

NOTICE OF SALE

\$2,500,000*
CITY OF BEL AIRE, KANSAS
GENERAL OBLIGATION BONDS
SERIES 2021C

(GENERAL OBLIGATION BONDS PAYABLE FROM UNLIMITED AD VALOREM TAXES)

Bids. Written, facsimile and electronic (as explained below) bids for the purchase of the above-referenced General Obligation Bonds, Series 2021C (the “Bonds”) of the City of Bel Aire, Kansas (the “Issuer”) herein described will be received on behalf of the undersigned Clerk of the Issuer at the address hereinafter set forth in the case of written and facsimile bids and via www.columbiacapitalauction.com (the “Columbia Capital Auction”) in the case of electronic bids, until 10:00 a.m. Central Time (the “Submittal Hour”), on

Tuesday, November 16, 2021

(the “Sale Date”). All bids will be publicly evaluated at said time and place and the award of the Bonds (the “Bonds”) to the successful bidder or bidders (the “Successful Bidders”) will be acted upon by the governing body at its meeting to be held at 7:00 p.m. on the Sale Date. No oral or auction bids will be considered. Capitalized terms not otherwise defined herein shall have the meanings set forth in the hereinafter referenced Preliminary Official Statement relating to the Bonds.

Terms of the Bonds. The Bonds will consist of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). The Bonds will be dated December 7, 2021 (the “Dated Date”), and will become due in principal installments on November 1 in the years as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2022	\$95,000	2032	\$130,000
2023	95,000	2033	130,000
2024	95,000	2034	135,000
2025	100,000	2035	135,000
2026	105,000	2036	140,000
2027	110,000	2037	145,000
2028	115,000	2038	145,000
2029	120,000	2039	150,000
2030	125,000	2040	150,000
2031	125,000	2041	155,000

The Bonds will bear interest from the Dated Date at rates to be determined when the Bonds are sold as hereinafter provided, which interest will be payable semiannually on May 1 and November 1 in each year, beginning on May 1, 2022 (the “Interest Payment Dates”).

Adjustment of Issue Size. The Issuer reserves the right to increase or decrease the total principal amount of the Bonds, depending on the purchase price and interest rates bid and the offering prices specified by the Successful Bidder. The principal amount of any maturity may be adjusted by the Issuer in order to properly size the Bond issue based on the discount or premium and interest rates bid on the Bonds. The Successful Bidder may not withdraw its bid or change the interest rates bid as a result of any changes made

*Preliminary; subject to change

to the principal amount of the Bonds or principal of any maturity as described herein. If there is an increase or decrease in the final aggregate principal amount of the Bonds or the schedule of principal payments as described above, the Issuer will notify the Successful Bidder by means of telephone or facsimile transmission, subsequently confirmed in writing, no later than 2:00 p.m., Central Time, on the Sale Date. The actual purchase price for the Bonds shall be calculated by applying the percentage of par value bid by the Successful Bidder against the final aggregate principal amount of the Bonds, as adjusted.

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

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

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

Redemption of Bonds Prior to Maturity.

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

Optional Redemption. At the option of the Issuer, Bonds maturing on November 1 in the years 2030, and thereafter, will be subject to redemption and payment prior to maturity on November 1, 2029, and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

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

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

Authority, Purpose and Security. The Bonds are being issued pursuant to K.S.A. 10-101 *et seq.*, K.S.A. 14-570 *et seq.*, as amended by Charter Ordinance No. 19 of the Issuer, and K.S.A. 12-101 *et seq.*, all as amended, and an ordinance and a resolution adopted by the governing body of the Issuer (collectively the “Bond Resolution”) for the purpose of permanently financing the costs of certain street improvements (the “2021C Improvements”). The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

Submission of Bids. Written bids must be made on forms which may be procured from the Clerk or the Financial Advisor and shall be addressed to the undersigned, and marked “Proposal for General Obligation Bonds, Series 2021C.” Written bids submitted by facsimile should not be preceded by a cover sheet and should be sent only once to **(913) 312-8053**. Confirmation of receipt of facsimile bids may be made by contacting the Financial Advisor at the number listed below. Electronic bids via Columbia Capital Auction must be submitted in accordance with its Rules of Participation, as well as the provisions of this

Notice of Sale. If provisions of this Notice of Sale conflict with those of Columbia Capital Auction, this Notice of Sale shall control. Bids must be received prior to the Submittal Hour on the Sale Date accompanied by the Deposit (as hereinafter defined), which may be submitted separately. The Issuer shall not be responsible for any failure, misdirection or error in the means of transmission selected by any bidder.

Columbia Capital Auction. Information about, registration to use and instructions for the electronic bidding services of Columbia Capital Auction may be obtained from Grant Street Group, at (412) 391-5555 x370.

Conditions of Bids. Proposals will be received on the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: (a) the same rate shall apply to all Bonds of the same maturity year and the same series; (b) no interest rate may exceed a rate equal to the daily yield for the 10-year Treasury Bond published by **THE BOND BUYER**, in New York, New York, on the Monday next preceding the day on which the Bonds are sold, plus 3%; (c) no supplemental interest payments will be considered; (d) each interest rate specified shall be a multiple of 1/100 or 1/8 of 1%; and (e) no Bond maturing on or after November 1, 2029, may be reoffered at a price of less than 98.0% of the principal amount thereof. No bid for less than 105.0% of the principal amount of the Bonds and accrued interest thereon to the date of delivery will be considered. Each bid shall specify the total interest cost (expressed in dollars) during the term of the Bonds, on the basis of such bid, the discount, if any, the premium, if any, offered by the bidder, the net interest cost (expressed in dollars) on the basis of such bid, and an estimate of the TIC (as hereinafter defined) on the basis of such bid. Each bidder shall certify to the Issuer the correctness of the information contained on the Official Bid Form, and the Issuer will be entitled to rely on such certification. Each bidder agrees that, if it is awarded the Bonds, it will provide the certification described under the caption "Establishment of Issue Price" in this Notice.

Good Faith Deposit. To have its proposal considered for award, the lowest bidder for each issue of the Bonds is required to submit a good faith deposit to the Issuer in the amount of \$50,000 for the Bonds (the "Deposit") no later than the Submittal Hour on the Sale Date. The Deposit may be submitted in any of the following forms:

- (a) Certified or cashier's check drawn on a bank located in the United States of America; or
- (b) wire transfer in Federal Reserve funds, immediately available for use by the Issuer to the following financial institution for benefit of the Issuer:

Bankers Bank of Kansas (Receiving Bank)
Chisholm Trail State Bank (Beneficiary Bank)
ABA (Routing) #: 101104805
Account Number: 0110292 (CTSB) 600059 City of Bel Aire, Kansas
FBO/RE: Good Faith Proceeds, Series 2021CB, City of Bel Aire, Kansas
Contact Name and Phone Number at Bank: Mary Berry, 316-744-1293.

Contemporaneously with the submission of a wire transfer Deposit, such bidder shall send an email to the Financial Advisor at the email address set forth below, including the following information: (a) notification that a wire transfer has been made; (b) the amount of the wire transfer; and (c) return wire transfer instructions in the event such bid is unsuccessful. Good Faith checks submitted by unsuccessful bidders will be returned; wire transfer Deposits submitted by unsuccessful bidders will not be accepted or shall be returned in the same manner received on the next business day following the Sale Date. The Issuer reserves the right to withhold reasonable charges for any fees or expenses incurred in returning a wire transfer Deposit. No interest on the Deposit will be paid by the Issuer. If a bid is accepted, the Deposit, or the proceeds thereof, will be held by the Issuer until the Successful Bidder has complied with all of the

terms and conditions of this Notice at which time the amount of said Deposit shall be returned to the Successful Bidder or deducted from the purchase price at the option of the Issuer. If a bid is accepted but the Issuer fails to deliver the Bonds to the Successful Bidder in accordance with the terms and conditions of this Notice, said Deposit, or the proceeds thereof, will be returned to the Successful Bidder. If a bid is accepted but the bidder defaults in the performance of any of the terms and conditions of this Notice, the proceeds of such Deposit will be retained by the Issuer as and for liquidated damages.

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

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

The Issuer’s acceptance, including electronic acceptance through Columbia Capital Auction, of the Successful Bidder’s proposal for the purchase of Bonds in accordance with this Notice of Sale shall constitute a bond purchase agreement between the Issuer and the Successful Bidder for purposes of the laws of the State and a contract between the Issuer and the Successful Bidder for the purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”) and Rule G-32 of the Municipal Securities Rulemaking Board (“Rule G-32”). The method of acceptance shall be determined solely by the governing body of the Issuer.

Optional Bond Insurance. The Issuer has **not** applied for any policy of municipal bond insurance with respect to the Bonds, and will not pay the premium in connection with any policy of municipal bond insurance desired by the Successful Bidder. In the event a bidder desires to purchase and pay all costs associated with the issuance of a policy of municipal bond insurance in connection with the Bonds, such indication and the name of the desired insurer must be set forth on the bidder's Official Bid Form, and shall specify all terms and conditions to which the Issuer will be required to agree in connection with the issuance of such insurance policy. The Issuer specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest net interest cost to the Issuer.

Ratings. The outstanding general obligation bonds of the Issuer are rated “A+” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, a part of S&P Global, Inc.

CUSIP Numbers. CUSIP identification numbers will be assigned and printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance

with the terms of this Notice. All expenses in relation to the assignment and printing of CUSIP numbers on the Bonds will be paid by the Issuer.

Delivery and Payment. The Issuer will pay for preparation of the Bonds and will deliver the Bonds properly prepared, executed and registered without cost on or about **DECEMBER 7, 2021** (the “Closing Date”), to DTC for the account of the Successful Bidder or at such bank or trust company in the contiguous United States of America as may be specified by the Successful Bidder, or elsewhere at the expense of the Successful Bidder. The Successful Bidder will be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Bonds shall be made in federal reserve funds, immediately available for use by the Issuer. The Issuer will deliver one Bond of each maturity registered in the nominee name of DTC.

Establishment of Issue Price.

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

(b) The Issuer intends that the sale of the Bonds, as applicable, pursuant to this Notice shall constitute a “competitive sale” as defined in the Regulation. In support thereof: (1) the Issuer shall cause this Notice to be disseminated to potential bidders in a manner reasonably designed to reach potential bidders; (2) all bidders shall have an equal opportunity to submit a bid; (3) the Issuer reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds, as applicable; and (4) the Issuer anticipates awarding the sale of the Bonds, as applicable, to the bidder that provides a bid with the lowest TIC in accordance with the section hereof entitled “Basis of Award.”

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

(d) If all of the requirements of a “competitive sale” are not satisfied, the Issuer shall advise the Successful Bidder of such fact at the time of award of the sale of the Bonds, as applicable, to the Successful Bidder and the following provisions shall apply to the Bonds, as applicable. ***In such event, any***

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

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

Preliminary Official Statement and Official Statement. The Issuer has prepared an Official Statement dated November 9, 2021, “deemed final” by the Issuer except for the omission of certain information as provided in Securities and Exchange Commission Rule 15c2-12, copies of which may be obtained from the Clerk or from the Financial Advisor. Upon the sale of the Bonds, the Issuer will adopt the final Official Statement and will furnish the Successful Bidders, without cost, within seven business days of the acceptance of the Successful Bidders’ proposals, with a sufficient number of copies thereof, which may be in electronic format, in order to comply with the requirements of Rule 15c2-12(3) and (4) of the Securities and Exchange Commission and Rule G-32 of the Municipal Securities Rulemaking Board (collectively the “Rules”). Additional copies may be ordered by the Successful Bidder at its expense. The Issuer’s acceptance, including electronic acceptance through Columbia Capital Auction, of the Successful Bidders’ proposals for the purchase of the Bonds in accordance with this Notice of Sale shall constitute contracts between the Issuer and the Successful Bidders for purposes of the Rules.

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

Assessed Valuation and Indebtedness. The total assessed valuation of the taxable tangible property within the Issuer for the year 2021 is as follows:

Equalized Assessed Valuation of	
Taxable Tangible Property	\$70,580,624
Tangible Valuation of Motor Vehicles.....	<u>11,347,973</u>
Equalized Assessed Tangible Valuation	
for Computation of Bonded Debt Limitations	\$81,928,597

The total general obligation indebtedness of the Issuer as of the Dated Date, including the Bonds being sold, is \$49,445,000.

