,978</u> | <u>2,699,780</u> | <u>35,343,274</u> |
| Operating income (loss) | <u>1,338,036</u> | <u>(4,460,899)</u> | <u>172,220</u> | <u>(2,950,643)</u> |
| Nonoperating revenues | | | | |
| Interest income | 14,947 | 8,248 | 3,519 | 26,714 |
| Rental income | - | 67,035 | - | 67,035 |
| Miscellaneous | - | 37,758 | 525 | 38,283 |
| Gain on sale of capital assets | - | 7,814 | - | 7,814 |
| Total nonoperating revenues | <u>14,947</u> | <u>120,855</u> | <u>4,044</u> | <u>139,846</u> |
| Income (loss) before transfers | <u>1,352,983</u> | <u>(4,340,044)</u> | <u>176,264</u> | <u>(2,810,797)</u> |
| Transfers in | 184,739 | 9,634 | - | 194,373 |
| Transfers out | - | (390,750) | - | (390,750) |
| Total transfers | <u>184,739</u> | <u>(381,116)</u> | <u>-</u> | <u>(196,377)</u> |
| Change in net position (deficit) | <u>1,537,722</u> | <u>(4,721,160)</u> | <u>176,264</u> | <u>(3,007,174)</u> |
| Net position (deficit), beginning | <u>13,529,825</u> | <u>468,730</u> | <u>1,289,305</u> | <u>15,287,860</u> |
| Net position (deficit), ending | <u>\$ 15,067,547</u> | <u>\$ (4,252,430)</u> | <u>\$ 1,465,569</u> | <u>\$ 12,280,686</u> |

City of Lawrence, Kansas

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2021

| | Health Insurance | Administrative Services | Risk Management | Total |
|--|---------------------|----------------------------|--------------------|--------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers and users | \$ 14,346,681 | \$ 15,110,365 | \$ 2,872,525 | \$ 32,329,571 |
| Cash paid to suppliers of goods and services | (13,086,418) | (15,274,609) | (2,289,932) | (30,650,959) |
| Cash paid to employees | - | 493,385 | 6,080 | 499,465 |
| Net cash provided by operating activities | 1,260,263 | 329,141 | 588,673 | 2,178,077 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase and construction of capital assets | - | (81,542) | - | (81,542) |
| Proceeds from sale of capital assets | - | 7,814 | - | 7,814 |
| Net cash provided by (used in) capital and related financing activities | - | (73,728) | - | (73,728) |
| Cash flows from noncapital financing activities: | | | | |
| Transfers in | 184,739 | 9,634 | - | 194,373 |
| Transfers out | - | (390,750) | - | (390,750) |
| Net cash provided by (used in) noncapital financing activities | 184,739 | (381,116) | - | (196,377) |
| Cash flows from investing activities: | | | | |
| Purchase of investments | (24,165,827) | (21,929,399) | (3,199,140) | (49,294,366) |
| Sale of investments | 22,457,843 | 20,006,280 | 2,978,624 | 45,442,747 |
| Interest received | 103,596 | 25,714 | 13,568 | 142,878 |
| Net cash used in investing activities | (1,604,388) | (1,897,405) | (206,948) | (3,708,741) |
| Net increase (decrease) in cash and cash equivalents | (159,386) | (2,023,108) | 381,725 | (1,800,769) |
| Cash and cash equivalents, beginning | 154,921 | 2,654,760 | 105,230 | 2,914,911 |
| Cash and cash equivalents, ending | \$ (4,465) | \$ 631,652 | \$ 486,955 | \$ 1,114,142 |

(Continued)

City of Lawrence, Kansas

**Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended December 31, 2021**

| | Health Insurance | Administrative Services | Risk Management | Total |
|--|----------------------|----------------------------|---------------------|----------------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ 1,338,036 | \$ (4,460,899) | \$ 172,220 | \$ (2,950,643) |
| Net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | - | 37,353 | - | 37,353 |
| Rental income | - | 67,035 | - | 67,035 |
| Miscellaneous income | - | 37,758 | 525 | 38,283 |
| (Increase) decrease in accounts receivable | (147,871) | (20,507) | - | (168,378) |
| (Increase) decrease in inventories | - | (99,676) | - | (99,676) |
| (Increase) decrease in prepaids | - | 373,169 | - | 373,169 |
| (Increase) decrease in deferred outflows | | | | |
| OPEB related amounts | - | (204,148) | (3,415) | (207,563) |
| Increase (decrease) in accounts payable | (55,129) | 5,704 | 40,922 | (8,503) |
| Increase (decrease) in claims payable | 125,227 | - | 255,962 | 381,189 |
| Increase (decrease) in accrued payroll | - | 59,845 | 199 | 60,044 |
| Increase (decrease) in total OPEB liability | - | 1,267,904 | 20,500 | 1,288,404 |
| Increase (decrease) in deferred inflows | | | | |
| OPEB related amounts | - | 162,577 | 1,824 | 164,401 |
| Increase (decrease) in accrued compensated absences | - | 433,540 | 5,881 | 439,421 |
| Net cash provided by (used in) operating activities | \$ 1,260,263 | \$ 329,141 | \$ 588,673 | \$ 2,178,077 |
| Reconciliation of amounts reported on the statement of net position: | | | | |
| Cash and cash equivalents | \$ (4,465) | \$ 631,652 | \$ 486,955 | \$ 1,114,142 |
| Investments | 16,736,317 | 3,051,209 | 1,886,539 | 21,674,065 |
| Total cash and investments | \$ 16,731,852 | \$ 3,682,861 | \$ 2,373,494 | \$ 22,788,207 |

City of Lawrence, Kansas

Statistical Section (Unaudited)

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Lawrence's overall financial health.

Contents

Financial Trends

These schedules help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, property tax.

Debt Capacity

These schedules help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.

Operating Information

The schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF LAWRENCE, KANSAS

Table 1

Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)

| | | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|----|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Governmental Activities | | | | | | | | | | | |
| Net investment in capital assets | \$ | 138,239,587 | 142,465,788 | 153,650,856 | 165,282,595 | 176,377,845 | 174,116,398 | 203,909,143 | 211,012,487 | 198,873,906 | 192,481,050 |
| Restricted | | 30,071,225 | 27,610,575 | 24,514,918 | 17,031,955 | 16,176,776 | 16,124,317 | 22,642,527 | 29,367,732 | 49,518,600 | 65,999,278 |
| Unrestricted | | <u>34,040,332</u> | <u>34,979,766</u> | <u>39,710,437</u> | <u>(7,071,563)</u> | <u>(4,515,792)</u> | <u>11,126,590</u> | <u>8,002,262</u> | <u>190,444</u> | <u>(24,665,976)</u> | <u>(23,603,227)</u> |
| Total governmental activities net position | \$ | <u>202,351,144</u> | <u>205,056,129</u> | <u>217,876,211</u> | <u>175,242,987</u> | <u>188,038,829</u> | <u>201,367,305</u> | <u>234,553,932</u> | <u>240,570,663</u> | <u>223,726,530</u> | <u>234,877,101</u> |
| Business-type activities | | | | | | | | | | | |
| Net investment in capital assets | \$ | 132,286,325 | 135,412,622 | 142,129,630 | 138,094,523 | 115,683,218 | 109,887,927 | 163,615,909 | 119,110,426 | 138,766,846 | 137,090,006 |
| Restricted | | - | - | - | - | 2,007,755 | 2,007,755 | 7,463,508 | 7,483,183 | 8,203,283 | 8,277,586 |
| Unrestricted | | <u>31,931,406</u> | <u>30,899,856</u> | <u>26,144,324</u> | <u>21,920,645</u> | <u>48,675,637</u> | <u>61,630,771</u> | <u>13,457,357</u> | <u>53,808,460</u> | <u>50,303,939</u> | <u>56,515,118</u> |
| Total business-type activities net position | \$ | <u>164,217,731</u> | <u>166,312,478</u> | <u>168,273,954</u> | <u>160,015,168</u> | <u>166,366,610</u> | <u>173,526,453</u> | <u>184,536,774</u> | <u>180,402,069</u> | <u>197,274,068</u> | <u>201,882,710</u> |
| Primary government | | | | | | | | | | | |
| Net investment in capital assets | \$ | 270,525,912 | 277,878,410 | 295,780,486 | 303,377,118 | 292,061,063 | 284,004,325 | 367,525,052 | 330,122,913 | 337,640,752 | 329,571,056 |
| Restricted | | 30,071,225 | 27,610,575 | 24,514,918 | 17,031,955 | 18,184,531 | 18,132,072 | 30,106,035 | 36,850,915 | 57,721,883 | 74,276,864 |
| Unrestricted | | <u>65,971,738</u> | <u>65,879,622</u> | <u>65,854,761</u> | <u>14,849,082</u> | <u>44,159,845</u> | <u>72,757,361</u> | <u>21,459,619</u> | <u>53,998,904</u> | <u>25,637,963</u> | <u>32,911,891</u> |
| Total primary government net position | \$ | <u>366,568,875</u> | <u>371,368,607</u> | <u>386,150,165</u> | <u>335,258,155</u> | <u>354,405,439</u> | <u>374,893,758</u> | <u>419,090,706</u> | <u>420,972,732</u> | <u>421,000,598</u> | <u>436,759,811</u> |