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

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

DATED: October 19, 2021.

CITY OF BEL AIRE, KANSAS

By Melissa Krehbiel, Clerk

Written Bid and Good Faith Deposit Delivery Address:

7651 E. Central Park Ave
Bel Aire, Kansas 67226
Phone No.: (316) 744-2451
Fax No.: (316) 744-3739
Email: mkrehbiel@belaireks.gov

Financial Advisor - Facsimile Bid Delivery Address:

Columbia Capital Management, LLC
6700 Antioch, Suite 250
Merriam, KS 66204
Fax No. (913) 312-8053
Email: jwhite@columbiacapital.com
Phone No. (913) 312-8055
Email: apope@columbiacapital.com
Phone No. (913) 312-8064

OFFICIAL BID FORM
PROPOSAL FOR THE PURCHASE OF CITY OF BEL AIRE, KANSAS
GENERAL OBLIGATION BONDS, SERIES 2021C

TO: Melissa Krehbiel, Clerk
City of Bel Aire, Kansas

November 16, 2021

For \$2,500,000* principal amount of General Obligation Bonds, Series 2021C, of the City of Bel Aire, Kansas, to be dated December 7, 2021, as described in the Notice of Sale dated October 19, 2021, said Bonds to bear interest as follows:

<u>Stated</u> <u>Maturity</u> <u>November 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield %</u>	<u>Price</u>	<u>Stated</u> <u>Maturity</u> <u>November 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield %</u>	<u>Price</u>
2022	\$95,000	_____ %	_____ %	_____ %	2032	\$130,000	_____ %	_____ %	_____ %
2023	95,000	_____ %	_____ %	_____ %	2033	130,000	_____ %	_____ %	_____ %
2024	95,000	_____ %	_____ %	_____ %	2034	135,000	_____ %	_____ %	_____ %
2025	100,000	_____ %	_____ %	_____ %	2035	135,000	_____ %	_____ %	_____ %
2026	105,000	_____ %	_____ %	_____ %	2036	140,000	_____ %	_____ %	_____ %
2027	110,000	_____ %	_____ %	_____ %	2037	145,000	_____ %	_____ %	_____ %
2028	115,000	_____ %	_____ %	_____ %	2038	145,000	_____ %	_____ %	_____ %
2029	120,000	_____ %	_____ %	_____ %	2039	150,000	_____ %	_____ %	_____ %
2030	125,000	_____ %	_____ %	_____ %	2040	150,000	_____ %	_____ %	_____ %
2031	125,000	_____ %	_____ %	_____ %	2041	155,000	_____ %	_____ %	_____ %

*Subject to change, see Notice of Sale dated October 19, 2021

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

Principal Amount\$2,500,000.00
Less Discount
Plus Premium (if any)
Total Purchase Price \$

Total interest cost to maturity at the rates specified \$
Net interest cost (adjusted for Discount and/or Premium) \$
True Interest Cost %
Average annual net interest rate %

- ☐ The Bidder elects to purchase Municipal Bond Insurance from: _____. Complete blank.
☐ The Bidder elects to have the following Term Bonds:

Maturity Date	Years	Amount*
November 1, ____	_____ to _____	\$ _____
November 1, ____	_____ to _____	\$ _____

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

This proposal is subject to all terms and conditions contained in said Notice of Sale, and if the undersigned is the Successful Bidder, the undersigned will comply with all of the provisions contained in said Notice. A cashier's or certified check or a wire transfer in the amount of \$50,000 payable to the order of the Issuer, submitted in the manner set forth in the Notice accompanies this proposal as an evidence of good faith. The acceptance of this proposal by the Issuer by execution below shall constitute a contract between the Issuer and the Successful Bidder for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission and a bond purchase agreement for purposes of the laws of the State of Kansas.

Submitted by: _____

(LIST ACCOUNT MEMBERS ON REVERSE)

By: _____
Telephone No. (____) _____

ACCEPTANCE

Pursuant to action duly taken by the Governing Body of the City of Bel Aire, Kansas, the above proposal is hereby accepted on November 16, 2021.

Attest:

Clerk

Mayor

NOTE: No additions or alterations in the above proposal form shall be made, and any erasures may cause rejection of any bid. Sealed bids may be filed with the Clerk, Melissa Krehbiel, 7651 E. Central Park Ave, Bel Aire, Kansas 67226, facsimile bids may be filed with Columbia Capital Management, LLC, Fax No. (913) 312-8053 or electronic bids may be submitted via Columbia Capital Auction, at or prior to 10:00 a.m., Central Time, on November 16, 2021. Any bid received after such time will not be accepted or shall be returned to the bidder.

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This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 9, 2021

NEW ISSUE

BOOK-ENTRY ONLY

This official statement provides information about the Bonds (as defined herein). Some of the information appears on this over page for ready reference. A prospective investor must read the entire Official Statement to make an informed investment decision.

CITY OF BEL AIRE, KANSAS
\$2,500,000[†]
General Obligation Bonds
Series 2021C
(payable from unlimited *ad valorem* taxes)

Dated: Date of Delivery	Due: As shown on the inside front cover hereof
Rating of the Bonds	Standard and Poor's Bond Rating: "A+".
Interest Payment Date	May 1 and November 1, commencing May 1, 2022.
Redemption	The Bonds are subject to optional redemption prior to maturity as described herein.
Source of Payment	The General Obligation Bonds, Series 2021C (the "Bonds") and the interest thereon shall be general obligations of the City of Bel Aire, Kansas (the "City" or the "Issuer") payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.
Tax Exemption	In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the federal alternative minimum tax; (2) the interest on the Bonds is exempt from income taxation by the State of Kansas. and (3) the Bonds have <u>not</u> been designated or deemed designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "APPROVAL OF LEGALITY," "TAX EXEMPTION – THE BONDS" herein.
Purpose of the Bonds	The proceeds of the Bonds will be used for paying the costs of certain City-at-large improvements, and pay costs of issuance related to the Bonds.
Denominations	Multiples of \$5,000.
Closing	On or about December 7, 2021.
Book-Entry System	The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC").
Bond Counsel	Gilmore & Bell, P.C., Wichita, Kansas.
Registrar & Paying Agent	Kansas State Treasurer, Topeka, Kansas.
Issuer Contact	Additional information regarding this Official Statement is available by contacting the City of Bel Aire, 7651 E. Central Park Avenue, Bel Aire, Kansas, Attn: Ted Henry, Director of Finance and Administrations, (316) 744-2451.

The date of this Official Statement is November __, 2021.

[†] Subject to change

\$2,500,000[†]
CITY OF BEL AIRE, KANSAS
General Obligation Bonds
Series 2021C
 (payable from unlimited *ad valorem* taxes)

Dated: Date of Delivery

Due: November 1, as shown below

<u>Maturity</u>	<u>Amount[†]</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield</u>	<u>Initial Reoffering Price</u>	<u>CUSIP (Base: 077324)</u>
2022	\$95,000				
2023	95,000				
2024	95,000				
2025	100,000				
2026	105,000				
2027	110,000				
2028	115,000				
2029	120,000				
2030	125,000				
2031	125,000				
2032	130,000				
2033	130,000				
2034	135,000				
2035	135,000				
2036	140,000				
2037	145,000				
2038	145,000				
2039	150,000				
2040	150,000				
2041	155,000				

[____% Term Series 2021C Bond due _____ - Yield ____ (CUSIP 077324-____)]

[†] Subject to change

CITY OF BEL AIRE, KANSAS

7651 E. Central Park Avenue
Bel Aire, Kansas 67226
(316) 744-2451

CITY COUNCIL

Jim Benage, Mayor
Justin Smith, Council President
Jeff Elshoff, Council Member
Dr. Joel Schroeder, Council Member
Diane Wynn, Council Member
John Welch, Council Member

CITY MANAGER

Ty Lasher

CITY CLERK

Melissa Krehbiel

DIRECTOR OF FINANCE AND ADMINISTRATION

Ted Henry

CERTIFIED PUBLIC ACCOUNTANTS

Allen, Gibbs & Houlik, L.C.
Wichita, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

MUNICIPAL ADVISOR

Columbia Capital Management, LLC
Merriam, Kansas

No dealer, broker, salesman or other person has been authorized by the City of Bel Aire, Kansas, or the Original Purchasers to give any information or to make any representations with respect to the Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City of Bel Aire, Kansas, and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Original Purchasers. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Bel Aire, Kansas, since the date hereof.

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

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

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

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

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APPENDIX E—Form of Bond Counsel’s Opinion

CITY OF BEL AIRE, KANSAS

\$2,500,000[†]

General Obligation Bonds

Series 2021C

(payable from unlimited *ad valorem* taxes)

INTRODUCTION

The purpose of this Official Statement is to furnish information relating to the City of Bel Aire, Kansas (the “City”), and the City’s issuance of: (i) \$2,500,000[†] principal amount of General Obligation Bonds, Series 2021C (the “Bonds”), dated the day of delivery.

THE BONDS

Description of the Bonds

The Bonds will be issued in the total principal amounts provided on the cover page hereof; will be dated the date of delivery, in the denomination of \$5,000 each or any integral multiple thereof (the “Authorized Denomination”) not exceeding the principal amount maturing on any maturity date; will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York, to which payment of principal of and interest on the Bonds will be made; and will mature as set forth on the inside cover page hereof. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Bonds purchased. The principal of the Bonds will be payable at the office of the State Treasurer of Kansas (the “Paying Agent” or “Registrar”). See APPENDIX B—Book Entry Only System.

The Bonds will bear interest at the rates specified on the inside cover page hereof, based upon a 360-day year consisting of twelve 30-day months, from the later of the dated date or the most recent Bond Interest Payment Date to which interest has been paid. Interest on the Bonds will be payable semiannually on May 1 and November 1 (the “Bond Interest Payment Dates”) of each year until maturity, commencing May 1, 2022.

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

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

[†] Subject to change

Security for the Bonds

The Bonds and the interest thereon shall be general obligations of the City of Bel Aire, Kansas 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 of Bel Aire, Kansas are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

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

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

Eligibility for Pledging of Public Deposits

The Bonds are eligible and lawful security for all deposits of public funds of the State of Kansas and all agencies and subdivisions of the State, including all counties, cities, and school districts.

Optional Redemption

At the option of the City, Bonds maturing on November 1 in the years 2030, and thereafter, will be subject to redemption and payment prior to their Stated Maturity on November 1, 2029, and thereafter, as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the 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 to the Redemption Date.

[Mandatory Sinking Fund Redemption]

The Bonds maturing in [] shall be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Bond Resolution at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date. The City shall redeem the following amounts of the Bonds maturing on November 1 in the years indicated below.

<u>Principal Amount</u>	<u>Year</u>
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____*
_____]	_____

*Final Maturity

Selection of Bonds for Redemption

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 Bond Registrar in a minimum Authorized Denomination of principal amount in such equitable manner as the Bond Registrar may determine.

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

Notice of Bonds for Redemption

In the event the City desires to call the Bonds for redemption prior to maturity, written notice of such intent shall be provided to the Bond Registrar in accordance with K.S.A. 10-129, as amended, not less than 45 days prior to the Redemption Date. The Bond Registrar shall call Bonds for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Bond Registrar at least 45 days prior to the Redemption Date of written instructions of the City specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds to be called for redemption. [The foregoing provisions of this paragraph shall not apply in the case of any mandatory redemption of Term Bonds hereunder, and Term Bonds shall be called by the Paying Agent for redemption pursuant to such mandatory redemption requirements without the necessity of any action by the City and whether or not the Paying Agent holds moneys available and sufficient to effect the required 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 Bond Registrar and the Purchaser. In addition, the City shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

Registration and Transfer

The Issuer covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the office of the Registrar as herein provided. Each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register.

Bonds may be transferred and exchanged only on the Bond Register as provided in this Section. Upon surrender of any Bond at the principal office of the Registrar, the Registrar shall transfer or

exchange such Bond for a new Bond or Bonds in any Authorized Denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange.

Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Resolutions. The Issuer shall pay the fees and expenses of the Registrar for the registration, transfer and exchange of Bonds provided for by the Resolutions and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Code § 3406, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Owner hereunder or under the Bonds.

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

The Issuer and the Paying Agent may deem and treat the Person in whose name any Bond is registered on the Bond Register as the absolute Owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on said Bond and for all other purposes. All payments so made to any such Owner or upon the Owner's order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

At reasonable times and under reasonable regulations established by the Registrar, the Bond Register may be inspected and copied by the Owners (or a designated representative thereof) of 10% or more in principal amount of the Bonds then Outstanding or any designated representative of such Owners whose authority is evidenced to the satisfaction of the Registrar.

[Remainder of page left blank intentionally]

Authority and Purpose of the Series 2021C Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, , and City Charter Ordinance No. 19, all as amended, an ordinance passed by the governing body of the City and a resolution adopted by the governing body of the City (collectively, the “Bond Resolution”). The proceeds of the Bonds will be used for the purpose of paying certain City-at-large street improvements (the “Improvements”), and pay costs of issuance related to the Bonds.

The composition of the Series 2021C Bonds is as follows:

Principal of Series 2021C Bonds	\$ _____
Less: Original Issue Discount	_____
Plus: Original Issue Premium	_____
Total Sources of Funds:	\$ _____
Deposit to the Improvement Fund	\$ _____
Costs of Issuance	_____
Underwriter’s Compensation	_____
Total Uses of Funds:	\$ _____

[Remainder of page left blank intentionally]

DEBT STRUCTURE OF THE CITY

General Obligation Bonds							
Date of Issue	Series	Original Par	Purpose	Final Maturity	Est. Principal Outstanding 12-07-21	% Subject to the Debt Limit	Amount Subject to the Debt Limit
07-30-2014	2014A	\$1,100,000	Improvements	10-01-2034	\$760,000	30.90%	\$234,840
05-05-2015	2015A	\$5,390,000	Refunding	11-01-2027	\$2,195,000	29.62%	\$650,159
05-05-2015	2015B	\$575,000	Refunding	11-01-2027	\$260,000	59.29%	\$154,154
11-24-2015	2015D	\$3,960,000	Improvements	11-01-2036	\$3,125,000	0.59%	\$18,392
11-24-2015	2015E	\$220,000	Taxable Improvements	11-01-2036	\$175,000	0.00%	-
11-22-2016	2016A	\$2,820,000	Improvements	11-01-2037	\$2,230,000	51.46%	\$1,147,558
11-21-2017	2017A	\$5,545,000	Improvements	11-01-2038	\$4,810,000	58.87%	\$2,831,647
11-21-2019	2019A	\$6,060,000	Improvements	11-01-2040	\$5,825,000	53.70%	\$3,128,025
11-21-2019	2019B	\$1,430,000	Taxable Refunding	11-01-2029	\$1,165,000	100.00%	\$1,165,000
11-10-2020	2020B	\$3,650,000	Refunding & Improvements	11-01-2041	\$3,375,000	46.83%	\$1,580,650
07-06-2021	2021A	\$5,135,000	Refunding	11-01-2034	\$5,135,000	35.25%	\$1,810,154
12-07-2021	2021C	\$2,500,000*	Improvements (the Bonds)	11-01-2041	\$2,500,000*	0.00%	-
Total					\$31,555,000		\$12,720,579
Source City of Bel Aire, KS							

General Obligation Temporary Notes							
Date of Issue	Series	Original Par	Purpose	Final Maturity	Est. Principal Outstanding 12-07-21	% Subject to the Debt Limit	Amount Subject to the Debt Limit
11-21-2019	2019C	\$2,860,000	Improvements	12-01-2022	\$2,860,000	39.00%	\$1,115,400
06-15-2020	2020A	\$1,985,000	Improvements	12-01-2023	\$1,985,000	39.51%	\$784,274
11-10-2020	2020C	\$3,195,000	Improvement	12-01-2023	\$3,195,000	11.58%	\$369,981
07-06-2021	2021A	\$9,850,000	Improvements	12-01-2024	\$9,850,000	42.11%	\$4,148,744
Total					\$17,890,000		\$6,418,399
Source City of Bel Aire, KS							

*Preliminary, subject to change

Public Building Commission Revenue Bonds*							
Date of Issue	Series	Original Par	Purpose	Final Maturity	Est. Principal Outstanding 12-07-21	% Subject to the Debt Limit	Amount Subject to the Debt Limit
12-18-2014	2014A	\$3,050,000	Revenue Refunding	02-01-2030	\$2,010,000	N/A	N/A
12-18-2014	2014B	\$1,120,000	Taxable Revenue Refunding	02-01-2030	\$720,000	N/A	N/A
06-02-2021	2021	\$13,195,000	Taxable Revenue Refunding	05-01-2034	\$13,195,000	N/A	N/A
Total					\$15,925,000		N/A
Notes *These issues are secured by rental payments made from the City to the PBC. The City's obligation under the lease agreements is not subject to annual appropriation.							
Source City of Bel Aire, KS							

Estimated Fiscal Year Debt Service						
	General Obligation Bonds and Notes		Series 2021A*		Total*	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$5,270,000	\$990,780				
2023	7,335,000	817,654				
2024	12,050,000	720,593				
2025	2,265,000	622,773				
2026	2,305,000	558,630				
2027	2,230,000	492,968				
2028	1,755,000	424,168				
2029	1,750,000	372,220				
2030	1,595,000	320,693				
2031	1,645,000	275,818				
2032	1,620,000	234,188				
2033	1,335,000	191,995				
2034	1,170,000	155,420				
2035	1,000,000	122,810				
2036	1,025,000	94,478				
2037	785,000	65,163				
2038	715,000	43,894				
2039	480,000	25,418				
2040	495,000	14,175				
2041	120,000	2,400				
Total	\$46,945,000	\$6,546,232				
Notes *Preliminary, subject to change.						
Source City of Bel Aire, KS						

Statement of Legal Debt Margin	
2020/21 Total Equalized Assessed Tangible Valuation	\$81,928,597
Debt Limit Ratio	30%
Debt Limit	\$24,578,579
Outstanding Debt Subject to Debt Limit	(\$19,138,978*)
Debt Authority Remaining December 7, 2021	\$5,439,602*
Notes General obligation bonds and temporary notes issued to finance utility improvements, revenue bonds, and bonds issued under Charter Ordinance No. 19 to finance projects under the City's capital improvement plan are not subject to the debt limit. *Preliminary, subject to change.	
Source City of Bel Aire, KS	

Chisholm Creek Utility Authority

The City of Bel Aire and the City of Park City, Kansas have joined together to create the Chisholm Creek Utility Authority (the "Authority") under an Interlocal Cooperation Agreement. As a contracting member of the Authority, the City of Bel Aire will receive certain water and sewer services from the Authority. The Authority is authorized to issue debt, in its own name, on behalf of the members; however, such debt shall not constitute a charge against or indebtedness of any member on behalf of which such debt is issued. The contracting members are not liable for the debt obligations of the Authority, but each member shall be liable to the Authority to the extent of its obligations specified in any contract or agreement by and between the members and the Authority.

The Authority has \$19,670,000 in bonds outstanding, and the Authority anticipates that payments made by the members will be sufficient to meet the annual debt service requirements on the outstanding obligations. The City, through Service Agreement payments, is responsible for approximately 63.69% of the debt service on the Authority Bonds. The City has covenanted that such payments constitute operating expenses of its water and wastewater Utility System, that the City will not in the future cause such pledge to be subordinated to any other obligation of the System and that the City will impose such rates, fees and charges for use of such system to fulfill its obligations under the Service Agreement.

Debt Payment Record

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

Overlapping Debt

Overlapping Indebtedness			
Taxing Unit*	Est. G.O. Debt Outstanding As of 12-31-20	% Overlap	\$ Overlap
Sedgwick County	\$ 47,807,000	1.33%	\$ 635,833
USD No. 259 (Wichita)	406,005,000	2.14%	8,688,507
Total			\$ 9,324,340
Notes *Only those units with outstanding general obligation debt are shown			
Source Sedgwick County and USD No. 259			

Debt Ratios

Total Direct and Overlapping Indebtedness		
	G.O. Direct Debt*	G.O. Direct & Overlapping Debt*
2020/21 Appraised Valuation (\$563,241,711)	8.78%	10.43%
2020/21 Equalized Assessed Tangible Valuation (\$81,928,597)	60.91%	60.35%
Per Capita (8,262 - 2020 U.S. Census)	\$5,985	\$7,113
*Preliminary, subject to change.		

FUTURE FINANCING

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

ABSENCE OF LITIGATION

There is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the transcript evidencing the issuance of the Bonds, or the constitutionality or validity of the indebtedness represented by the Bonds shown to be authorized in said transcript, or the validity of the Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

APPROVAL OF LEGALITY

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

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In connection with the issuance of the Bonds, the City will enter into a continuing disclosure undertaking (the “Disclosure Undertaking”) wherein the City covenants to annually provide certain financial information and operating data (collectively the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Disclosure Undertaking, the City has agreed to file its Annual Report with the national repository (“EMMA”) not later than the last day of the eighth month after the end of the City’s Fiscal Year, commencing with the year ending December 31, 2021. In each of the Bond Resolution, hereinafter defined, the City covenants with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds.

The table below presents the City's compliance with its various continuing disclosure agreements and undertakings, executed in part to permit compliance with the Rule. The City believes that in the past five years it has complied in all material respects with its prior undertakings under the Rule:

Continuing Disclosure Summary			
Fiscal Year Ending Dec. 31	Filing Time Period	Financial Information Filing Date	Operating Data Filing Date
2016	240 Days	08/24/2017	08/24/2017
2017	240 Days	08/28/2018	08/28/2018
2018	240 Days	08/28/2019	08/28/2019
2019	240 Days	08/27/2020	08/27/2020
2020	240 Days	08/27/2021	08/27/2021

In addition to the foregoing, the City issued general obligation bonds and temporary notes in 2016, 2017, 2019, 2020 and early 2021 payable from the same source of revenue as the Bonds. The official statements for such general obligation bonds and notes were filed with the MSRB, but may not have been incorporated by reference in the filings made by the City with respect to one or more series of then outstanding general obligation bonds and temporary notes.

For more information regarding the Disclosure Undertaking, see Appendix C – SUMMARY OF FINANCING DOCUMENTS--The Disclosure Undertaking.

TAX EXEMPTION – THE BONDS

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

Opinion of Bond Counsel Regarding the Bonds

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

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

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

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

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

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

Other Tax Consequences

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

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

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

be capital gain or loss and will be long-term capital gain or loss if the Bonds have 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 the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

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

Changes in Federal and State Tax Law

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

RISK FACTORS AND INVESTMENT CONSIDERATIONS

PROSPECTIVE PURCHASER(S) OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED.

Taxation of Interest on the Bonds

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

The City has covenanted in the Resolutions and in other documents and certificates to be delivered in connection with the issuance of the Bonds 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 Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under “TAX EXEMPTION – THE BONDS” 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 Bonds 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 Bonds to become includable in gross income as the date of issuance.

Debt Service Source

The Bonds 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** – FINANCIAL INFORMATION – Property Valuations.”

Market for the Bonds

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

Legal Matters

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

Limitations on Remedies Available to Owners of the Bonds

The enforceability of the rights and remedies of the owners of the Bonds, and the Bonds incurred by the City in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and

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

Kansas Public Employees Retirement System

As described in “*APPENDIX A--FINANCIAL INFORMATION – 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 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, Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS’ Valuation Report, the Local Group had an UAAL of approximately \$1.42 billion in calendar year 2020.

Suitability of Investment

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

Premium on the Bonds

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

No Additional Interest or Mandatory Redemption upon Event of Taxability

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

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.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state and local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The Governor of the State has issued various Executive Orders in response to the COVID-19 pandemic, including Executive Orders temporarily preventing foreclosures and evictions, deferring certain tax deadlines and payments, instituting a temporary State-wide stay-at-home (expired as of May 2020), and instituting a mask mandate which granted each county the right to opt out of such order.