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General Government | \$ 25,726,334 | 24,459,731 | 26,010,819 | 29,469,833 | 28,734,221 | 23,993,685 | 23,127,516 | 28,630,913 | 28,182,086 | 24,673,611 |
| Public Safety | 30,675,333 | 31,660,850 | 33,175,448 | 33,066,853 | 36,496,705 | 44,199,155 | 44,961,424 | 51,933,937 | 54,948,346 | 53,986,755 |
| Public Works | 15,939,222 | 21,791,694 | 14,560,490 | 20,010,423 | 18,222,484 | 31,644,780 | 13,078,042 | 20,326,438 | 25,026,316 | 20,835,298 |
| Health | 1,379,859 | 1,215,155 | 1,308,714 | 1,098,022 | 1,244,979 | 1,320,850 | 1,081,903 | 1,167,189 | 1,310,804 | 3,356,246 |
| Social Services | 2,198,039 | 2,130,316 | 1,319,214 | 774,782 | 2,105,177 | 2,609,249 | 1,702,269 | 1,512,942 | 3,026,146 | 2,161,684 |
| Culture and Recreation | 8,473,244 | 8,463,663 | 9,746,664 | 9,914,279 | 10,765,374 | 11,851,021 | 11,767,715 | 13,859,427 | 13,229,403 | 13,526,642 |
| Tourism | 969,229 | 1,009,528 | 1,266,137 | 1,706,788 | 2,746,841 | 2,759,231 | 1,675,004 | 1,943,413 | 1,666,240 | 1,995,296 |
| Airport | 226,568 | 251,419 | 229,161 | 252,735 | 145,227 | 139,414 | - | - | - | - |
| Economic Development | - | - | - | - | 765,183 | 2,358,798 | 1,721,663 | 1,777,984 | 2,230,139 | 2,258,104 |
| Interest on Long-Term Debt | 2,312,471 | 1,493,818 | 3,860,258 | 2,803,653 | 3,091,844 | 3,440,221 | 3,399,543 | 3,442,110 | 5,359,042 | 3,606,049 |
| Total Governmental Activities Expenses | <u>87,900,299</u> | <u>92,476,174</u> | <u>91,476,905</u> | <u>99,097,368</u> | <u>104,318,035</u> | <u>124,316,404</u> | <u>102,515,079</u> | <u>124,594,353</u> | <u>134,978,522</u> | <u>126,399,685</u> |
| Business-Type Activities: | | | | | | | | | | |
| Water & Sewer | 28,610,906 | 28,303,397 | 29,021,550 | 32,175,287 | 34,618,665 | 37,356,134 | 39,047,713 | 45,764,237 | 45,806,311 | 49,708,507 |
| Sanitation | 9,762,916 | 9,797,103 | 12,174,577 | 10,943,115 | 11,091,519 | 11,448,107 | 11,332,783 | 12,439,608 | 13,762,428 | 12,656,576 |
| Stormwater | 2,151,249 | 1,785,144 | 1,864,838 | 1,787,179 | 1,820,913 | 2,132,331 | 2,423,210 | 2,533,088 | 3,671,022 | 3,197,639 |
| Public Parking | 1,340,421 | 1,399,151 | 1,498,150 | 1,405,290 | 1,231,070 | 1,378,713 | 1,764,009 | 558,725 | 1,079,590 | 1,201,311 |
| Golf Course | 944,149 | 930,730 | 973,740 | 961,517 | 978,457 | 1,261,536 | 850,780 | 939,014 | 948,732 | - |
| Total Business-Type Activities Expenses | <u>42,809,641</u> | <u>42,215,525</u> | <u>45,532,855</u> | <u>47,272,388</u> | <u>49,740,624</u> | <u>53,576,821</u> | <u>55,418,495</u> | <u>62,234,672</u> | <u>65,268,083</u> | <u>66,764,033</u> |
| Total Primary Government Expenses | <u>\$ 130,709,940</u> | <u>134,691,699</u> | <u>137,009,760</u> | <u>146,369,756</u> | <u>154,058,659</u> | <u>177,893,225</u> | <u>157,933,574</u> | <u>186,829,025</u> | <u>200,246,605</u> | <u>193,163,718</u> |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$ 8,745,433 | 9,008,294 | 8,990,118 | 8,769,512 | 5,857,934 | 5,122,733 | 5,932,189 | 5,042,029 | 3,901,660 | 3,054,395 |
| Public Safety | 403,121 | 503,123 | 563,446 | 427,146 | 5,773,962 | 6,866,750 | 7,382,054 | 8,735,242 | 8,475,018 | 6,856,827 |
| Culture and Recreation | 2,278,274 | 2,259,932 | 2,590,218 | 2,946,433 | 3,703,700 | 3,343,028 | 3,504,515 | 3,966,284 | 1,260,537 | 3,600,736 |
| Other Activities | 370,832 | 440,872 | 571,777 | 461,508 | 1,599,985 | 534,779 | 1,648,292 | 680,797 | 565,588 | 365,900 |
| Operating Grants and Contributions | 11,525,865 | 9,632,212 | 10,229,250 | 11,137,540 | 10,649,050 | 12,026,288 | 11,118,873 | 5,675,620 | 10,618,560 | 11,689,458 |
| Capital Grants and Contributions | 3,295,028 | 412,940 | 5,433,051 | 389,639 | 1,055,540 | 16,914,876 | 1,728,558 | 2,177,582 | 5,187,762 | 489,407 |
| Total Governmental Activities Program Revenues | <u>26,618,553</u> | <u>22,257,373</u> | <u>28,377,860</u> | <u>24,131,778</u> | <u>28,640,171</u> | <u>44,808,454</u> | <u>31,314,481</u> | <u>26,277,554</u> | <u>30,009,125</u> | <u>26,056,723</u> |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water & Sewer | 34,345,233 | 32,259,758 | 34,130,975 | 35,608,968 | 39,233,985 | 42,930,470 | 50,217,334 | 45,697,915 | 48,739,971 | 53,843,060 |
| Sanitation | 10,749,061 | 10,768,380 | 11,325,772 | 12,565,494 | 12,775,928 | 13,634,852 | 14,618,244 | 14,738,312 | 14,854,780 | 14,657,374 |
| Stormwater | 2,970,639 | 2,972,683 | 3,036,886 | 3,015,164 | 3,082,304 | 3,238,658 | 3,564,261 | 3,576,201 | 3,840,429 | 5,644,550 |
| Parking | 1,225,464 | 1,197,212 | 1,287,303 | 1,340,528 | 1,444,710 | 1,563,008 | 1,345,293 | 1,372,765 | 666,749 | 1,453,405 |
| Golf Course | 820,444 | 753,198 | 772,843 | 733,798 | 747,031 | 984,669 | 930,992 | 932,240 | 792,583 | - |

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Total Business-Type Activities Program Revenues | \$ 50,110,841 | 47,951,231 | 50,553,779 | 53,263,952 | 57,283,958 | 62,351,657 | 70,676,124 | 66,317,433 | 68,894,512 | 75,598,389 |
| Total Primary Government Program Revenues | \$ 76,729,394 | 70,208,604 | 78,931,639 | 77,395,730 | 85,924,129 | 107,160,111 | 101,990,605 | 92,594,987 | 98,903,637 | 101,655,112 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (61,281,746) | (70,218,801) | (63,099,045) | (74,965,590) | (75,677,864) | (79,507,950) | (71,200,598) | (98,316,799) | (104,969,397) | (100,342,962) |
| Business-Type Activities | 7,301,200 | 5,735,706 | 5,020,924 | 5,991,564 | 7,543,334 | 8,774,836 | 15,257,629 | 4,082,761 | 3,626,429 | 8,834,356 |
| Total Primary Government Net Expense | \$ (53,980,546) | (64,483,095) | (58,078,121) | (68,974,026) | (68,134,530) | (70,733,114) | (55,942,969) | (94,234,038) | (101,342,968) | (91,508,606) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Taxes | \$ 26,479,032 | 27,775,692 | 28,388,241 | 30,163,532 | 31,870,781 | 33,414,884 | 37,134,285 | 38,053,817 | 43,183,352 | 43,957,928 |
| Franchise Taxes | 6,482,183 | 6,822,828 | 7,645,920 | 7,127,746 | 7,448,325 | 7,229,327 | 7,465,999 | 40,365,760 | 6,893,125 | 7,207,175 |
| Sales Taxes | 32,409,308 | 32,644,826 | 34,791,050 | 36,073,916 | 38,935,957 | 39,365,644 | 40,528,022 | 48,920,869 | 45,294,649 | 53,573,414 |
| Unrestricted Grants and Contributions | 691,768 | 689,082 | 732,100 | 720,387 | 764,798 | 783,431 | 796,314 | 42,032 | 12,601 | 26,864 |
| Investment Earnings | 210,102 | 202,023 | 223,756 | 100,697 | 390,171 | 493,557 | 1,069,632 | 2,939,293 | 1,181,470 | 312,560 |
| Miscellaneous | 425,033 | 136,700 | 255,075 | 2,580,346 | 3,385,152 | 3,361,033 | 284,338 | 3,174,583 | 2,584,048 | 1,537,853 |
| Transfers | 4,492,729 | 4,652,635 | 3,882,985 | 3,653,030 | 2,257,560 | 3,801,983 | 3,685,635 | 3,787,475 | (11,023,981) | 4,877,739 |
| Total Governmental Activities | 71,190,155 | 72,923,786 | 75,919,127 | 80,419,654 | 85,052,744 | 88,449,859 | 90,964,225 | 137,283,829 | 88,125,264 | 111,493,533 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 121,636 | 105,283 | 26,824 | 233,589 | 500,878 | 802,034 | 1,077,026 | 2,224,171 | 1,221,162 | 111,472 |
| Miscellaneous | 638,793 | 906,393 | 796,713 | 767,015 | 564,790 | 1,310,446 | 858,835 | 820,034 | 1,000,427 | 540,553 |
| Transfers | (4,492,729) | (4,652,635) | (3,882,985) | (3,653,030) | (2,257,560) | (3,801,983) | (3,685,635) | (3,787,475) | 11,023,981 | (4,877,739) |
| Total Business-Type Activities | (3,732,300) | (3,640,959) | (3,059,448) | (2,652,426) | (1,191,892) | (1,689,503) | (1,749,774) | (743,270) | 13,245,570 | (4,225,714) |
| Total Primary Government | \$ 67,457,855 | 69,282,827 | 72,859,679 | 77,767,228 | 83,860,852 | 86,760,356 | 89,214,451 | 136,540,559 | 101,370,834 | 107,267,819 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 9,908,409 | 2,704,985 | 12,820,082 | 5,454,064 | 9,374,880 | 8,941,909 | 19,763,627 | 38,967,030 | (16,844,133) | 11,150,571 |
| Business-Type Activities | 3,568,900 | 2,094,747 | 1,961,476 | 3,339,138 | 6,351,442 | 7,085,333 | 13,507,855 | 3,339,491 | 16,871,999 | 4,608,642 |
| Total Primary Government | \$ 13,477,309 | 4,799,732 | 14,781,558 | 8,793,202 | 15,726,322 | 16,027,242 | 33,271,482 | 42,306,521 | 27,866 | 15,759,213 |

Table 3**CITY OF LAWRENCE, KANSAS****General Government Tax Revenues by Source**

Last Ten Fiscal Years
(modified accrual basis of accounting)

| Year | Property Tax | Sales* Tax | Franchise Tax | Motor Vehicle Tax | Payment- in-lieu | Total | Total Taxable Retail Sales |
|-------------|-------------------------|-----------------------|--------------------------|----------------------------------|-----------------------------|--------------|---|
| 2012 | 24,417,039 | 32,409,308 | 6,482,183 | 1,965,745 | 96,247 | 65,370,522 | 1,359,399,600 |
| 2013 | 25,470,800 | 32,644,826 | 6,822,828 | 2,206,347 | 98,546 | 67,243,347 | 1,388,082,800 |
| 2014 | 25,844,497 | 34,791,050 | 7,645,920 | 2,447,054 | 96,690 | 70,825,211 | 1,445,408,100 |
| 2015 | 27,672,476 | 36,073,916 | 7,127,746 | 2,562,534 | 96,085 | 73,532,757 | 1,512,719,800 |
| 2016 | 28,968,384 | 38,935,957 | 7,448,325 | 2,800,584 | 101,813 | 78,255,063 | 1,596,568,250 |
| 2017 | 30,401,649 | 39,365,643 | 7,229,327 | 2,912,075 | 101,162 | 80,009,856 | 1,631,773,470 |
| 2018 | 34,017,273 | 40,528,022 | 7,465,999 | 3,014,654 | 102,358 | 85,128,306 | 1,644,471,741 |
| 2019 | 35,518,561 | 41,217,276 | 7,415,461 | 3,185,973 | 96,266 | 87,433,536 | 1,665,248,878 |
| 2020 | 37,853,022 | 40,365,760 | 6,893,125 | 3,068,095 | 103,580 | 88,283,582 | 1,594,621,431 |
| 2021 | 39,547,332 | 46,903,145 | 7,207,175 | 3,437,256 | 93,587 | 97,188,495 | 1,748,838,651 |

*Beginning in 2016, sales tax includes the City's share of county sales tax. Amounts prior to 2016 have been updated to reflect this.