The COVID-19 pandemic could result in increased costs to the Issuer and/or negative impacts on the collection of property taxes (a primary source of revenue for the Issuer, including for repayment of the Bonds) within the Issuer due to increased payment delinquencies or disruption of the collection or distribution of property taxes. All such factors could have a material adverse effect on the Issuer's operations and financial condition. As of the date hereof, the Issuer has not experienced material adverse changes relative to its adopted budget with regard to expenditures or receipt of revenues.

State and local governmental authorities continue efforts to contain and limit the spread of COVID-19. Future revenue collections, including property tax collections that are essential to repayment of the Bonds, may deviate from historical or anticipated levels.

The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. The Issuer is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the Issuer.

RATING

The Bonds

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, a part of S&P Global, Inc. ("S&P"), has assigned a rating to the Bonds of "A+". Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained only therefrom. There is no assurance that the rating assigned will remain in effect for any given period of time or that the rating will not be revised, either downward or upward, or withdrawn entirely, by S&P if, in its sole judgment, circumstances so warrant. Any such downward revisions or withdrawals of this rating may have an adverse effect upon the market price of the Bonds.

FINANCIAL ADVISOR

Columbia Capital Management, LLC serves as financial advisor (“Financial Advisor”) to the City. The Financial Advisor is an independent municipal advisor registered with U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor has participated in the preparation of this Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely on the Financial Advisor’s participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

UNDERWRITING

The Bonds

On _____, November 16, 2021 the City received _____ sealed bid proposals for the purchase of the Bonds. The Bonds were awarded to _____ (the “Original Purchaser of the Bonds”).

[After a resizing directed by the City,] [t]The Original Purchaser of the Bonds purchased the Bonds at the principal amount thereof [plus a premium of _____, less original issue discount of _____] and net underwriting discount of _____, resulting in a true interest cost of _____. The Original Purchaser of the Bonds provided a certification to the City that the Bonds were initially reoffered to the public at the yields shown on the inside cover hereof.

CERTIFICATION

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

AUTHORIZATION OF OFFICIAL STATEMENT

This Official Statement was duly authorized and approved by the City Council of the City of Bel Aire, Kansas on [____ _], 2021.

/s/ _____
Mayor

ATTEST:

/s/ _____
Council President

/s/ _____
City Clerk

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APPENDIX A ISSUER INFORMATION

I . GENERAL INFORMATION CONCERNING THE CITY

Size and Location

The City encompasses approximately 6.83 square miles (4,371 acres) and is located in Sedgwick County, in the northeast part of the Wichita Metropolitan Area.

The City's population trend is shown below.

City of Bel Aire Population		
	Population	Percent Change
1990 Census	3,695	--
2000 Census	5,836	57.9%
2010 Census	6,769	16.0%
2020 U.S. Census	8,262	22.1%
Source U.S. Census Bureau		

Government and Organization of the City

The City is a municipal corporation and is a city of the second class under Kansas law. The City has a Council/Manager form of government. The City Council conducts all legislative functions for the City, establishes general policies, and promotes the general welfare of the City. The City Council appoints its staff members, including the City Manager and City Clerk, to carry out the provision of City services.

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Municipal Utilities and Services

The City owns its own municipal waterworks utility and sanitary sewer utility, including treatment facilities owned and operated through the Chisholm Creek Utility Authority, under an Interlocal Cooperation Agreement with the City of Park City, Kansas. Natural gas, electric and telephone services are provided by private utilities. Water is also obtained through a contract with the City of Wichita.

The largest water and wastewater system customers are as follows:

Largest System Customers		
Customer	Gallons	Percent of Total
Catholic Care Center	19,623,300	6.7%
Courtyards at Elk Creek HOA	7,364,800	2.5%
Central Park 4th HOA	5,734,000	2.0%
Tree Top Nursery	5,380,000	1.8%
Broadstone Villas	2,744,800	0.9%
Villas at Elk Creek	2,507,000	0.9%
Irongate Development	2,408,000	0.8%
Broadstone Villas II	1,547,400	0.5%
Gospel Assembly Church	1,302,200	0.4%
Villas at Prestwick	1,090,600	0.4%
Total	35,262,000	14.59%
Source Chisholm Creek Utility Authority		

A minimum water service charge of \$31.30 per monthly billing period shall be assessed to all residential customers who have their premises connected to the City water system at any time during the monthly billing period. In addition to the minimum water service charge, the following charges for any metered volume of water passing from the City water system to any service connection shall be billed to the person, firm or organization whose premises are serviced by the connection.

Residential Water Utility Rates	
Gallons	Rate
Minimum	\$31.30
0-2,999	Additional \$3.86 per 1,000 gallons
3,000-5,999	Additional \$5.28 per 1,000 gallons
6,000-11,999	Additional \$5.76 per 1,000 gallons
12,000-16,999	Additional \$5.91 per 1,000 gallons
17,000-24,999	Additional \$6.06 per 1,000 gallons
25,000 and over	Additional \$6.12 per 1,000 gallons
Source Chisholm Creek Utility Authority	

A base fee of \$45.53 per monthly billing period shall be assessed to all commercial customers who have their premises connected to the Bel Aire water system at any time during the monthly billing period. In addition to the minimum water service charge, the following charges for any metered volume of water passing from the Bel Aire water system to any service connection shall be billed to the person, firm or organization whose premises are serviced by the connection.

Commercial Water Utility Rates	
Gallons	Rate
Base Fee	\$45.53
0-2,999	Additional \$4.32 per 1,000 gallons
3,000-5,999	Additional \$5.76 per 1,000 gallons
6,000-11,999	Additional \$6.32 per 1,000 gallons
12,000-16,999	Additional \$6.71 per 1,000 gallons
17,000-24,999	Additional \$7.19 per 1,000 gallons
25,000 and over	Additional \$7.91 per 1,000 gallons
Source	
Chisholm Creek Utility Authority	

A minimum sanitary sewer service charge of \$35.93 per monthly billing period shall be assessed to all residential customers who have their premises connected to the City sanitary sewer system at any time during the monthly billing period. In addition to the minimum sanitary sewer service charge, additional charges for sanitary sewer collection and treatment, based on metered volume of water from the City water system, shall be billed to the person, firm or organization whose premises are serviced by the connection at the rate of \$6.50 per 1,000 gallons.

A base fee of \$71.00 per month will be charged to each commercial customer connected to the public sanitary sewer system regardless of use. Winter average consumption will be used to determine consumption fees. Consumption will be charged at \$8.53 per 1,000 gallons used.

Educational Facilities

The City is served by the City of Wichita USD No. 259 (Wichita) and the City of Towanda USD No. 375 (Circle) for K-12 education.

Post-secondary education is available to City residents at Wichita State University, Friends University, Newman University, University of Kansas School of Medicine and the Wichita Area Vocational-Technical School, all located in the City of Wichita.

Transportation

The City is located south of US Highway 254, west of I-35 (the Kansas Turnpike) and north of the K-96 expressway. Colonel James Jabara Airport, located just outside the City, is a public general aviation airport used for private and charter flights. Wichita Mid-Continent Airport, located approximately 20 minutes outside the City, offers commercial and cargo flights.

Medical and Health Facilities

The City has two hospitals and medical center complexes located within 30 miles of the City, HCA Wesley Medical Center and Via Christi Hospitals.

Sedgwick County provides emergency medical services to the City.

Recreational and Cultural Facilities

Sedgwick County offers a wide variety of cultural and entertainment options to City residents, including: Botanica – The Wichita Gardens; Wurlitzer Organ Pops Concerts; Metropolitan Ballet Company; Wichita Community Theater; Wichita Children’s Theater; Music Theater of Wichita; Mid-America Dance Theater, Inc.; Wichita Symphony and Choral Society; Wichita Art Association Galleries; Lake Afton Public Observatory; Wichita Art Museum; Whittier Fine Arts Gallery; Mid America All Indian Center Museum; and Exploration Place. Some of the major cultural events held annually in the area are: Kansas Junior Livestock Show; Wichita Jazz Festival; Renaissance Fair; Wichita River Festival; Victorian Garden Festival; National Baseball Congress Tournament; Lake Afton Grand Prix; Wichita Arts Festival; and the Sedgwick County Fair.

In addition to the recreational and cultural facilities offered above, Sedgwick County operates the Intrust Bank Arena, the Sedgwick County Zoo and Botanical Gardens, Lake Afton Park, and the Sedgwick County Park. The Intrust Bank Arena is a multi-purpose facility hosting nationally recognized musical entertainers, circuses, rodeos, the Wichita Thunder professional hockey team of the Central Hockey League and a wide variety of other entertainment events. The Sedgwick County Zoo and Botanical Gardens are considered world-class facilities. The zoo provides an environment where animals roam in spacious areas that stimulate their natural habitats, while the Botanical Gardens offer a wide variety of species of native American and foreign plants, trees and shrubs in a natural setting.

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II. ECONOMIC INFORMATION CONCERNING THE CITY

Labor Force

Labor Force data for Sedgwick County and the State of Kansas are presented in the table below.

Labor Force					
	2016	2017	2018	2019	2020
Sedgwick County	245,763	242,735	247,928	253,896	252,590
State of Kansas	1,479,640	1,472,303	1,485,380	1,497,874	1,508,734
Notes Annual end of period data.					
Source Bureau of Labor Statistics					

Unemployment Rates

Unemployment rates for Sedgwick County, the State of Kansas and the United States are presented in the table below.

Unemployment Rate (%)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sedgwick County	6.9	6.1	5.2	4.5	4.1	4.2	3.6	3.4	3.1	5.4
State of Kansas	5.6	5.3	4.4	3.8	3.6	3.6	3.1	3.0	2.8	4.2
United States	8.3	7.6	6.5	5.4	4.8	4.5	3.9	3.7	3.4	6.5
Notes Annual end of period data										
Source Bureau of Labor Statistics										

Major Employers

Major employers located with the Wichita Metropolitan Area are as follows:

Major Employers		
Employer	Product or Service	Approximate Number of Employees
Spirit AeroSystems Inc.	Aircraft Assemblies	13,000
Textron Aviation	Aircraft Manufacturer	9,350
McConnell Air Force Base	Air Force Base	5,679
Wichita Public Schools USD 259	Public School District	5,614
Ascension Via Christi Health Inc.	Health Care	4,413
Koch Industries Inc.	Global HQ – Diversified	3,100
City of Wichita	Municipal Government	2,886
U.S. Government	Federal Government	2,830
Sedgwick County	County Government	2,521
State of Kansas	Higher Education and Government	2,157
Wichita State University	Higher Education	2,035
Wesley Healthcare	Health Care	2,030
Source Greater Wichita Economic Development Coalition		

Financial and Banking Institutions

The following full service banks are located in the surrounding Wichita Metropolitan Area and serve City residents:

Financial and Banking Institutions	
Institution	Total Assets (\$000) As of 06-30-2020
Intrust Bank, National Association	\$7,344,982
Fidelity Bank	2,733,814
Emprise Bank	2,060,928
American State Bank & Trust Company	756,522
Southwest National Bank	540,680
Bankers' Bank of Kansas	222,174
Chisholm Trail State Bank	129,579
Garden Plain State Bank	116,304
Community Bank of Wichita, Inc.	100,487
Source	
Federal Deposit Insurance Corporation	

Building Permits

The following table includes historical residential and commercial building permits issued in the City from 2012 to 2021.

Building Permits		
Year	No. Permits	Amount
2012	132	\$8,798,611
2013	1,438	33,885,097*
2014	283	23,695,159
2015	205	28,456,106
2016	186	21,701,770
2017	189	30,453,639
2018	163	16,061,041
2019	196	17,685,694
2020	269	25,823,497
2021 (9-30)	243	34,552,432
Notes		
*Increase in valuation is due, in part, to a hailstorm that hit the City on May 19, 2013 and damaged many homes throughout the City.		
Source		
City of Bel Aire		

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III. FINANCIAL INFORMATION

Financial Reports

The City has established a uniform system of accounting maintained in accordance with the laws of the State of Kansas and generally accepted accounting principles. The accounts are maintained on the modified accrual basis for all budgetary funds and on the accrual basis for all other funds.

Budgeting Procedures

The City follows a modified accrual basis of accounting for all governmental fund financial statements, and an accrual basis of accounting is utilized for governmental-wide financial statements.

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 20 if the City must conduct a public hearing to levy taxes in excess of its revenue neutral rate described below). Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. 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 Bonds, or the general rating of the City. A change in the rating on the Bonds or a change in the general rating of the City may adversely impact the market price of the Bonds in the secondary market.

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

General Fund Budget Summary

A summary of the general fund by source and category for the City for the fiscal years 2018, 2019, 2020, and 2021 is set forth below. Actual revenues and expenditures are provided for the years 2018 and 2019 and operating revenues and expenditures for the year 2020 and 2021. In addition, the adopted revenues and expenditures are provided for the years 2019, 2020, and 2021. This is a summary of revenues and expenditures only, produced by the City. Audited financial statements for the year ended December 31, 2020, are included in APPENDIX D to this Official Statement.

General Fund							
Revenues	2018 Actual	2019 Adopted	2019 Actual	2020 Adopted	2020 Operating	2021 Adopted	2021 Operating
Taxes	\$ 4,256,527	\$ 4,404,310	\$ 4,514,216	4,721,364	4,813,403	4,779,051	5,158,866
Licenses and permits	176,385	254,850	364,547	161,050	286,220	179,000	211,000
Fines and fees	826,854	835,000	845,103	858,810	807,729	813,477	828,477
Recreation and pool	113,408	106,000	107,855	110,500	54,828	85,339	79,000
Grants	44,318	58,000	47,394	61,662	149,764	59,500	205,633
Land sales	-	-	-	-	-	-	-
Miscellaneous	109,615	71,200	135,190	82,320	87,518	69,893	69,893
Transfer In	-	-	-	-	-	-	-
Total Revenues	\$ 5,527,107	\$ 5,729,360	\$ 6,014,305	6,023,416	6,199,462	5,986,260	6,552,869
Expenditures							
Personnel	\$ 1,865,060	\$ 2,180,800	\$ 2,140,258	2,306,950	2,173,728	2,405,161	2,520,452
Contractual	399,339	630,900	377,816	639,129	520,304	624,887	624,887
Commodities	823,547	565,350	482,000	555,400	652,642	512,680	512,680
Capital Outlay	26,142	25,500	10,040	201,000	97,402	62,500	87,501
Transfers out	1,999,431	2,770,843	2,895,127	2,956,259	2,633,917	3,022,075	3,030,920
Reserve	-	-	-	-	-	-	-
Total Expenditures	\$ 5,113,519	\$ 6,173,393	\$ 5,905,241	6,658,738	6,077,993	6,627,303	6,776,440
Revenues over (under)	\$ 413,588	\$ (444,033)	\$ 109,064	(635,322)	121,469	(641,043)	(237,992)
Ending Cash Balance	\$ 3,104,434	\$ 2,660,401	\$ 3,213,498	2,578,176	3,334,967	2,693,925	3,096,976
Cash balance % of Revenue	56%	46%	53%	42%	54%	45%	47%
Source							
City of Bel Aire							

Major General Fund Revenue Sources					
Revenue	2016	2017	2018	2019	2020
Taxes and shared revenues	\$ 3,757,736	\$ 3,973,535	\$ 4,256,527	\$ 4,514,216	4,790,614
Land sale	-	-	-	-	-
Franchise fees	509,071	467,738	662,193	685,535	680,251
Licenses, permits and fees	518,751	331,059	336,776	264,547	287,326
Court fines	149,845	192,876	164,661	159,568	115,513
Other	41,763	112,188	106,950	135,190	325,765
Source City of Bel Aire					

Cash and Investments

The City has a formal investment policy. 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 which governs the investment of public funds by governmental subdivisions, units, and entities. As of September, 30 2021, the City has cash and investments totaling \$4,334,932 consisting of \$919,365 held in cash and savings with local banks and \$3,415,567 invested in the Municipal Investment Pool.

Labor Contracts

The City does not have any employees covered by labor contracts.

Employee Pensions

The City participates in the Kansas Public Employees Retirement System (“KPERS”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members each of whom serve four-year terms. The board of trustees appoints an executive director to serve as the managing officer of KPERS and manage a staff to carry out daily operations of the system.

As of December 31, 2020, KPERS serves approximately 326,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for approximately 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

- (a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, the majority of which comes from the State General Fund.
- (b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

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

In 2021, the Legislature authorized the issuance of revenue bonds to provide net proceeds of up to \$500 million (the "Revenue Bonds") the proceeds of which must be applied to the unfunded actuarial pension liability as directed by KPERS. The Revenue Bonds in the principal amount of \$504,535,000 were issued August 26, 2021. The repayment of the Revenue Bonds shall be subject to legislative annual appropriation, shall not be an obligation of the KPERS system, and the full faith and credit or taxing power of the State shall not be pledged to the repayment of the Revenue Bonds. Due to the authorization of the Revenue Bonds, the Legislature changed the State/School employer contribution rate from 14.09% to 13.33% for fiscal year 2022 and from 13.86% to 13.11% for fiscal year 2023.

The City's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The City's contribution was 8.61% of the employee's gross salary for calendar year 2020. The City's contribution is 8.87% of gross compensation for calendar year 2021. The Issuer's contribution is projected to change to 8.90% of gross compensation for calendar year 2022. In addition, the City contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2020 (the "2020 Valuation Report") the KPERS Local Group, of which the City is a member, carried an unfunded accrued actuarial liability ("UAAL") of approximately \$1.419 billion at the end of 2020. The amount of the UAAL in 2020 changed from the previous year's amount due to the factors discussed in the 2020 Valuation Report; such report also includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group. A copy of the 2020 Valuation Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the 2020 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2020 Valuation Report sets the employer contribution rate for the period beginning January 1, 2023, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.43% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2020 Valuation Report. The statutory contribution rate of employers currently equals the 2020 Valuation Report's actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

The City is required to implement GASB 68 – Accounting and Financial Reporting for Pensions. KPERS produces a Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the "GASB 68 Report") which provides the net pension liability allocated to each KPERS participant, including the City. The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the City has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

Other Post Employment Benefits (GASB 45)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or “OPEB”).

Terminated employees may remain on the City’s health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the Federal Consolidated Omnibus Budget Reconciliation Act (the “C.O.B.R.A. Law”). Therefore, the City’s only liability under GASB 45 would come from the implicit rate subsidy.

The benefits described above are the City’s only OPEB. The City must report an annual OPEB cost based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay these benefits as they come due. The City may establish its OPEB liability to zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

For more information regarding the liability of the City with respect to its employees, please reference “Note IV. Other Information – Pension and Other Post-Employment Benefit Plans” of the City’s Financial Statements for the fiscal year ended December 31, 2020, which is included as Appendix D of this Official Statement.

Property Valuation

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 Sedgwick 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, as set forth below.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not for profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories

thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 20%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven year straight line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

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.

The total assessed valuation of the taxable tangible property in the City of Bel Aire, Kansas, for the last five (5) years is shown below:

Assessed Valuation					
Year*	Sedgwick County Sales Ratio	Appraised Valuation	Taxable Assessed Valuation**	Motor and Recreation Vehicles	Equalized Assessed Tangible Valuation
2016/17	89.5%	416,722,453	52,479,400	9,682,993	62,162,393
2017/18	84.5%	447,620,939	56,501,399	10,121,490	66,622,889
2018/19	72.7%	480,798,888	60,692,494	10,672,187	71,364,681
2019/20	85.4%	510,727,800	64,190,596	11,024,986	75,215,582
2020/21	N/A***	563,241,711	70,580,624	11,347,973	81,928,597
Notes *As valued in the first year for the purpose of computing the rates of taxes collectible in the following year. ** The value of motor and recreation 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. ***2020 Kansas Appraisal/Sales Ratio Study is not yet available on the State of Kansas Department of Revenue website.					
Sources The Sedgwick County Clerk's Office, the Kansas Department of Revenue and the City of Bel Aire, Kansas					

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2020/21 Equalized Assessed Tangible Valuation		
Category	Amount	Percent
Real Property	\$ 68,017,405	96.4%
Personal Property	326,150	0.5%
State Assessed Utilities	2,237,069	3.1%
Total Taxable Assessed Valuation	\$ 70,580,624	100.0%
Motor and Recreational Vehicles	11,347,973	
Total Equalized Assessed Tangible Valuation	\$ 81,928,597	
Source		
Sedgwick County Clerk's Office		

Major Taxpayers

According to the Sedgwick County tax rolls, the ten (10) largest taxpayers with property located within the City as of 2020, and their assessed valuations, are as follows:

Major Taxpayers	
Taxpayer	Assessed Valuation
JDO LLC	\$ 2,065,725
Alley Investments LLC	1,276,450
City of Bel Aire	1,233,403
Kansas Gas & Elec-Westar Energy	1,125,554
RKR LLC	747,908
Kansas Gas Service-Oneok	649,058
Belpointe LLC	332,011
SMM Investments LLC	303,165
Scarlet Maples LLC	286,125
Family Video Movie Club Inc.	281,250
Total	\$ \$8,300,649
Source	
Sedgwick County Clerk's Office	

City Tax Rates, Levies and Collections

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

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The property taxes levied and collected for the last five (5) years for the City of Bel Aire and all other taxing jurisdictions of real and personal property located within the City are as follows:

District and Overlapping Property Tax Rates							
(Per \$1,000 of assessed value)							
Levy Year	Budget Year	City of Bel Aire	Sedgwick County	USD 259 (Wichita)	State	Other	Total
2016	2017	45.726	47.807	53.683	1.500	1.253	149.969
2017	2018	45.719	47.785	53.733	1.500	1.253	149.990
2018	2019	45.725	47.546	53.638	1.500	1.237	149.646
2019	2020	45.774	47.280	53.183	1.500	1.229	148.966
2020	2021	45.798	47.267	52.974	1.500	1.229	148.768
Source Sedgwick County Clerk's Office							

Historical Property Tax Collections						
Levy Year/ Budget Year	Total Tax Levy ¹	Current Taxes Collected	% Current Levy Collected	Prior Years Tax Collected	Total Taxes Collected	% Total Collections to Current Levy
2016/17	2,401,245	2,355,290	98.09%	26,900	2,382,190	99.21%
2017/18	2,584,488	2,516,618	97.37%	27,816	2,544,434	98.45%
2018/19	2,777,047	2,712,014	97.66%	59,241	2,771,254	99.79%
2019/20	2,939,357	2,901,339	98.71%	29,006	2,930,345	99.69%
2020/21	3,236,234	3,201,209*	98.92%*	31,151*	3,232,360*	99.88%*
Notes *Collections are as of 10/08/21 Source Sedgwick County Treasurer's Office and the City of Bel Aire						

The following table sets forth the City's portion of the Sedgwick County sales tax collections in the years indicated.

Sales Tax Collections	
Year	Amount Received
2011	\$ 890,721
2012	972,275
2013	1,008,037
2014	1,039,547
2015	1,093,371
2016	1,165,977
2017	1,174,000
2018	1,259,045
2019	1,352,797
2020	1,396,354
2021 (09-30)	1,174,566
Source City of Bel Aire	

APPENDIX B

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity, due on the respective maturity dates as set forth on the inside cover page hereof, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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. DTC, is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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 Bond 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar, 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, the Bond Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, 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 Bonds at any time by giving reasonable notice to the City or Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

See APPENDIX C—REGISTRATION AND TRANSFER OF THE BONDS for a discussion of the provisions of the Resolution related to the registration, transfer and exchange of Bonds and the replacement of mutilated, lost, stolen or destroyed bonds.

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.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

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

THE BOND RESOLUTION

DEFINITIONS

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

“Act” means the Constitution and statutes of the State, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 14-570 *et seq.*, K.S.A. 12-101 *et seq.*, and Charter Ordinance No. 19 of the Issuer, all as amended and supplemented.

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

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

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

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

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

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

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

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

“Bonds” means the General Obligation Bonds, Series 2021C, authorized and issued by the Issuer pursuant to the Bond Resolution.

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

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

“City” means the City of Bel Aire, Kansas.