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 2012 | 2013 | 2014 | 2015 | 2016** | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | | | | | | | | | | |
| Nondisposable | \$ - | - | - | - | - | - | - | 206,645 | 427,738 | 347,070 |
| Restricted | - | - | - | - | - | - | - | - | - | 105,186 |
| Assigned | 458,016 | 444,230 | 418,924 | 483,882 | 626,605 | 666,212 | 456,504 | 2,081,608 | 1,292,014 | 2,584,296 |
| Unassigned | 12,807,728 | 12,987,191 | 13,203,510 | 12,718,338 | 20,009,047 | 22,713,597 | 24,996,096 | 24,709,340 | 23,297,429 | 21,887,863 |
| Reserved | - | - | - | - | - | - | - | - | - | - |
| Unreserved | - | - | - | - | - | - | - | - | - | - |
| Total General Fund | \$ <u>13,265,744</u> | <u>13,431,421</u> | <u>13,622,434</u> | <u>13,202,220</u> | <u>20,635,652</u> | <u>23,379,809</u> | <u>25,452,600</u> | <u>26,997,593</u> | <u>25,017,181</u> | <u>24,924,415</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nondisposable | \$ 461,146 | 424,304 | 562,959 | 562,959 | 434,460 | 411,460 | 80,347 | 23,386 | 177,999 | 159,165 |
| Restricted | 17,198,370 | 16,924,753 | 17,578,956 | 16,468,996 | 15,742,316 | 25,226,913 | 50,110,197 | 39,761,077 | 67,394,535 | 92,636,459 |
| Assigned | 22,307,990 | 28,407,656 | 29,326,657 | 25,955,112 | 25,103,256 | 28,700,173 | - | - | - | - |
| Unassigned | (1,706,921) | (15,039,302) | (14,022,677) | (8,716,690) | (11,265,210) | (116,324) | (21,213) | (32,796) | (80,397) | (26,165) |
| Reserved | - | - | - | - | - | - | - | - | - | - |
| Unreserved, Reported In: | | | | | | | | | | |
| Special Revenue Funds | - | - | - | - | - | - | - | - | - | - |
| Capital Projects Funds | - | - | - | - | - | - | - | - | - | - |
| Total All Other Governmental Funds | \$ <u>38,260,585</u> | <u>30,717,411</u> | <u>33,445,895</u> | <u>34,270,377</u> | <u>30,014,822</u> | <u>54,222,222</u> | <u>50,169,331</u> | <u>39,751,667</u> | <u>67,492,137</u> | <u>92,769,459</u> |

**In 2016, fund balance increased significantly in the General Fund primarily because of a restatement in fund balance and a one time interfund transfer. The Capital Project Fund fluctuates annually due to the nature of the fund.

CITY OF LAWRENCE, KANSAS
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

| | | 2012 | 2013 | 2014 | 2015 | 2016* | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----|-------------------------|----------------------------|--------------------------|-----------------------|-------------------------|--------------------------|---------------------------|--------------------------|----------------------------|--------------------------|
| Revenues | | | | | | | | | | | |
| Taxes | \$ | 55,968,894 | 57,958,993 | 60,669,355 | 63,022,436 | 78,202,845 | 80,009,856 | 85,128,306 | 87,433,538 | 88,283,582 | 97,188,496 |
| Special Assessments | | 3,195,006 | 2,762,369 | 2,735,676 | 2,411,557 | 2,018,400 | 2,542,191 | 889,070 | 1,599,336 | 1,259,163 | 1,357,948 |
| Licenses and Permits | | 968,947 | 1,028,880 | 974,690 | 1,525,191 | 1,873,080 | 1,647,100 | 2,065,644 | 1,585,563 | 1,489,221 | 1,778,017 |
| Charges for Services | | 6,668,879 | 6,676,694 | 6,984,748 | 8,091,858 | 10,141,679 | 12,005,980 | 11,504,060 | 12,275,703 | 9,889,718 | 11,207,524 |
| Fines, Forfeitures and Penalties | | 2,823,509 | 3,083,596 | 3,277,102 | 2,987,550 | 2,451,698 | 2,214,210 | 2,237,632 | 1,897,608 | 993,386 | 939,980 |
| Interest | | 193,727 | 188,012 | 266,269 | 95,043 | 366,695 | 458,254 | 1,034,090 | 2,636,307 | 1,227,777 | 255,889 |
| Intergovernmental | | 22,164,027 | 20,230,592 | 21,868,227 | 22,501,383 | 12,617,160 | 14,376,408 | 13,935,803 | 14,383,505 | 20,939,182 | 18,304,011 |
| Reimbursements | | 335,350 | 472,548 | 675,165 | 1,577,236 | 4,130,660 | 1,529,769 | 1,622,723 | 2,076,208 | 1,004,337 | 698,169 |
| Miscellaneous | | 1,399,018 | 811,405 | 2,408,160 | 1,072,924 | 1,570,382 | 1,831,264 | 1,084,214 | 1,794,382 | 1,280,356 | 2,227,141 |
| Total Revenues | | <u>93,717,357</u> | <u>93,213,089</u> | <u>99,859,392</u> | <u>103,285,178</u> | <u>113,372,599</u> | <u>116,615,032</u> | <u>119,501,542</u> | <u>125,682,150</u> | <u>126,366,722</u> | <u>133,957,175</u> |
| Expenditures | | | | | | | | | | | |
| General Government | | 24,950,523 | 23,865,832 | 25,347,630 | 26,604,520 | 27,374,180 | 23,929,049 | 23,162,939 | 25,896,044 | 26,168,789 | 23,372,105 |
| Public Safety | | 30,336,181 | 31,178,696 | 32,508,249 | 33,856,702 | 35,428,959 | 41,512,350 | 44,127,910 | 46,100,200 | 50,705,913 | 53,818,355 |
| Public Works | | 9,124,553 | 12,095,488 | 8,410,527 | 8,837,676 | 8,859,891 | 20,494,795 | 11,912,013 | 12,003,694 | 16,299,987 | 15,506,807 |
| Health | | 1,379,104 | 1,214,877 | 1,309,031 | 1,166,555 | 1,245,432 | 1,318,875 | 1,123,941 | 1,162,195 | 1,309,335 | 3,358,473 |
| Social Services | | 1,530,158 | 1,486,561 | 681,297 | 1,236,327 | 1,211,398 | 1,658,234 | 1,604,816 | 1,211,012 | 2,782,826 | 1,567,557 |
| Culture and Recreation | | 8,041,351 | 7,993,784 | 9,178,546 | 9,513,574 | 10,280,949 | 11,151,720 | 11,662,354 | 11,434,466 | 10,792,873 | 12,185,541 |
| Tourism | | 967,620 | 1,007,438 | 1,263,707 | 1,566,103 | 2,739,874 | 2,748,422 | 1,674,768 | 1,929,803 | 1,658,866 | 1,996,716 |
| Airport | | 110,908 | 134,849 | 194,405 | 434,596 | 134,866 | 128,179 | - | - | - | - |
| Economic Development | | - | - | - | - | 765,183 | 2,358,798 | 1,721,663 | 1,777,984 | 2,230,119 | 2,222,764 |
| Capital Outlay | | 13,454,338 | 31,999,515 | 41,565,540 | 19,203,361 | 14,214,757 | 12,900,993 | 16,065,513 | 22,507,011 | 27,898,602 | 9,115,756 |
| Debt Service: | | | | | | | | | | | |
| Principal Retirement | | 14,927,625 | 9,793,066 | 9,273,481 | 10,555,721 | 10,665,747 | 9,072,028 | 9,539,875 | 8,764,315 | 15,813,420 | 46,720,028 |
| Interest and Fiscal Charges | | 2,582,033 | 2,313,042 | 2,253,624 | 3,373,345 | 3,199,285 | 3,349,460 | 3,687,136 | 3,559,349 | 3,977,571 | 3,378,521 |
| Issuance Costs | | - | - | - | - | - | - | - | 252,831 | 99,207 | 157,459 |
| Total Expenditures | | <u>107,404,394</u> | <u>123,083,148</u> | <u>131,986,037</u> | <u>116,348,480</u> | <u>116,120,521</u> | <u>130,622,903</u> | <u>126,282,928</u> | <u>136,598,904</u> | <u>159,737,508</u> | <u>173,400,082</u> |
| Excess of Revenues over (under) Expenditures | | <u>(13,687,037)</u> | <u>(29,870,059)</u> | <u>(32,126,645)</u> | <u>(13,063,302)</u> | <u>(2,747,922)</u> | <u>(14,007,871)</u> | <u>(6,781,386)</u> | <u>(10,916,754)</u> | <u>(33,370,786)</u> | <u>(39,442,907)</u> |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Transfers In | | 4,961,707 | 5,764,700 | 4,336,262 | 3,856,194 | 12,135,572 | 4,842,454 | 8,907,554 | 10,087,810 | 6,981,252 | 15,133,827 |
| Transfers Out | | (465,500) | (1,108,559) | (450,000) | (200,053) | (9,874,995) | (1,037,454) | (5,218,554) | (6,300,335) | (2,604,173) | (10,059,711) |
| Sale of Property - Proceeds Received | | - | - | - | - | - | - | - | 17,525 | 17,100 | 576,299 |
| Capital Lease Proceeds | | - | - | - | - | 244,260 | 1,064,200 | - | - | - | - |
| Proceeds of General Obligation Bonds | | 11,190,000 | 4,405,000 | 41,455,000 | 9,450,000 | - | 35,034,000 | - | 41,505,000 | 10,545,000 | 56,262,000 |
| Premium on General Obligation Bonds | | 404,633 | - | 3,136,301 | 426,956 | - | 2,036,462 | - | 530,809 | 394,939 | 2,715,048 |
| Total Other Financing Sources (Uses) | | <u>16,090,840</u> | <u>9,061,141</u> | <u>48,477,563</u> | <u>13,533,097</u> | <u>2,504,837</u> | <u>41,939,662</u> | <u>3,689,000</u> | <u>45,840,809</u> | <u>15,334,118</u> | <u>64,627,463</u> |
| Net Change in Fund Balances | \$ | <u><u>2,403,803</u></u> | <u><u>(20,808,918)</u></u> | <u><u>16,350,918</u></u> | <u><u>469,795</u></u> | <u><u>(243,085)</u></u> | <u><u>27,931,791</u></u> | <u><u>(3,092,386)</u></u> | <u><u>34,924,055</u></u> | <u><u>(18,036,668)</u></u> | <u><u>25,184,556</u></u> |
| Debt Service as a Percentage of Noncapital Expenditures | | 18.6% | 12.9% | 13.0% | 14.0% | 13.6% | 10.4% | 13.4% | 12.4% | 14.9% | 31.1% |

*Economic development expenditures represent new funds to account for various economic development agreements the City has entered into.