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

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

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

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

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

“Dated Date” means December 7, 2021.

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

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

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

“Defeasance Obligations” means any of the following obligations:

- (a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;
- or
- (b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
 - (1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;
 - (3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;
 - (4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;
 - (5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and
 - (6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

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

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

“Disclosure Undertaking” means the Continuing Disclosure Undertaking, dated as of the Dated Date, relating to certain obligations contained in the SEC Rule.

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

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

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

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

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

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

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

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

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

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

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

“Improvements” means the improvements referred to in the preamble to the Ordinance and any Substitute Improvements.

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

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be November 1 and May 1 of each year, commencing May 1, 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the state of Kansas.

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

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

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

[**“___ Term Bonds”** means the Bonds scheduled to mature in the year _____.]

[**“Term Bonds”** means collectively, the ____ Term Bonds and the 20__ Term Bonds.]

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

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

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

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

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

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

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

- (a) All accrued interest received from the sale of the Bonds shall be deposited in the Debt Service Account.

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

(c) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

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

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

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

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

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

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

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and

which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

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

DEFAULT AND REMEDIES

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

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

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

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

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

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

DEFEASANCE

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

TAX COVENANTS

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

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

CONTINUING DISCLOSURE REQUIREMENTS

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

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

MISCELLANEOUS PROVISIONS

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

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

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

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

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

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

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

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

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

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of December 7, 2021 (the “Continuing Disclosure Undertaking”), is executed and delivered by **CITY OF BELAIRE, 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 Bonds, Series 2021C (the “Bonds”), pursuant to an Ordinance and Resolution adopted by the governing body of the Issuer (collectively the “Resolution”).

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

The Issuer covenants and agrees as follows:

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

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking, which may include the Issuer's CAFR, so long as the CAFR contains the financial information and operating data described in **Section 2(a)(1)** and **(2)**.

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

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

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

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

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

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

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

“**GAAP**” means generally accepted accounting principles, as applied to governmental units, as in effect at the time of the preparation of the financial information described in **Section 2(a)(1)**.

“**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 last day of the eighth month after the end of the Issuer’s Fiscal Year, commencing with the year ending December 31, 2021, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with GAAP on a modified accrual basis of accounting. A more detailed explanation of the accounting basis 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 summary unaudited financial information, 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 eighth 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 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 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.

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EXHIBIT A

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

The financial information and operating data contained in tables in the following sections contained in the final Official Statement, including ***Appendix A***, relating to the Bonds:

Operating Data

- DEBT STRUCTURE OF THE CITY*
 - General Obligation Bonds
 - General Obligation Temporary Notes
 - Public Building Commission Revenue Bonds
- PROPERTY VALUATION
- CITY TAX RATES, LEVIES AND COLLECTIONS

* This Operating Data is also available in the Issuer's financial information portion of its Annual Report.

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APPENDIX D
AUDITED FINANCIAL STATEMENTS

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CITY OF BEL AIRE, KANSAS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

AND

INDEPENDENT AUDITOR'S REPORT



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CITY OF BEL AIRE, KANSAS
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020
AND
INDEPENDENT AUDITOR'S REPORT

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City of Bel Aire, Kansas

Financial Statements
With Supplementary Information

Year Ended December 31, 2019

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from an electronic file. An original copy of this document
is available at the City's office.*

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Bel Aire, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas (City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 30, 2021
Wichita, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bel Aire's (City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2020. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36,631,329 (net position).
- The City's total net position decreased during this fiscal year by \$2,219,867.
- At the close of 2020, the City's governmental funds reported combined ending fund balances of \$16,850,564, an increase of \$624,756 over the prior year.
- At the close of 2020, unassigned fund balance for the General Fund was \$3,682,655 or 60% of revenues for the fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which include three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements use the accrual basis of accounting, which means that the current year's revenues and expenses are recorded as they are earned or incurred, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. These statements include infrastructure assets as well as all known liabilities, including long-term debt. 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. The *Statement of Activities* provides information detailing how the City's net position changed.

The government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) separately from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). Governmental activities of the City include general government, law enforcement, public works, capital improvement, community development, and parks and recreation. The City has four business-type activities which are used to account for the assets, liabilities, revenues and expenses associated with water, sewer, and solid waste and stormwater functions.

Fund Financial Statements

A fund is a fiscal entity with a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with legal requirements, such as state statutes or bond covenants. There are three types of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental fund accounting focuses on 1) cash flow and how financial assets can readily be converted to available resources, and 2) the balances left at the end of the fiscal year for future spending. The focus is on the budgetary, short-term financial picture of the reported operations rather than on the longer-term economic picture of the City as a whole.

Governmental funds are reported using the *modified accrual* basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are generally recognized when the related fund liability is incurred. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Therefore, both the governmental activities in the government-wide financial statements and the government fund financial statements present different useful aspects of the City's financial picture. They are designed to be compared and interpreted together. The reconciliations at the end of the fund financial statements detail the relationship and differences between the two types of financial statements.

Proprietary Funds

The City maintains proprietary funds that are used to report the same functions presented as business-type activities in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the sewer and water funds, which are considered major funds of the City.

Notes to the Basic Financial Statements

The notes to the basic financial statements are an integral part of the basic financial statements. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information

Required budgetary data related to the General Fund, Land Bank Fund, combining statements for nonmajor governmental and nonmajor enterprise funds and fund budgetary schedules are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-Wide Financial Statements						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$37,648,442	\$38,019,134	\$ 5,201,247	\$ 4,681,129	\$42,849,689	\$42,700,263
Capital assets	40,682,862	41,346,266	18,390,940	17,213,759	59,073,802	58,560,025
Total assets	78,331,304	79,365,400	23,592,187	21,894,888	101,923,491	101,260,288
Deferred outflows	2,330,425	2,089,304	130,655	55,405	2,461,080	2,144,709
Long-term liabilities	62,085,950	59,355,286	1,392,623	1,294,203	63,478,573	60,649,489
Other liabilities	1,008,451	770,557	120,753	142,028	1,129,204	912,585
Total liabilities	63,094,401	60,125,843	1,513,376	1,436,231	64,607,777	61,562,074
Deferred inflows	3,140,223	2,984,820	5,242	6,907	3,145,465	2,991,727
Net position						
Net investment in capital assets	(13,671,338)	(12,148,631)	17,417,827	16,179,105	3,746,489	4,030,474
Restricted	3,371,657	1,293,540	-	-	3,371,657	1,293,540
Unrestricted	24,726,786	29,199,132	4,786,397	4,328,050	29,513,183	33,527,182
Total net position	\$14,427,105	\$18,344,041	\$22,204,224	\$20,507,155	\$36,631,329	\$38,851,196

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$36,631,329 at the close of 2020.

The City's net investment in capital assets of \$3,746,489 represents capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's net position that represents resources that are subject to external restrictions on how they may be used of \$3,371,657. Restricted net position includes:

- Debt service: \$252,681
- Capital projects: \$208,117
- Public Building Commission: \$1,445,572
- Land Bank: \$1,461,634 and
- Drug forfeiture: \$3,653

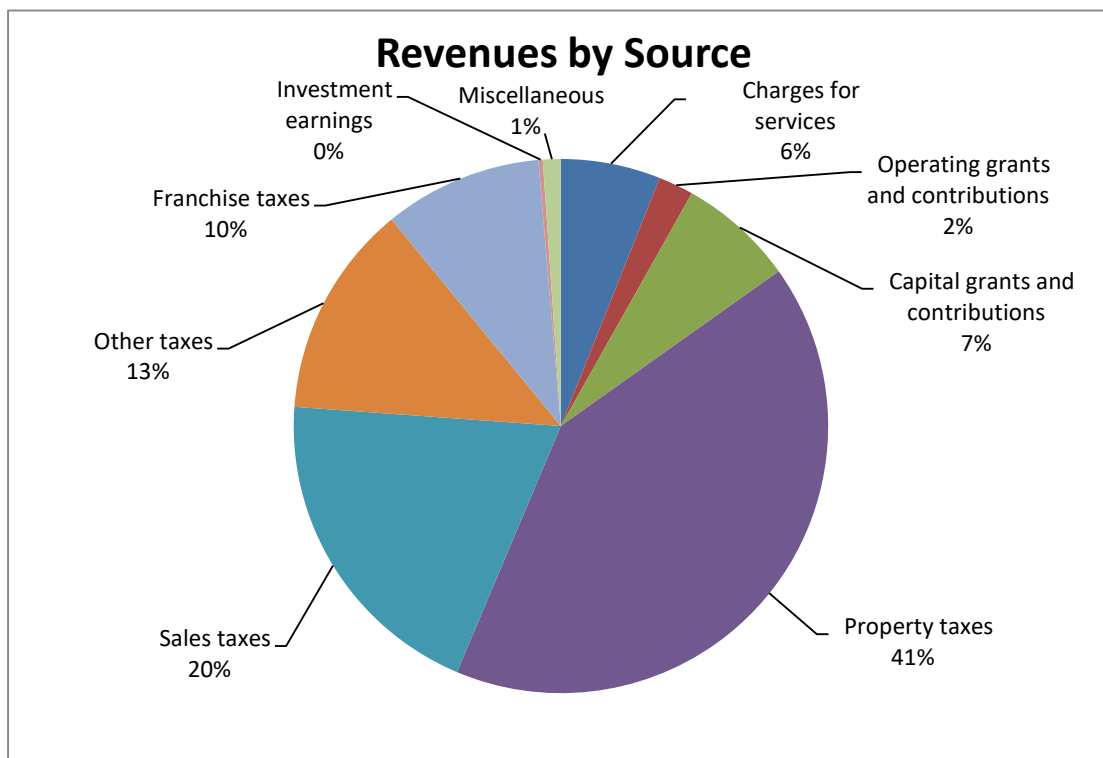
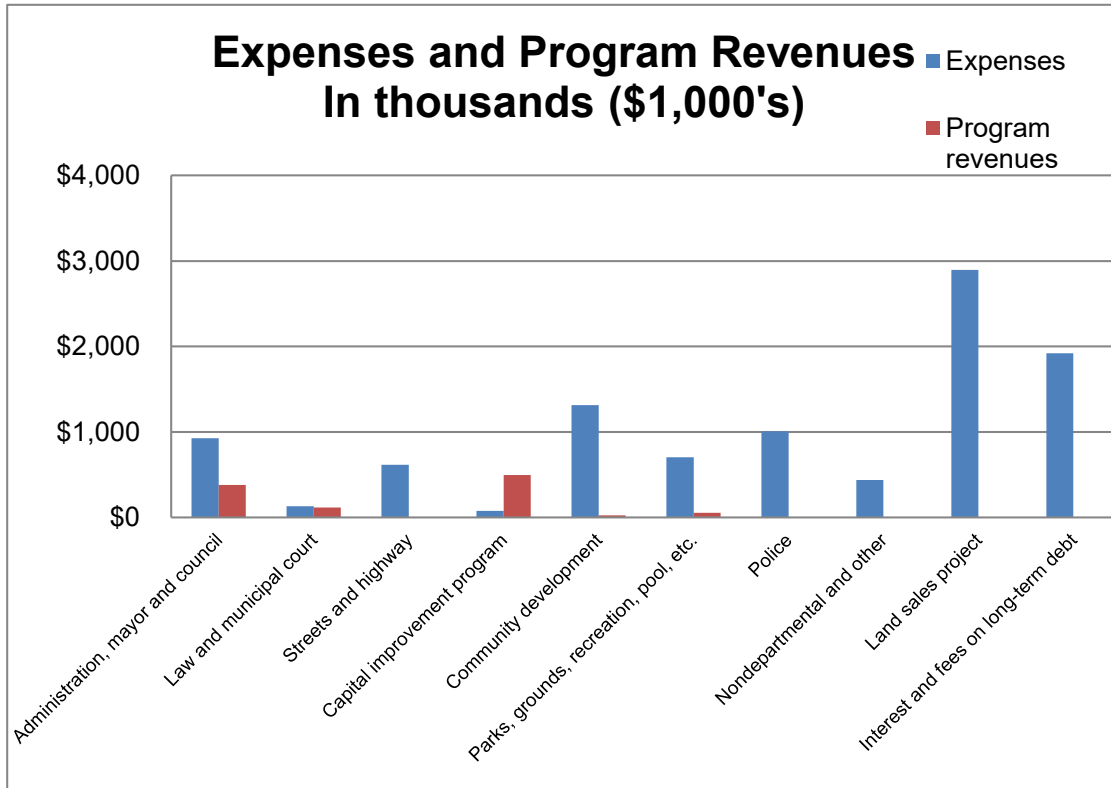
The City's total unrestricted net position is \$29,513,183.