CITY OF LAWRENCE, KANSAS

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Unaudited

| Year | Real Property | | Personal Property (1) | | State Assessed | | Total | | Ratio of Assessed to Estimated Actual Value | Total Direct Tax Rate |
|------|-------------------|---------------------------|-----------------------|---------------------------|-------------------|--------------------|-------------------|---------------------------|--|--------------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Value | Assessed Value | Estimated Actual Value | | |
| 2012 | 807,364,770 | 7,065,536,665 | 23,044,106 | 100,766,596 | 21,914,351 | 66,426,085 | 852,323,227 | 7,232,729,346 | 11.8% | 28.610 |
| 2013 | 810,265,700 | 7,056,749,570 | 21,615,031 | 94,744,293 | 24,426,177 | 74,018,718 | 856,306,908 | 7,225,512,581 | 11.9% | 28.580 |
| 2014 | 831,174,881 | 7,272,780,209 | 18,432,625 | 80,794,981 | 25,511,114 | 25,511,114 | 875,118,620 | 7,379,086,304 | 11.9% | 30.040 |
| 2015 | 850,079,403 | 7,438,194,776 | 16,950,709 | 74,299,359 | 27,914,590 | 27,914,590 | 894,944,702 | 7,540,408,725 | 11.9% | 31.470 |
| 2016 | 885,273,456 | 7,746,142,740 | 16,001,791 | 70,140,005 | 27,654,355 | 27,654,355 | 928,929,602 | 7,843,937,100 | 11.8% | 31.488 |
| 2017 | 944,118,547 | 8,261,037,286 | 13,968,253 | 61,226,480 | 27,374,301 | 27,374,301 | 985,461,101 | 8,349,638,067 | 11.8% | 32.018 |
| 2018 | 995,457,186 | 8,598,573,020 | 13,533,461 | 62,431,469 | 28,331,792 | 28,331,792 | 1,037,322,439 | 8,689,336,281 | 11.9% | 33.279 |
| 2019 | 1,048,578,279 | 9,133,478,310 | 12,152,502 | 57,065,503 | 29,802,723 | 29,802,723 | 1,090,533,504 | 9,220,346,536 | 11.8% | 33.278 |
| 2020 | 1,094,154,422 | 9,607,901,380 | 11,873,466 | 55,498,541 | 31,460,117 | 31,460,117 | 1,137,488,005 | 9,694,860,038 | 11.7% | 33.318 |
| 2021 | 1,118,725,664 | 9,888,992,770 | 13,609,923 | 59,181,481 | 34,245,599 | 34,245,599 | 1,166,581,186 | 9,982,419,850 | 11.7% | 33.290 |

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

Table 7

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

| Year | City of Lawrence | | | Overlapping Rates | | | | | | | Total Direct & Overlapping Rates |
|------|----------------------|----------------------------|--------------------------|----------------------|----------------------------|----------------------------|----------------------|----------------------------|----------------------------|-----------------------|---|
| | Operating Millage | Debt Service Millage | Total City Millage | Douglas County | | | School District | | | State of Kansas | |
| | | | | Operating Millage | Debt Service Millage | Total County Millage | Operating Millage | Debt Service Millage | Total School Millage | | |
| 2012 | 21.020 | 8.510 | 29.530 | 35.770 | 0.000 | 35.770 | 47.430 | 10.580 | 58.010 | 1.500 | 124.810 |
| 2013 | 21.530 | 8.510 | 30.040 | 37.150 | 0.000 | 37.150 | 47.250 | 10.540 | 57.790 | 1.500 | 126.480 |
| 2014 | 22.970 | 8.500 | 31.470 | 40.950 | 0.060 | 41.010 | 45.540 | 10.210 | 55.750 | 1.500 | 129.730 |
| 2015 | 22.984 | 8.504 | 31.488 | 40.591 | 0.507 | 41.098 | 46.833 | 10.073 | 56.906 | 1.500 | 130.992 |
| 2016 | 23.514 | 8.504 | 32.018 | 43.583 | 0.509 | 44.092 | 43.860 | 9.500 | 53.360 | 1.500 | 130.970 |
| 2017 | 23.522 | 9.757 | 33.279 | 45.509 | 0.509 | 46.018 | 45.515 | 10.435 | 55.950 | 1.500 | 136.747 |
| 2018 | 23.968 | 9.310 | 33.278 | 45.507 | 0.508 | 46.015 | 43.506 | 10.921 | 54.427 | 1.500 | 135.220 |
| 2019 | 23.997 | 9.322 | 33.319 | 46.430 | 0.000 | 46.430 | 43.058 | 9.926 | 52.984 | 1.500 | 134.233 |
| 2020 | 23.997 | 9.321 | 33.318 | 46.430 | 0.000 | 46.430 | 43.297 | 9.825 | 53.122 | 1.500 | 134.370 |
| 2021 | 23.977 | 9.313 | 33.290 | 47.419 | 0.000 | 47.419 | 43.068 | 9.772 | 52.840 | 1.500 | 135.049 |

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2021

Unaudited

| Taxpayer | 2021 Assessed Valuation | Rank | Percent of Total Assessed Valuation | 2012 Assessed Valuation | Rank | Percent of Total Assessed Valuation |
|---------------------------------|--|-------------|--|--|-------------|--|
| Evergy (formerly Westar Energy) | \$ 24,878,441 | 1 | 2.13 % | \$ 12,504,517 | 1 | 1.47 % |
| Links at Kansas | 6,195,717 | 2 | 0.53 | | | |
| Walmart | 6,042,480 | 3 | 0.52 | 5,195,191 | 2 | 0.61 |
| Black Hills Corp | 5,528,610 | 4 | 0.47 | 4,217,023 | 3 | 0.49 |
| ARC PRLAWS001 LLC | 5,355,852 | 5 | 0.46 | | | |
| Cherry Hill Properties LLC | 5,155,542 | 6 | 0.44 | | | |
| KS-UK Holdings | 4,680,546 | 7 | 0.40 | | | |
| Menard Inc | 4,432,090 | 8 | 0.38 | | | |
| UP Connection Lawrence Spe LLC | 4,294,813 | 9 | 0.37 | | | |
| North Creek Investors III LLC | 4,124,895 | 10 | 0.35 | | | |
| Hallmark Cards | | | | 3,969,885 | 4 | 0.47 |
| Inland Western Lawrence | | | | 3,836,202 | 5 | 0.45 |
| Southwestern Bell | | | | 3,350,465 | 6 | 0.39 |
| Fairfield Lawrence Exchange LLC | | | | 2,970,997 | 7 | 0.35 |
| Kresge | | | | 2,934,375 | 8 | 0.34 |
| Amarr Garage Doors | | | | 2,857,326 | 9 | 0.34 |
| Westgate | | | | 2,689,902 | 10 | 0.32 |
| Total | \$ 70,688,986 | | 6.06 % | \$ 44,525,883 | | 5.23 % |

Source: Douglas County Clerk.

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

| <u>Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Current Taxes Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Ratio of Total Tax Collection to Total Tax Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>Ratio of Delinquent Taxes to Total Tax Levy</u> |
|-------------|-----------------------|--------------------------------|---|-----------------------------------|------------------------------|--|-------------------------------------|--|
| 2012 | 24,406,107 | 24,011,362 | 98.38 | 405,677 | 24,417,039 | 100.04 | 824,160 | 3.38 |
| 2013 | 25,205,016 | 25,085,728 | 99.53 | 385,072 | 25,470,800 | 101.05 | 558,376 | 2.22 |
| 2014 | 25,756,589 | 25,358,111 | 98.45 | 336,580 | 25,694,691 | 99.76 | 620,274 | 2.41 |
| 2015 | 27,539,983 | 27,032,669 | 98.16 | 339,460 | 27,372,129 | 99.39 | 788,128 | 2.86 |
| 2016 | 28,168,200 | 27,832,626 | 98.81 | 313,875 | 28,146,501 | 99.92 | 809,827 | 2.88 |
| 2017 | 29,742,950 | 29,220,299 | 98.24 | 172,637 | 29,392,936 | 98.82 | 1,159,841 | 3.90 |
| 2018 | 32,783,573 | 32,352,946 | 98.69 | 308,224 | 32,661,170 | 99.63 | 1,282,244 | 3.91 |
| 2019 | 34,521,790 | 33,854,125 | 98.07 | 252,071 | 34,106,196 | 98.80 | 1,697,838 | 4.92 |
| 2020 | 36,335,486 | 35,545,948 | 97.83 | 380,499 | 35,926,447 | 98.87 | 2,106,877 | 5.80 |
| 2021 | 37,898,825 | 37,248,259 | 98.28 | 428,253 | 37,676,512 | 99.41 | 2,329,190 | 6.15 |

(1) General, Special Revenue and Debt Service Funds; does not include motor vehicle tax.

2) The ratio of total tax collection to total tax levy may exceed 100% in years when the current tax collections on the current year total tax levy, plus the current year delinquent tax collections on prior years' total tax levy exceeded the current year total tax levy.

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

| Year | Governmental Activities | | | Business-Type Activities | | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|------|--------------------------------|------------------|-------------------|--------------------------|--------------------------------|------------------|-------------------|--------------------------------|---|-------------------|
| | General Obligation Bonds | Notes Payable | Capital Leases | Revenue Bonds | General Obligation Bonds | Notes Payable | Capital Leases | | | |
| 2012 | 64,001,150 | - | - | 48,670,000 | 10,213,850 | 22,776,957 | - | 145,661,957 | 4.09 % | 1,649 |
| 2013 | 58,613,083 | - | - | 46,390,000 | 8,996,917 | 20,577,479 | - | 134,577,479 | 3.89 % | 1,551 |
| 2014 | 90,794,602 | - | - | 44,030,000 | 9,800,398 | 18,301,688 | - | 162,926,688 | 3.28 % | 1,723 |
| 2015 | 89,688,881 | - | 131,544 | 129,535,000 | 8,251,119 | 15,946,937 | - | 243,553,481 | 3.97 % | 1,723 |
| 2016 | 79,640,645 | - | 286,629 | 183,538,349 | 20,375,195 | - | - | 283,840,818 | 5.69 % | 2,506 |
| 2017 | 101,598,559 | - | 1,236,083 | 185,527,794 | 16,381,828 | - | - | 304,744,264 | 6.22 % | 2,898 |
| 2018 | 91,966,494 | 6,018,520 | 1,143,691 | 199,557,038 | 12,607,365 | - | - | 311,293,108 | 6.47 % | 3,063 |
| 2019 | 87,225,560 | 44,049,421 | 991,376 | 191,334,777 | 9,014,419 | - | - | 332,615,553 | 6.25 % | 3,204 |
| 2020 | 87,868,554 | 40,228,620 | 835,956 | 182,691,558 | 5,256,052 | - | - | 316,880,740 | 5.74 % | 3,066 |
| 2021 | 112,523,998 | 27,014,451 | 684,928 | 224,042,813 | 1,250,000 | - | - | 365,516,190 | 6.28 % | 3,474 |

Note 1 - See the Demographic Statistics Table at Table 15 for personal income and population data.

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

CITY OF LAWRENCE, KANSAS

Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

Unaudited

| Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Less Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Per Capita |
|------|----------------|-----------------------|-----------------------------|------------------------------|-----------------------|--|--------------------------|
| 2012 | 93,944 | 852,323 | 74,215,000 | 9,303,767 | 64,911,233 | 7.62 | 691 |
| 2013 | 94,586 | 856,307 | 67,610,000 | 9,659,399 | 57,950,601 | 6.77 | 613 |
| 2014 | 96,292 | 875,119 | 100,595,000 | 10,674,909 | 89,920,091 | 10.28 | 951 |
| 2015 | 97,193 | 894,945 | 97,940,000 | 10,901,622 | 87,038,378 | 9.73 | 896 |
| 2016 | 97,948 | 928,930 | 100,015,840 | 10,930,190 | 89,085,650 | 9.59 | 910 |
| 2017 | 99,496 | 928,947 | 117,980,387 | 11,266,535 | 106,713,852 | 11.49 | 1,073 |
| 2018 | 100,736 | 985,104 | 101,410,000 | 10,832,304 | 90,577,696 | 9.19 | 899 |
| 2019 | 103,812 | 1,037,322 | 93,408,000 | 12,491,540 | 80,916,460 | 7.80 | 779 |
| 2020 | 103,351 | 1,090,534 | 88,285,000 | 13,955,094 | 74,329,906 | 6.82 | 719 |
| 2021 | 105,200 | 1,137,488 | 107,811,000 | 18,573,982 | 89,237,018 | 7.85 | 848 |

(1) City of Lawrence, Kansas Planning Department estimates

(2) Amounts expressed in thousands and were corrected to represent the Tax Levy for the prior year beginning for 2017

(3) City of Lawrence General Obligation Bonds only - excludes Lawrence Memorial Hospital and bond anticipation notes.

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2021

| <u>Jurisdiction</u> | <u>Bond Issues Outstanding</u> | <u>Percentage Applicable to City</u> | <u>Amount Applicable to City</u> |
|---------------------------------|------------------------------------|--|--|
| Direct – City of Lawrence | \$ <u>107,811,000</u> | \$ 100 % | \$ <u>107,811,000</u> |
| Overlapping: | | | |
| Douglas County | 302,760,000 | 7% | 226,077 |
| Unified School District No. 497 | <u>165,505,000</u> | 9% | <u>145,647</u> |
| | <u>468,265,000</u> | | <u>371,724</u> |
| | \$ <u><u>576,076,000</u></u> | | \$ <u><u>108,182,724</u></u> |

Note: Overlapping governments are those that coincided, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the overlapping debt of those overlapping governments that is borne by the resident and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also applied to the other debt of the overlapping governmental units.

Sources: Douglas County Budget Office and the USD 497 School District Finance Office

Table 13

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Assessed Valuation of Taxable Property* | \$ 924,953,742 | 932,601,818 | 951,413,530 | 958,124,464 | 995,923,209 | 928,947,354 | 985,103,931 | 1,037,322,439 | 1,090,533,504 | 1,137,488,005 |
| Debt Limit Percent of Assessed Value | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> | <u>30.00%</u> |
| Debt Limit | 277,486,123 | 279,780,545 | 285,424,059 | 287,437,339 | 298,776,963 | 278,684,206 | 295,531,179 | 311,196,732 | 327,160,051 | 341,246,402 |
| Total net debt applicable to limit** (includes temporary notes) | <u>98,430,000</u> | <u>123,085,000</u> | <u>119,625,000</u> | <u>108,735,000</u> | <u>79,048,062</u> | <u>105,085,263</u> | <u>107,410,000</u> | <u>128,503,000</u> | <u>123,390,000</u> | <u>133,083,000</u> |
| Legal Debt Margin | <u>\$ 179,056,123</u> | <u>\$ 156,695,545</u> | <u>\$ 165,799,059</u> | <u>\$ 178,702,339</u> | <u>\$ 219,728,901</u> | <u>\$ 173,598,943</u> | <u>\$ 188,121,179</u> | <u>\$ 182,693,732</u> | <u>\$ 203,770,051</u> | <u>\$ 208,163,402</u> |
| Total Net Debt Applicable To The Limit As A Percentage of Debt Limit | 35.47% | 43.99% | 41.91% | 37.83% | 26.46% | 37.71% | 36.34% | 41.29% | 37.72% | 39.00% |

Note: Under State finance law, the City's outstanding general obligation debt should not exceed 30 percent of the total assessed property value.

* Total Assessed Valuation of Taxable Property is based on the prior year Tax Levy. Amounts indicated in this table for 2017-2019 have been corrected.

** 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. Prior to 2016, all general obligation debt was included in this computation.

Table 14**CITY OF LAWRENCE, KANSAS**

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

| <u>Year</u> | <u>Operating Revenue</u> | <u>Operating Expenses Less Depreciation</u> | <u>Net Revenue Available For Debt Service</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Coverage</u> |
|-------------|------------------------------|---|---|------------------|-----------------|--------------|-----------------|
| 2012 | 34,345,233 | 25,671,088 | 8,674,145 | 2,210,000 | 2,304,105 | 4,514,105 | 1.92 |
| 2013 | 32,259,758 | 18,925,425 | 13,334,333 | 2,280,000 | 2,985,423 | 5,265,423 | 2.53 |
| 2014 | 34,130,975 | 19,635,194 | 14,495,781 | 2,360,000 | 2,132,685 | 4,492,685 | 3.23 |
| 2015 | 35,608,968 | 19,637,989 | 15,970,979 | 13,355,000 | 3,799,618 | 17,154,618 | 0.93 |
| 2016 | 39,686,384 | 21,498,117 | 18,188,267 | 4,625,000 | 5,287,290 | 9,912,290 | 1.83 |
| 2017 | 43,619,415 | 22,538,928 | 21,080,487 | 6,445,000 | 6,635,356 | 13,080,356 | 1.61 |
| 2018 | 51,106,079 | 23,596,806 | 27,509,273 | 7,305,000 | 6,687,187 | 13,992,187 | 1.97 |
| 2019 | 45,243,570 | 30,366,028 | 14,877,542 | 7,305,000 | 7,275,129 | 14,580,129 | 1.02 |
| 2020 | 48,495,800 | 29,398,101 | 19,097,699 | 7,560,000 | 7,352,975 | 14,912,975 | 1.28 |
| 2021 | 53,843,060 | 32,994,091 | 20,848,969 | 7,915,000 | 7,042,212 | 14,957,212 | 1.39 |

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

| Year | Population (1) | Personal Income (2) | Per Capita Income (2) | Median Age (3) | School Enrollment (4) | Unemployment Rate (5) |
|-------------|-----------------------|--------------------------------|----------------------------------|---------------------------|----------------------------------|----------------------------------|
| 2012 | 93,944 | 3,745,526,000 | 33,379 | 26.70 | 11,458 | 5.3 |
| 2013 | 94,586 | 4,100,447,000 | 36,331 | 26.70 | 11,437 | 4.1 |
| 2014 | 94,586 | 4,100,447,000 | 36,331 | 26.70 | 11,840 | 3.5 |
| 2015 | 97,193 | 4,277,044,000 | 36,686 | 26.70 | 12,106 | 3.0 |
| 2016 | 97,948 | 4,567,016,000 | 38,686 | 26.70 | 11,969 | 3.6 |
| 2017 | 99,496 | 4,710,732,000 | 39,400 | 26.70 | 11,970 | 3.1 |
| 2018 | 100,736 | 5,299,726,000 | 43,642 | 27.50 | 12,051 | 3.1 |
| 2019 | 103,812 | 5,321,380,000 | 43,939 | 26.70 | 11,879 | 2.6 |
| 2020 | 103,351 | 5,521,639,000 | 45,163 | 26.70 | 11,473 | 3.9 |
| 2021 | 105,200 | 5,819,458,000 | 47,494 | 28.20 | 11,150 | 1.8 |

Data Sources:

- (1) City of Lawrence, Kansas Planning Department estimates
- (2) Data from U.S. Bureau of Economic Analysis. The amount listed for FY2020 is from the FY2019 report.
- (3) From U.S. Census Bureau 2010 Census
- (4) Headcount enrollment for USD 497, Kansas Department of Education
- (5) Bureau of Labor Statistics

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

| Employer | 2021 | | | 2012 | | |
|--|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| The University of Kansas | 9,990 | 1 | 23.05% | 9,881 | 1 | 16.93% |
| LMH Health | 1,800 | 2 | 4.15% | 1,322 | 5 | 2.27% |
| Lawrence Public Schools | 1,670 | 3 | 3.85% | 1,650 | 2 | 2.83% |
| Maximus (formerly General Dynamics IT) | 1,000 | 4 | 2.31% | - | | |
| Berry Global | 870 | 5 | 2.01% | 739 | 6 | 1.27% |
| City of Lawrence | 860 | 6 | 1.98% | 1,455 | 4 | 2.49% |
| Amarr Garage Doors | 750 | 7 | 1.73% | 461 | 9 | 0.79% |
| Hallmark Cards Inc. | 700 | 8 | 1.62% | 525 | 8 | 0.90% |
| Douglas County | 521 | 9 | 1.20% | 435 | 9 | 0.75% |
| Baker University | 500 | 10 | 1.15% | - | | |
| Vangent | - | | - | 1,500 | 3 | 2.57% |
| Kresge | - | | - | 320 | 10 | 0.55% |
| Total | <u>18,661</u> | | <u>43.05%</u> | <u>18,288</u> | | <u>31.35%</u> |