Condensed Statement of Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 425,523	\$ 484,029	\$ 6,015,679	\$ 5,455,704	\$ 6,441,202	\$ 5,939,733
Operating grants and contributions	149,764	47,394	-	-	149,764	47,394
Capital grants and contributions	495,090	4,136,257	-	-	495,090	4,136,257
General revenues:						
Property taxes	2,906,666	2,714,456	-	-	2,906,666	2,714,456
Sales taxes	1,396,354	1,352,797	-	-	1,396,354	1,352,797
Other taxes	912,262	852,970	-	-	912,262	852,970
Franchise taxes	675,626	696,341	-	-	675,626	696,341
Investment earnings	19,151	165,975	8,605	48,482	27,756	214,457
Miscellaneous	76,198	160,575	7,410	16,013	83,608	176,588
Total revenues	<u>7,056,634</u>	<u>10,610,794</u>	<u>6,031,694</u>	<u>5,520,199</u>	<u>13,088,328</u>	<u>16,130,993</u>
Expenses:						
Administration, mayor and council	925,468	791,723	-	-	925,468	791,723
Law and municipal court	130,052	143,251	-	-	130,052	143,251
Streets and highway	614,557	745,671	-	-	614,557	745,671
Capital improvement program	77,004	77,004	-	-	77,004	77,004
Community development	1,314,163	1,246,552	-	-	1,314,163	1,246,552
Parks, grounds, recreation, pool, etc.	702,153	729,763	-	-	702,153	729,763
Police	1,005,775	1,045,485	-	-	1,005,775	1,045,485
Nondepartmental and other	437,849	249,528	-	-	437,849	249,528
Land sales project	2,896,086	885,898	-	-	2,896,086	885,898
Interest and fees on long-term debt	1,920,861	2,005,415	-	-	1,920,861	2,005,415
Water	-	-	2,649,661	2,355,796	2,649,661	2,355,796
Sewer	-	-	2,181,379	2,265,959	2,181,379	2,265,959
Solid Waste and Stormwater	-	-	453,187	475,936	453,187	475,936
Total expenses	<u>10,023,968</u>	<u>7,920,290</u>	<u>5,284,227</u>	<u>5,097,691</u>	<u>15,308,195</u>	<u>13,017,981</u>
Increase in net position before transfers	(2,967,334)	2,690,504	747,467	422,508	(2,219,867)	3,113,012
Transfers	(949,602)	425,406	949,602	(425,406)	-	-
Increase (decrease) in net position	(3,916,936)	3,115,910	1,697,069	(2,898)	(2,219,867)	3,113,012
Net position - beginning of year	18,344,041	15,228,131	20,507,155	20,510,053	38,851,196	35,738,184
Net position - end of year	<u>\$ 14,427,105</u>	<u>\$ 18,344,041</u>	<u>\$ 22,204,224</u>	<u>\$ 20,507,155</u>	<u>\$ 36,631,329</u>	<u>\$ 38,851,196</u>

Analysis of Changes in Net Position

The City's net position decreased during the fiscal year by a total of \$2,219,867 including these changes:

- Charges for services increased \$501,469 mostly due to an increase in water and sewer services provided of \$559,975.
- Capital grants and contributions decreased by \$3,641,167 due to an decrease in special assessments.
- General revenues were comparable to the prior year with a decrease of \$5,337.
- Expenses of governmental activities increased by \$2,103,678 due to an increase in lands sales projects of \$2,010,188.
- Expenses of business-type activities were comparable to the prior years with an increase of \$186,536.



The charts above illustrate the City's governmental expenses and program revenues by function, and revenues by source. The land sales projects represents the largest portion of 2020 expenses followed by interest on long-term debt.

For governmental activities overall, intergovernmental revenues are the largest source of revenue followed by property tax revenue received for cost sharing arrangements on capital projects. Other revenues and expense functions fall within anticipated ranges.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Land Bank.

At the end of 2020, the City's governmental funds reported combined ending fund balances of \$16,850,564 including:

- Nonspendable: \$4,523,481;
- Restricted by external requirements and laws: \$7,668,808;
- Assigned to capital projects or other uses: \$975,620; and
- Unassigned funds available for use at the City's discretion: \$3,682,655.

The General Fund is the primary operating fund for the City. At the end of 2020, total fund balance of the General Fund was \$3,911,218. The fund balance increased by \$109,612 during the fiscal year due to increases in taxes.

The Bond and Interest Fund had a decrease in fund balance of \$184,194 due to a decrease in transfers from other funds.

The Capital Projects Fund had an increase in fund balance of \$1,548,850 due to the issuance of general obligation bonds for capital projects.

The Public Building Commission had an increase in fund balance of \$1,218,680 due to proceeds from a land sales in 2020.

The Land Bank had a decrease in fund balance of \$2,427,215 due to significant activity in land held for sale which resulted in a net loss of \$2,307,315.

Nonmajor government had a combined increase in fund balance of \$364,023 due to transfer activity involving the nonmajor funds.

The Water Fund had an increase in fund balance of \$315,151 due in an increase in charges for services.

The Sewer Fund had an increase in fund balance of \$1,296,283 due to an increase in capital contributions.

Nonmajor proprietary funds remained comparable to the prior year with increases in net position of \$85,635.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Motor vehicle tax, sales tax, licenses, permits and fees and intergovernmental collections were more than budgeted for 2020, while property taxes, franchise tax, court fines and recreation fees came in under budget. Overall budgeted revenues were comparable to actual results. Additionally, the City's transfers out were lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, was \$59,073,802 as of December 31, 2020. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,370,646	\$ 4,240,325	\$ 534,040	\$ 534,040	\$ 4,904,686	\$ 4,774,365
Land project	5,317,322	6,705,161	-	-	5,317,322	6,705,161
Construction in progress	1,519,220	522,331	1,116,558	19,508	2,635,778	541,839
City hall	1,847,224	1,913,605	-	-	1,847,224	1,913,605
Swimming pool	470,112	495,755	-	-	470,112	495,755
Other structures and equipment	1,244,645	1,166,197	16,740,342	16,660,211	17,984,987	17,826,408
Infrastructure	25,913,693	26,302,892	-	-	25,913,693	26,302,892
Total	<u>\$ 40,682,862</u>	<u>\$ 41,346,266</u>	<u>\$ 18,390,940</u>	<u>\$ 17,213,759</u>	<u>\$ 59,073,802</u>	<u>\$ 58,560,025</u>

Additional information about the City's capital assets may be found in Note III. B. to the financial statements.

Long-Term Debt

At December 31, 2020 the City had total long-term bonds outstanding of \$59,600,000. This amount included \$32,010,000 of general obligation bonds backed by the full faith and credit of the City, \$8,040,000 in temporary notes which will be repaid with an issuance of general obligation bonds and \$19,550,000 in revenue bonds with the Public Building Commission.

Total long-term bonds payable increased by \$2,235,000 during the fiscal year due to bond issuances being more than the repayment of debt made during the year.

The City had \$973,113 of outstanding revolving loan funds for water and sewer fund projects and \$207,126 of outstanding rail loan funds for a capital project.

Standard and Poor's rated the City's most recent bond issue AA and affirmed this rating for all existing debt.

Kansas statutes limit the amount of general obligation debt a governmental entity may issue to 30% of its total assessed valuation. After subtracting deductions allowed by the statutes, the current debt limit for the City is \$24,578,579 and debt outstanding subject to the limit is \$16,251,967, leaving \$8,362,672 in legal debt margin.

Additional information on the City's long-term debt can be found in Note III. C. of the financial statements.

Outstanding Bonds General Obligation and Revenue Bonds		
	Governmental Activities	
	2020	2019
General obligation bonds	\$ 32,010,000	\$ 31,960,000
Temporary notes	8,040,000	4,990,000
Revenue bonds -		
Public Building Commission	19,550,000	20,415,000
Total	\$ 59,600,000	\$ 57,365,000

Economic Factors

Property tax collections increased 7.08% over 2020 and the positive trend has continued into the first half of 2021.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the City's finances for all interested parties. Questions concerning any of the information provided in the report or requests for additional information should be directed to the Finance Director, City of Bel Aire, 7651 E. Central Park Ave., Bel Aire, KS 67226.

BASIC FINANCIAL STATEMENTS

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City of Bel Aire, Kansas

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash, including investments	\$ 12,541,469	\$ 4,787,508	\$ 17,328,977
Receivables, net	20,812,055	413,739	21,225,794
Property held for resale	4,294,918	-	4,294,918
Capital assets:			
Land and construction in progress	11,207,188	1,650,598	12,857,786
Other capital assets, net of depreciation	29,475,674	16,740,342	46,216,016
Total assets	<u>78,331,304</u>	<u>23,592,187</u>	<u>101,923,491</u>
Deferred outflows of resources:			
Deferred refunding	1,714,139	-	1,714,139
Deferred outflows - OPEB	170,352	-	170,352
Deferred outflows - pensions	445,934	130,655	576,589
Total deferred outflows of resources	<u>2,330,425</u>	<u>130,655</u>	<u>2,461,080</u>
Liabilities:			
Accounts payable	631,936	89,859	721,795
Accrued wages	56,254	30,894	87,148
Interest payable	320,261	-	320,261
Long-term liabilities			
Due within one year	3,546,313	67,229	3,613,542
Due in more than one year	58,539,637	1,325,394	59,865,031
Total liabilities	<u>63,094,401</u>	<u>1,513,376</u>	<u>64,607,777</u>
Deferred inflows of resources:			
Deferred property tax receivable	3,108,120	-	3,108,120
Deferred inflows - OPEB	14,207	-	14,207
Deferred inflows - pensions	17,896	5,242	23,138
Total deferred inflows of resources	<u>3,140,223</u>	<u>5,242</u>	<u>3,145,465</u>
Net position:			
Net investment in capital assets	(13,671,338)	17,417,827	3,746,489
Restricted for:			
Debt service	252,681	-	252,681
Capital projects	208,117	-	208,117
Public Building Commission	1,445,572	-	1,445,572
Land Bank	1,461,634	-	1,461,634
Drug forfeiture	3,653	-	3,653
Unrestricted	24,726,786	4,786,397	29,513,183
Total net position	<u>\$ 14,427,105</u>	<u>\$ 22,204,224</u>	<u>\$ 36,631,329</u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
Governmental activities:							
Administration, mayor and council	\$ 925,468	\$ 232,495	\$ 149,764	\$ -	\$ (543,209)	\$ -	\$ (543,209)
Law and municipal court	130,052	115,513	-	-	(14,539)	-	(14,539)
Streets and highway	614,557	-	-	-	(614,557)	-	(614,557)
Community development	1,314,163	22,684	-	-	(1,291,479)	-	(1,291,479)
Parks, grounds, recreation, pool, etc.	702,153	54,831	-	-	(647,322)	-	(647,322)
Police	1,005,775	-	-	-	(1,005,775)	-	(1,005,775)
Nondepartmental and other	437,849	-	-	-	(437,849)	-	(437,849)
Land sales project	2,896,086	-	-	-	(2,896,086)	-	(2,896,086)
Capital improvement program	77,004	-	-	495,090	418,086	-	418,086
Interest and fees on long-term debt	1,920,861	-	-	-	(1,920,861)	-	(1,920,861)
Total governmental activities	10,023,968	425,523	149,764	495,090	(8,953,591)	-	(8,953,591)
Business-type activities:							
Water	2,649,661	2,897,727	-	-	-	248,066	248,066
Sewer	2,181,379	2,479,740	-	-	-	298,361	298,361
Nonmajor business-type funds	453,187	638,212	-	-	-	185,025	185,025
Total business-type activities	5,284,227	6,015,679	-	-	-	731,452	731,452
Total	\$ 15,308,195	\$ 6,441,202	\$ 149,764	\$ 495,090	(8,953,591)	731,452	(8,222,139)
General revenues:							
Property taxes					2,906,666	-	2,906,666
Sales taxes					1,396,354	-	1,396,354
Other taxes					912,262	-	912,262
Franchise fees					675,626	-	675,626
Investment earnings					19,151	8,605	27,756
Miscellaneous					76,198	7,410	83,608
Transfers					(949,602)	949,602	-
Total general revenues					5,036,655	965,617	6,002,272
Change in net position					(3,916,936)	1,697,069	(2,219,867)
Net position, beginning of year					18,344,041	20,507,155	38,851,196
Net position, end of year					\$ 14,427,105	\$ 22,204,224	\$ 36,631,329