Sources: Lawrence Chamber of Commerce

Table 17

CITY OF LAWRENCE, KANSAS
Full Time Equivalent Employees by Function

Last Ten Fiscal Years

Unaudited

| <u>Function/Program</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities | | | | | | | | | | |
| General Government | 69.69 | 64.93 | 73.14 | 72.55 | 105.00 | 76.86 | 79.93 | 85.59 | 72.07 | 80.70 |
| Public Safety | 326.00 | 310.00 | 321.00 | 318.00 | 320.60 | 330.00 | 330.00 | 332.00 | 332.00 | 332.00 |
| Public Works | 58.41 | 59.91 | 59.66 | 59.16 | 62.66 | 62.66 | 61.16 | 61.16 | 62.16 | 62.16 |
| Culture & Recreation | 61.03 | 61.03 | 70.53 | 70.53 | 72.53 | 76.53 | 72.78 | 72.78 | 72.50 | 85.60 |
| Health | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Social Services | 5.55 | 5.55 | 4.30 | - | 3.60 | 2.70 | 2.70 | 2.60 | 2.60 | 2.60 |
| Tourism | - | - | - | - | - | - | 3.00 | 3.00 | 2.00 | 2.00 |
| Total Governmental Activities | <u>521.68</u> | <u>502.42</u> | <u>529.63</u> | <u>521.24</u> | <u>565.39</u> | <u>549.75</u> | <u>550.57</u> | <u>558.13</u> | <u>544.33</u> | <u>566.06</u> |
| Business-type Activities: | | | | | | | | | | |
| Water & Sewer | 129.25 | 129.25 | 130.26 | 132.52 | 146.88 | 140.13 | 142.63 | 141.63 | 143.00 | 146.00 |
| Sanitation | 96.34 | 96.34 | 97.84 | 97.84 | 97.84 | 97.84 | 93.34 | 94.34 | 92.34 | 92.34 |
| Storm Water | 10.00 | 10.50 | 10.50 | 10.00 | 10.00 | 10.00 | 11.50 | 13.50 | 11.50 | 14.50 |
| Public Parking | - | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 14.00 | 13.00 | 12.00 | 12.00 |
| Golf Course* | 12.13 | 12.35 | 12.44 | 12.94 | 11.69 | 12.69 | 12.36 | 12.31 | 11.73 | - |
| Internal Services | 17.25 | 17.25 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 39.00 | 49.50 |
| Total Business-type Activities | <u>264.97</u> | <u>277.69</u> | <u>280.04</u> | <u>282.30</u> | <u>295.41</u> | <u>289.66</u> | <u>290.83</u> | <u>291.78</u> | <u>309.57</u> | <u>314.34</u> |
| Total | <u>786.65</u> | <u>780.11</u> | <u>809.67</u> | <u>803.54</u> | <u>860.80</u> | <u>839.41</u> | <u>841.40</u> | <u>849.91</u> | <u>853.90</u> | <u>880.40</u> |

Source: City of Lawrence Budget Document

Note: Reviewing some budget documents we discovered some errors in the final reports published. This report is based off of budgeted FTE and may not match what was originally published.

*Golf Course Fund dissolved at end of 2020 and combined into Culture & Recreation under Governmental Activities

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------|---------|---------|---------|---------|--------|--------|--------|--------|--------|
| Fire Protection | | | | | | | | | | |
| Number of Firefighters and Officers | 143 | 141 | 135 | 131 | 143 | 143 | 143 | 146 | 150 | 150 |
| Number of Fire Calls Answered (1) | 347 | 255 | 283 | 211 | 254 | 238 | 243 | 191 | 242 | 259 |
| Number of Medical Calls Answered | 7,130 | 7,584 | 7,800 | 8,229 | 8,246 | 8,802 | 9,089 | 8,781 | 8,624 | 9,380 |
| Number of Medical Transports | 5,139 | 7,686 | 5,320 | 5,775 | 5,851 | 6,207 | 6,207 | 6,441 | 6,200 | 7,067 |
| Number of Inspections Conducted | 5,522 | 3,728 | 4,326 | 6,392 | 7,241 | 7,332 | 7,332 | 4,862 | 4,950 | 4,247 |
| Police Protection | | | | | | | | | | |
| Number of Commissioned Police Officers | 147 | 154 | 154 | 155 | 153 | 154 | 154 | 139 | 135 | 134 |
| Number of Full Time Civilians | 30 | 33 | 33 | 33 | 33 | 28 | 28 | 25 | 27 | 25 |
| Number of Calls for Service | 112,464 | 121,599 | 115,398 | 107,478 | 100,142 | 95,708 | 95,702 | 91,658 | 69,360 | 75,900 |
| Arrests Processed through County Jail | 3,847 | 4,661 | 3,668 | 3,219 | 2,976 | 3,324 | 2,994 | 2,434 | 1,786 | 1,863 |
| Officer Issued Traffic Violations | 13,150 | 4,657 | 15,631 | 12,811 | 10,970 | 11,614 | 10,742 | 8,417 | 3,896 | 4,526 |
| Officer Issued Parking Violations | 11,882 | 12,986 | 37,292 | 10,988 | 10,754 | 10,534 | 8,826 | 7,783 | 1,907 | 1,948 |
| Sewerage System | | | | | | | | | | |
| Number of Service Connections | 32,915 | 32,239 | 32,345 | 32,395 | 32,395 | 32,791 | 33,105 | 34,146 | 33,595 | 33,863 |
| Actual Daily Average of Treatment in Million Gallons Daily | 10 | 10 | 9 | 10 | 10 | 10 | 9 | 12 | 11 | 11 |
| Water System | | | | | | | | | | |
| Number of Service Connections | 32,915 | 32,897 | 33,005 | 33,220 | 33,256 | 33,547 | 33,874 | 34,146 | 34,340 | 34,589 |
| Daily Average Consumption in Million Gallons | 11 | 11 | 10 | 10 | 11 | 10 | 11 | 10 | 11 | 10 |
| Maximum Daily Capacity of Plant in Million Gallons | 37 | 37 | 37 | 37 | 37 | 41 | 41 | 41 | 41 | 41 |

Sources: Various government departments

As reported in that years' source Annual Comprehensive Financial Report

(1) In 2019 there was a change in what was considered a Fire Call Answered. Prior year numbers have been updated to reflect the change.

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public Works | | | | | | | | | | |
| Miles of Streets | 323.2 | 333.6 | 333.6 | 356.9 | 362.9 | 365.23 | 367.19 | 351.62 | 351.77 | 352.17 |
| Culture and Recreation | | | | | | | | | | |
| Recreation Facilities | 4 | 4 | 4 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Parks | 54 | 54 | 54 | 56 | 56 | 56 | 56 | 56 | 56 | 56 |
| Park Acreage | 3,535 | 3,535 | 3,535 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 |
| Tennis Courts | 11 | 11 | 11 | 16 | 16 | 16 | 16 | 16 | 16 | 15 |
| Fire Protection | | | | | | | | | | |
| Number of Stations | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Police Protection | | | | | | | | | | |
| Number of Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Patrol Units | 30 | 30 | 30 | 38 | 40 | 40 | 36 | 36 | 34 | 40 |
| Sewerage System | | | | | | | | | | |
| Miles of Sanitary Sewers | 433 | 434 | 434 | 452 | 454 | 457 | 460 | 461 | 461 | 462 |
| Number of Treatment Plants | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Number of Lift Stations | 34 | 33 | 33 | 31 | 31 | 32 | 32 | 34 | 34 | 34 |
| Water System | | | | | | | | | | |
| Number of Water Plants | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Miles of Water Mains | 455 | 499 | 499 | 520 | 523 | 556 | 565 | 568 | 567 | 570 |
| Number of City owned Fire Hydrants | 3,218 | 3,331 | 3,331 | 3,480 | 3,531 | 3,599 | 3,646 | 3,690 | 3,688 | 3,683 |
| Libraries | | | | | | | | | | |
| Public Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of volumes (approximately)(1) | 229,777 | 229,777 | 229,777 | 201,400 | 207,500 | 198,257 | 204,146 | 203,403 | 212,176 | 216,864 |
| Facilities and Services Not Included in the Reporting Entity: | | | | | | | | | | |
| Education | | | | | | | | | | |
| Number of Public Elementary Schools(2) | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 15 | 14 |
| Number of Public Elementary School Instructors | 429 | 457 | 457 | 459 | 445 | 435 | 421 | 489 | 457 | 439 |
| Number of Public Secondary Schools(2) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 7 |
| Number of Public Secondary School Instructors | 465 | 485 | 485 | 495 | 476 | 456 | 460 | 526 | 529 | 494 |
| Number of Universities | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Hospitals | | | | | | | | | | |
| Number of Hospitals | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Patient Beds | 173 | 173 | 173 | 174 | 174 | 174 | 174 | 174 | 174 | 174 |

Sources: Various government departments

Notes:

(1) Beginning in 2020 the approximate number of volumes held by the Lawrence Public Library includes digital volumes.

(2) Beginning in 2020 the number of Public Elementary Schools and Public Secondary Schools includes one (1) virtual school each.

City of Lawrence, Kansas
Continuing Disclosure Information
(Unaudited)

Recent Development

The largest permitted projects in 2021, as of December 31, 2021, are as follows:

| <u>Project Description</u> | <u>Construction Valuation</u> |
|---|-------------------------------|
| Bioscience and Technology Business Center Phase III | \$18,970,398* |
| Union at the Loop, Multi-Family | 18,564,109 |
| KU Alumni Association | 14,000,000* |
| Standard Beverage, Office and Warehouse expansion | 12,777,500 |
| Pretzels, Inc., Building finish | 10,500,000 |
| Douglas County Crisis and Recovery Center | 9,061,668* |
| Douglas County Jail | 5,000,000* |
| Heartland Community Health Center | 5,000,000* |
| Kwik Shop, New Convenience Store and Fuel Station | 3,625,333 |
| Dillons, remodel | 3,070,000 |
| Standard Beverage, addition | 2,177,520 |
| LMH Health | 2,100,000* |
| Laird Noller, Service Repair Garage Renovation | 1,921,132 |
| Lawrence Presbyterian Manor | 1,800,000* |
| Deciphera Pharmaceuticals, Tenant Finish | 1,540,500 |
| Ad Astra Eye, New Commercial | 1,450,000 |
| Velocity Church, Commercial Remodel | 1,450,000* |
| Chi Omega, Commercial Remodel | 1,200,000 |

* These projects are exempt from property taxation.

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

| <u>Project Description</u> | <u>Construction Valuation</u> |
|---|-------------------------------|
| Oldfather, New Multi-family | \$ 7,200,000 |
| Residential new family | 1,750,000 |
| Hi-tech Interiors, New storage building | 1,250,000 |
| Residential new family | 1,228,700 |
| Valvoline instant oil, New Commercial | 1,200,000 |

Labor Force Data

| | <u>Annual Average</u> | | | | <u>January</u> |
|--------------------|-----------------------|-------------|-------------|-------------|----------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Labor Force: | | | | | |
| City of Lawrence | 52,436 | 52,665 | 51,937 | 52,945 | 53,262 |
| Douglas County | 65,119 | 65,375 | 64,225 | 65,523 | 65,930 |
| State of Kansas | 1,477,847 | 1,486,620 | 1,497,003 | 1,495,233 | 1,495,634 |
| Unemployment Rate: | | | | | |
| City of Lawrence | 3.0% | 2.9% | 6.2% | 1.8% | 2.5% |
| Douglas County | 3.0 | 2.9 | 6.1 | 1.8 | 2.5 |
| State of Kansas | 3.3 | 3.2 | 5.9 | 2.8 | 2.6 |

Source: Kansas Labor Information Center, <http://www.klic.dol.ks.gov>. 2021 and 2022 data are preliminary.

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> | |
| 2022 (to 1-31) | 3 | \$ 550,000 | 0 | \$ 0 | \$ 3,730,071 |
| 2021 | 171 | 58,325,560 | 24 | 43,380,668 | 218,944,276 |
| 2020 | 178 | 63,273,131 | 11 | 27,388,958 | 145,401,761 |
| 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 |

^(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.

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 | 105 | December 31, 2024 |
| Local 1596 International Association of Firefighters | <u>118</u> | December 31, 2023 |
| Subtotal | 223 | |
| Non-unionized employees | <u>594</u> | |
| Total employees | 817 | |

WATER AND WASTEWATER DISCLOSURE INFORMATION

History, Organization, and Operation of the System

The City of Lawrence Municipal Services and Operations Department (the “Department”) has the responsibility of providing water and sewage service to the City and portions of the outlying area. The Department operates through the Director of Utilities, Dave Wagner, under the delegated authority of the City Manager, Mr. Craig S. Owens.

The water and sewage systems (the “System”) are operated as a combined entity for administrative and financial purposes, with all revenues commingled in a common fund, from which all water and sewage operating expenses, direct capital expenditures, and debt service costs are paid. However, water and sewage rates are based upon separate schedules and are established to cover the costs of each utility.

Description of Existing Facilities of the System

The Water Utility

The City’s water system provides exclusive treated water service to approximately 34,334 customers, most of whom are located within the corporate limits of the City. Treated water service is also currently provided on a wholesale basis to six rural water districts (one of which is on an emergency need basis) and the City of Baldwin, Kansas. The water system is capable of drawing on both the Kansas River and the Clinton Reservoir for raw water.

The City’s current water supply consists of ground water and surface water derived from three sources: two water intakes from the Kansas River, six wells located in the Kansas River basin, and an intake on Clinton Reservoir, located west of the City. The following sets forth the volume of water for which the City has approved applications and/or rights to appropriate water for beneficial use.

| <u>Source</u> | <u>Acre Feet Per Year</u> |
|-------------------|-------------------------------|
| Kansas River | 25,017.57 |
| Clinton Reservoir | 15,305.60 |
| Total | 40,323.17 |

The City’s rights to the Kansas River supply is protected from junior water rights holders under Kansas law. The Clinton Reservoir supply is pursuant to water supply contracts with the Kansas Water Office. In addition, the City (along with other major cities on the Kansas River) is a member of the Kansas River Water Assurance District. The Kansas River Water Assurance District was formed to purchase storage in upstream reservoirs to mitigate water supply problems during drought conditions.

The water utility service area is supplied from the Kaw Water Treatment Plant and the Clinton Water Treatment Plant. The Kaw Plant is a 16.0 million gallon per day (mgd) capacity water treatment plant located near the Kansas River at Third and Indiana Streets and has been in operation since 1917. The Clinton Plant is located near the Clinton Reservoir in the southwestern portion of the City and has been in operation since 1980. Subsequent expansions to the Clinton Plant in 2002, 2004, 2009, and to the raw water pump station in 2016 have increased the Clinton Plant’s original 10.0 mgd capacity to 25.0 mgd. The distribution system includes over 569 miles of water mains and 3,659 fire hydrants. The daily average volume of water treated was 10.4 mgd in 2021. The highest recorded amount of water treated was 24.6 mgd on July 6, 2012. The City uses conventional water treatment technology including lime softening, coagulation, and filtration.

The Wastewater Utility

The wastewater utility provides exclusive service to virtually the same customers that are served by the water utility. The City's wastewater collection system includes over 461 miles of sewers and includes lines up to 54 inches in diameter. The Department maintains 34 sewage lift stations. Primary and secondary treatment of collected sewage is provided at the 12.5 mgd capacity dry weather and 25.0 mgd wet weather wastewater treatment plant located on the Kansas River near the eastern edge of the City. The plant also has an excess flow treatment facility capable of treating an additional 40.0 mgd during peak wet weather flows. The plant was first placed in service in 1956 and upgraded in 2004 and 2013. The daily average treatment for 2021 was approximately 10.6 mgd.

The Wakarusa River Wastewater Treatment Plant and Conveyance Corridor system went into operation in March of 2018. The combined project cost was \$73.2 million. This project provides a second wastewater treatment plant with a 2.5 mgd Biological Nutrient Removal (BNR) process train and enhanced operational flexibility, with pump station functionality to divert flows between the two (2) wastewater treatment plants as needed to meet changing operational needs. The project provides for future community growth, meets the regulatory requirements for wet weather treatment and nutrient removal, and increases system reliability and resiliency in transporting and treating wastewater without negatively impacting the community or the environment.

Capital Improvement Plan

The City currently expects to finance approximately \$25.11 million of this through the issuance of additional Parity Bonds, and this will be paid with operating revenues of the System. The planned improvements are primarily related to maintaining the existing water and wastewater system along with beginning of the nutrient removal project at the Kansa River Wastewater Treatment Plant.

Regulatory Matters

The City is in compliance with both the Safe Water Drinking Act of 1996 and the Clean Water Act as amended by the Water Quality Act of 1990. Wastewater effluent meets or exceeds EPA standards. The City tests for, and is in compliance with, all parameters required by the Kansas Department of Health and Environment.

Customers

Sales

The following table shows System water sales by type of customer for the most recently completed calendar year (2021):

| <u>Customer Category</u> | <u>Water Usage (Thousand Gallons)</u> | <u>Amount</u> |
|--------------------------|---|-----------------|
| Residential | 1,673,907.10 | \$14,022,905.74 |
| Multifamily | 375,146.90 | 2,836,416.11 |
| Commercial | 419,536.80 | 2,925,223.00 |
| Industrial | 381,932.90 | 2,434,940.15 |
| Wholesale | 662,810.90 | 1,469,692.45 |
| Total | 3,513,334.60 | \$23,689,117.45 |

Historical Customers – Water

The following tables show the historic number of water customers served by the System for the years indicated, as well as the historical water sales volume by category.

| <u>Year</u> | <u>Average Number of Water Service Connections</u> | | | |
|-------------|--|--------------------|--------------|--------------|
| | <u>Residential</u> | <u>Multifamily</u> | <u>Other</u> | <u>Total</u> |
| 2021 | 31,544 | 650 | 2,395 | 34,589 |
| 2020 | 31,275 | 661 | 2,404 | 34,340 |
| 2019 | 31,110 | 656 | 2,385 | 34,151 |
| 2018 | 30,851 | 632 | 2,391 | 33,874 |
| 2017* | 30,477 | 677 | 2,393 | 33,547 |

* In 2017, all residential properties that have two units or less were classified as Residential which resulted in a decrease in Multifamily.

| <u>Year</u> | <u>Water Sales Volume (Thousand Gallons)</u> | | | | | |
|-------------|--|--------------------|-------------------|-------------------|--------------|--------------|
| | <u>Residential</u> | <u>Multifamily</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Other</u> | <u>Total</u> |
| 2021 | 1,673,907 | 375,147 | 419,537 | 381,933 | 662,811 | 3,513,335 |
| 2020 | 1,720,510 | 368,470 | 503,696 | 314,070 | 719,685 | 3,626,431 |
| 2019 | 1,551,795 | 360,625 | 552,104 | 371,837 | 361,780 | 3,198,141 |
| 2018 | 1,850,099 | 363,809 | 668,711 | 446,698 | 404,839 | 3,734,156 |
| 2017* | 1,690,929 | 362,423 | 714,637 | 390,578 | 356,486 | 3,515,053 |

* The differences in the Commercial and Industrial volume was due to a reclassification of reporting.

Historical Customers – Sewer

The following tables show the historic number of sewer customers served by the System for the years indicated, as well as the actual average daily treatment.

| <u>Year</u> | <u>Service Connections</u> | <u>Actual Daily Average of Treatment (mdg)</u> |
|-------------|----------------------------|--|
| 2021 | 33,863 | 11.0 |
| 2020 | 33,595 | 10.6 |
| 2019 | 33,358 | 12.3 |
| 2018 | 33,105 | 8.7 |
| 2017 | 32,791 | 10.3 |

Largest Customers

The top ten water consumers during 2021 are as follows:

| <u>Customer</u> | <u>Water Sales Volume</u> | <u>% of Total</u> | <u>Water Revenues</u> | <u>% of Total</u> |
|------------------------------|---------------------------|-------------------|-----------------------|-------------------|
| Kansas University | 207,215,600 | 10.03% | \$ 1,320,684.94 | 8.59% |
| City of Baldwin | 198,546,200 | 9.61 | 796,917.69 | 5.18 |
| Rural Water District #1 | 53,679,100 | 2.60 | 216,164.58 | 1.41 |
| Evergy | 52,865,900 | 2.56 | 328,745.10 | 2.14 |
| Packer Plastics | 42,033,200 | 2.04 | 262,630.73 | 1.71 |
| Rural Water District #4 | 38,956,900 | 1.89 | 156,750.51 | 1.02 |
| Lawrence Memorial Hospital | 31,587,500 | 1.53 | 217,862.61 | 1.42 |
| Rural Water District #2 | 27,842,800 | 1.35 | 111,959.01 | 0.73 |
| ICL Specialty Products, Inc. | 27,411,500 | 1.33 | 188,809.14 | 1.23 |
| Meadowbrook Apartments | 20,548,100 | 0.99 | 144,713.92 | 0.94 |

Wholesale Contracts

The City has entered into wholesale contracts with the City of Baldwin City, Kansas and five other rural water districts in the State of Kansas for the sale of treated water. During 2021, the City of Baldwin City, Kansas comprised approximately 5.18% of the total water revenues and 9.61% of the total water sales volume of the System. The City's agreement with the City of Baldwin City terminates in 2059. During 2021, Rural Water District #1 comprised approximately 1.41% of the total water revenues and 2.60% of the total water consumption of the System. Rural Water District #1, Rural Water District #2, and Rural Water District #4 also entered into a new contracts with the City in December 2019. The contracts expire in 2059 with 60 months' notice of cancellation by either party. In addition to treated water, the new contracts include the City supplying raw water to Rural Water District #1, Rural Water District #2, Rural Water District #4, and the City of Baldwin City.

Rates and Charges

General

All rates and charges related to the System are determined solely by the governing body of the City and are not subject to further regulatory approval. The governing body of the City annually reviews System rates and charges. The City completed a rate study to evaluate charges related to the System in consultation with Raftelis Financial Consultants. Before the most recent rate study, the last rate study was performed by a third-party in 2004, and was annually updated by City staff. The governing body of the City approved rate increases for 2021, effective April 1, 2021 are shown below.

Water Service Charges

Monthly volume charges for water service to water service customers, including residential units, institutions, business or industry served by a single water meter, except rural water districts and other municipalities, effective on and after April 1, 2021, are shown below:

| Customer Class | Inside City | Outside City |
|-----------------------|-------------------------------|-------------------------------|
| | Effective as of April 1, 2021 | Effective as of April 1, 2021 |
| Residential – Block 1 | \$7.01/1,000 gal | \$7.81/1,000 gal |
| Residential – Block 2 | \$7.81/1,000 gal | \$8.60/1,000 gal |
| Residential – Block 3 | \$8.17/1,000 gal | \$8.99/1,000 gal |
| Multifamily | \$5.93/1,000 gal | \$6.53/1,000 gal |
| Commercial | \$6.64/1,000 gal | \$7.31/1,000 gal |
| Industrial | \$6.27/1,000 gal | \$6.90/1,000 gal |
| Irrigation | \$8.17/1,000 gal | \$8.99/1,000 gal |

Residential blocks are calculated using the Winter Quarter Average (WQA) as defined in City Code 19-314.1 as follows:

- Block 1 rate is applied to usage up to and including 125% of the WQA
- Block 2 rate is applied to all usage above 125% up to and including 200% of the WQA
- Block 3 rate is applied to all usage above 200% the WQA

The minimum WQA used to calculate residential blocks shall be 3,000 gallons.

Monthly charges for water service to rural water districts and other municipalities are currently set at \$4.04/1,000 gallons effective as of January 1, 2021, or at such rates as contracted by the City.

Monthly water service charges per water meter, effective on and after January 1, 2021, are shown below:

| Meter Size (Inches) | Inside City | Outside City |
|-------------------------|---------------------------------|---------------------------------|
| | Effective as of January 1, 2021 | Effective as of January 1, 2021 |
| 5/8 | \$4.40 | \$4.80 |
| 1 | \$5.25 | \$5.80 |
| 1 ½ | \$6.05 | \$6.65 |
| 2 | \$8.35 | \$9.20 |
| 3 | \$25.00 | \$27.50 |
| 4 | \$31.10 | \$34.20 |
| 6 | \$46.20 | \$50.85 |
| 8 | \$62.10 | \$68.30 |
| 10 | \$81.50 | \$89.65 |
| 12 | \$94.85 | \$104.30 |
| 15 | \$126.50 | \$139.15 |
| Multi-Family (Per Unit) | \$4.40 | \$4.80 |

Sewer Service Charges

For purposes of determining sewer charges for residential customers, a monthly average usage is computed based on the actual water usage for the billing periods falling in the months of December, January, and February. This average usage is used to calculate the monthly sewer charge for all subsequent months until a new average usage is calculated the following year. All nonresidential customers are charged based on monthly water use. The City considers applications, fully supported, for adjustments due to non-sewered water use.

Monthly volume charges for sewer service to wastewater customers, effective on and after January 1, 2021, are shown below:

| Monthly Water Use | Inside City | Outside City |
|-------------------|---------------------------------|---------------------------------|
| | Effective as of January 1, 2021 | Effective as of January 1, 2021 |
| Volume Charge | \$8.73/1,000 gal | \$11.35/1,000 gal |

Monthly sewer service charges per water meter, effective on and after January 1, 2021, are shown below:

| Meter Size (Inches) | Inside City | Outside City |
|---------------------|---------------------------------|---------------------------------|
| | Effective as of January 1, 2021 | Effective as of January 1, 2021 |
| All Meter Sizes | \$14.85 | \$16.30 |

Surcharges are applied if the biochemical oxygen demand (“BOD”) strength or total suspended solids (“TSS”) strength of wastewater exceeds certain levels. The surcharges, effective on and after January 1, 2021, are shown below:

| Effective Date | Inside City Unit Charge for BOD in dollars per | Inside City Unit Charge for TSS in dollars per pound | Outside City Unit Charge for BOD in dollars | Outside City Unit Charge for TSS in dollars per |
|-----------------|--|--|---|---|
| | ICBOD | ICTSS | OCBOD | OCTSS |
| January 1, 2021 | \$0.9900 | \$0.6340 | \$1.089 | \$0.6970 |

Historic Revenues and Expenses

The following table shows the revenues, expenses, and changes in net assets from the Water and Sewer Fund for the last five years. Water and sewage charges have shown steady growth during the period.

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues: | | | | | |
| Water and Sewer Charges | \$ 42,686,814 | \$ 49,878,618 | \$ 44,970,127 | \$ 48,192,983 | \$ 53,791,047 |
| Water Tap Extensions | - | - | - | - | - |
| Other Revenues | 243,656 | 338,716 | 273,443 | 302,817 | 52,013 |
| Total Operating Revenues | 42,930,470 | 50,217,334 | 45,243,570 | 48,495,800 | 53,843,060 |
| Expenses: | | | | | |
| Administrative | 4,722,002 | 5,551,977 | 7,712,967 | 6,663,898 | 8,797,291 |
| Operation & Maintenance | 17,816,926 | 18,044,829 | 22,653,061 | 22,734,203 | 24,196,800 |
| Depreciation & Amortization | 7,554,469 | 8,980,757 | 9,595,747 | 10,388,213 | 10,609,750 |
| Total Operating Expenses | 30,093,397 | 32,577,563 | 39,961,775 | 39,786,314 | 43,603,841 |
| Non-Operating Revenues (Expenses): | | | | | |
| Gain (Loss) on Sale | 7,045 | 54,504 | 29,329 | (10,625) | (52,757) |
| Interest Income | 688,945 | 902,225 | 1,625,853 | 857,472 | 72,460 |
| Interest Expense | (7,268,743) | (6,173,524) | (5,802,462) | (6,009,372) | (5,872,822) |
| Transfers | (3,084,000) | (3,085,000) | (3,085,000) | (3,199,167) | (2,488,000) |
| Reimbursements | 573,898 | 406,556 | 343,541 | 13,277,728 | 235,706 |
| Total Non-Operating | (9,082,855) | (7,895,239) | (6,888,739) | 4,916,036 | (8,105,413) |
| Net income | \$ 3,754,218 | \$ 9,744,532 | \$ (1,606,944) | \$ 13,625,522 | \$ 2,133,806 |
| Net Position January 1 | \$ 141,783,986 | \$ 145,612,712 | \$ 153,876,521 | \$ 144,795,381 | \$ 158,420,903 |
| Restatement | \$ 74,508 | \$ (1,480,723) | \$ (7,474,196) | \$ - | \$ - |
| Net Position December 31 | <u>\$ 145,612,712</u> | <u>\$ 153,876,521</u> | <u>\$ 144,795,381</u> | <u>\$ 158,420,903</u> | <u>\$ 160,554,709</u> |

Liquidity

The following table shows the days of unrestricted cash on hand to pay operating and maintenance and administrative expenses for each of the past five years.

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| Operating and Maintenance Expense | \$17,816,926 | \$18,044,829 | \$22,653,061 | \$22,734,203 | \$24,196,800 |
| Administrative Expenses | <u>4,722,002</u> | <u>5,551,977</u> | <u>7,712,967</u> | <u>6,663,898</u> | <u>8,797,291</u> |
| Operating Expenses | \$22,538,928 | \$23,596,806 | \$30,366,028 | \$29,398,101 | \$32,994,091 |
| Days | 365 | 365 | 365 | 365 | 365 |
| Daily Operating Expenses | \$ 61,750 | \$ 64,649 | \$ 83,195 | \$ 80,543 | \$ 90,395 |
| Total Cash and Investments | \$28,605,905 ^(a) | \$37,727,200 ^(b) | \$30,483,995 ^(c) | \$32,704,964 ^(d) | \$30,801,576 |
| Days of Cash for Daily Operating Expenses | 463 | 584 | 366 | 406 | 341 |

(a) Subsequent to the publication of the City's 2017 Comprehensive Annual Financial Report it was determined that the cash amount of \$68,927,242 shown in the STATEMENT OF NET POSITION for the Water and Sewer Fund contained \$40,321,337 of restricted cash and investments. The cash position for purposes of showing days cash on hand above has been reduced by this amount.

(b) Subsequent to the publication of the City's 2018 Comprehensive Annual Financial Report it was determined that the cash amount of \$78,767,377 shown in the STATEMENT OF NET POSITION for the Water and Sewer Fund contained \$41,040,177 of restricted cash and investments. The cash position for purposes of showing days on cash on hand above has been reduced by this amount.

(c) Subsequent to publication of the City's 2019 Comprehensive Annual Financial Report it was determined that the cash amount of \$68,141,577 shown in the STATEMENT OF NET POSITION for the Water and Sewer Fund contained \$37,657,582 of restricted cash and investments. The cash position for purposes of showing days on cash on hand above has been reduced by this amount.

(d) Subsequent to publication of the City's 2020 Comprehensive Annual Financial Report it was determined that the cash amount of \$60,203,242 shown in the STATEMENT OF NET POSITION for the Water and Sewer Fund contained \$27,498,278 of restricted cash and investments. The cash position for purposes of showing days on cash on hand above has been reduced by this amount.