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Balance Sheet
Governmental Funds
December 31, 2020

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash, including investments	\$ 3,476,536	\$ 572,942	\$ 4,344,832	\$ 1,445,572	\$ 1,514,690	\$ 1,186,897	\$ 12,541,469
Receivables (net of allowance for uncollectibles)							
Property taxes	3,108,120	-	-	-	-	-	3,108,120
Special assessments	-	17,001,568	-	-	-	-	17,001,568
Motor vehicle and RV tax	58,862	-	-	-	-	-	58,862
Real estate mortgage note receivable	228,563	-	-	-	-	-	228,563
Sales tax	246,291	-	-	-	-	-	246,291
Franchise taxes and fees	50,416	-	-	-	-	-	50,416
Other	-	-	-	-	112,500	5,735	118,235
Property held for resale	-	-	-	-	4,294,918	-	4,294,918
Total assets	<u>\$ 7,168,788</u>	<u>\$ 17,574,510</u>	<u>\$ 4,344,832</u>	<u>\$ 1,445,572</u>	<u>\$ 5,922,108</u>	<u>\$ 1,192,632</u>	<u>\$ 37,648,442</u>
Liabilities:							
Accounts payable	\$ 95,798	\$ -	\$ 367,942	\$ -	\$ 165,556	\$ 2,640	\$ 631,936
Accrued liabilities	53,652	-	-	-	-	2,602	56,254
Total liabilities	<u>149,450</u>	<u>-</u>	<u>367,942</u>	<u>-</u>	<u>165,556</u>	<u>5,242</u>	<u>688,190</u>
Deferred inflows of resources:							
Deferred property tax receivable	3,108,120	-	-	-	-	-	3,108,120
Unavailable revenue - special assessments	-	17,001,568	-	-	-	-	17,001,568
Total deferred inflows of resources	<u>3,108,120</u>	<u>17,001,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,109,688</u>
Fund balance:							
Nonspendable	228,563	-	-	-	4,294,918	-	4,523,481
Restricted	-	572,942	3,976,890	1,445,572	1,461,634	211,770	7,668,808
Assigned	-	-	-	-	-	975,620	975,620
Unassigned	3,682,655	-	-	-	-	-	3,682,655
Total fund balance	<u>3,911,218</u>	<u>572,942</u>	<u>3,976,890</u>	<u>1,445,572</u>	<u>5,756,552</u>	<u>1,187,390</u>	<u>16,850,564</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,168,788</u>	<u>\$ 17,574,510</u>	<u>\$ 4,344,832</u>	<u>\$ 1,445,572</u>	<u>\$ 5,922,108</u>	<u>\$ 1,192,632</u>	<u>\$ 37,648,442</u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance -- governmental funds		\$ 16,850,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 60,382,308	
Accumulated depreciation	<u>(19,699,446)</u>	40,682,862
Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable in the fund statements		17,001,568
Deferred outflows of resources are not available and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows - deferred refunding		1,714,139
Deferred outflows - OPEB		170,352
Deferred outflows - pensions		445,934
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued interest payable	(320,261)	
General obligation bonds payable	(32,010,000)	
Temporary notes	(8,040,000)	
Revenue bonds - Public Building Commission	(19,550,000)	
Rail loan	(207,126)	
Premiums	(606,045)	
Net pension liability	(1,391,948)	
Total OPEB liability	(205,568)	
Compensated absences	<u>(75,263)</u>	(62,406,211)
Other deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred inflows - OPEB		(14,207)
Deferred inflows - pensions		<u>(17,896)</u>
Total net position -- governmental activities		<u>\$ 14,427,105</u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes and shared revenues	\$ 4,795,375	\$ 112,806	\$ -	\$ -	\$ -	\$ 307,101	\$ 5,215,282
Intergovernmental revenues	149,764	-	20,361	-	-	-	170,125
Franchise fees	675,626	-	-	-	-	-	675,626
Court fines	115,513	-	-	-	-	-	115,513
Licenses, permits and fees	287,326	-	-	-	-	-	287,326
Rents and sales	22,684	-	-	1,352,278	-	-	1,374,962
Special assessments	-	1,901,759	-	-	-	-	1,901,759
Contribution of property held for resale	-	-	-	-	-	-	-
Other	84,296	2,781	4,955	-	1,229	19,338	112,599
Total revenues	6,130,584	2,017,346	25,316	1,352,278	1,229	326,439	9,853,192
Expenditures:							
Current:							
Administration, mayor and council	905,063	-	-	-	-	-	905,063
Law and municipal court	128,784	-	-	-	-	-	128,784
Streets and highway	-	-	-	-	-	317,902	317,902
Community development	202,542	-	-	-	-	-	202,542
Parks, grounds, recreation, pool, etc.	614,539	-	-	-	-	-	614,539
Police	937,135	-	-	-	-	-	937,135
Nondepartmental and other	433,579	-	-	2,559	-	-	436,138
Land project	230,322	-	-	-	357,629	-	587,951
Capital outlay/projects	-	-	3,415,851	-	-	514,731	3,930,582
Debt service:							
Principal retirement	-	2,075,000	3,696,927	865,000	-	-	6,636,927
Interest and other	-	884,236	99,893	695,749	-	-	1,679,878
Debt issuance costs	-	-	168,886	-	-	-	168,886
Total expenditures	3,451,964	2,959,236	7,381,557	1,563,308	357,629	832,633	16,546,327
Excess (deficiency) of revenues over (under) expenditures	2,678,620	(941,890)	(7,356,241)	(211,030)	(356,400)	(506,194)	(6,693,135)
Other financing sources (uses):							
Issuance of general obligation bonds	-	-	5,180,000	-	-	-	5,180,000
Issuance of refunding bonds	-	-	3,650,000	-	-	-	3,650,000
Premium on issuance of refunding bonds	-	-	140,000	-	-	-	140,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Land sales	-	-	-	-	(2,307,315)	-	(2,307,315)
Transfers in	64,909	752,696	-	1,429,710	236,500	900,000	3,383,815
Transfers out	(2,633,917)	-	(64,909)	-	-	(29,783)	(2,728,609)
Total other financing sources (uses)	(2,569,008)	752,696	8,905,091	1,429,710	(2,070,815)	870,217	7,317,891
Net change in fund balance	109,612	(189,194)	1,548,850	1,218,680	(2,427,215)	364,023	624,756
Fund balance, beginning of year	3,801,606	762,136	2,428,040	226,892	8,183,767	823,367	16,225,808
Fund balance, end of year	\$ 3,911,218	\$ 572,942	\$ 3,976,890	\$ 1,445,572	\$ 5,756,552	\$ 1,187,390	\$ 16,850,564

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-- total governmental funds		\$ 624,756
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Depreciation expense	(1,313,106)	
Capital assets capitalized	<u>2,040,411</u>	727,305
In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.		(1,390,709)
Payments received on certain assets are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized when earned.		(1,406,669)
Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities.		(61,265)
Payment of OPEB contributions is an expenditure in the governmental funds, but reduces the total OPEB liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for OPEB are only recorded in the statement of activities.		11,230
Bond and loan proceeds and premiums provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
General obligation bonds	(3,650,000)	
Temporary Notes	(5,180,000)	
Premiums	<u>(140,000)</u>	(8,970,000)
Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds	3,600,000	
Temporary notes	2,130,000	
Revenue bond - Public Building Commission	865,000	
Rail loan	<u>41,927</u>	6,636,927
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		3,480
The amortization of bond premiums and deferred refundings affect long-term assets and liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds.		(75,577)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the following difference was noted:		
Compensated absences earned exceeded benefits paid		<u>(16,414)</u>
Change in net position of governmental activities		\$ <u>(3,916,936)</u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2020

	Water	Sewer	Nonmajor Proprietary Funds	Total
Assets:				
Current assets:				
Cash, including investments	\$ 1,889,038	\$ 2,359,635	\$ 538,835	\$ 4,787,508
Receivables, net	170,387	207,115	36,237	413,739
Total current assets	<u>2,059,425</u>	<u>2,566,750</u>	<u>575,072</u>	<u>5,201,247</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	336,581	1,314,017	-	1,650,598
Other capital assets, net of depreciation	7,524,731	9,215,611	-	16,740,342
Total noncurrent assets	<u>7,861,312</u>	<u>10,529,628</u>	<u>-</u>	<u>18,390,940</u>
Total assets	<u>9,920,737</u>	<u>13,096,378</u>	<u>575,072</u>	<u>23,592,187</u>
Deferred outflows of resources:				
Pension related items	<u>69,594</u>	<u>61,061</u>	<u>-</u>	<u>130,655</u>
Liabilities:				
Current liabilities:				
Accounts payable	21,365	33,418	35,076	89,859
Accrued payroll	10,150	20,744	-	30,894
Revolving loan - current	39,959	24,971	-	64,930
Compensated absences	1,120	1,179	-	2,299
Total current liabilities	<u>72,594</u>	<u>80,312</u>	<u>35,076</u>	<u>187,982</u>
Noncurrent liabilities:				
Revolving loan	562,812	345,371	-	908,183
Net pension liability	217,232	190,596	-	407,828
Compensated absences	4,523	4,860	-	9,383
Total noncurrent liabilities	<u>784,567</u>	<u>540,827</u>	<u>-</u>	<u>1,325,394</u>
Total liabilities	<u>857,161</u>	<u>621,139</u>	<u>35,076</u>	<u>1,513,376</u>
Deferred inflows of resources:				
Pension related items	<u>2,792</u>	<u>2,450</u>	<u>-</u>	<u>5,242</u>
Net position:				
Investment in capital assets	7,258,541	10,159,286	-	17,417,827
Unrestricted	1,871,837	2,374,564	539,996	4,786,397
Total net position	<u>\$ 9,130,378</u>	<u>\$ 12,533,850</u>	<u>\$ 539,996</u>	<u>\$ 22,204,224</u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating revenues:				
Charges for services	\$ 2,897,727	\$ 2,479,740	\$ 638,212	\$ 6,015,679
Operating expenses:				
Personnel	413,991	316,084	-	730,075
Contractual services	143,257	38,043	453,187	634,487
Water purchases	551,009	410	-	551,419
Operations and maintenance - CCUA	351,416	387,738	-	739,154
Debt service - CCUA	585,641	696,951	-	1,282,592
Payment in lieu of franchise fees	100,000	100,000	-	200,000
Other operating expenses	198,922	208,791	-	407,713
Depreciation	305,425	433,362	-	738,787
Total operating expenses	<u>2,649,661</u>	<u>2,181,379</u>	<u>453,187</u>	<u>5,284,227</u>
Operating income	<u>248,066</u>	<u>298,361</u>	<u>185,025</u>	<u>731,452</u>
Nonoperating revenues and expenses:				
Interest and other	11,145	4,260	610	16,015
Capital contributions	313,823	1,290,985	-	1,604,808
Total nonoperating revenue	<u>324,968</u>	<u>1,295,245</u>	<u>610</u>	<u>1,620,823</u>
Income before transfers	<u>573,034</u>	<u>1,593,606</u>	<u>185,635</u>	<u>2,352,275</u>
Transfers out	<u>(257,883)</u>	<u>(297,323)</u>	<u>(100,000)</u>	<u>(655,206)</u>
Change in net position	315,151	1,296,283	85,635	1,697,069
Net position, beginning of year	<u>8,815,227</u>	<u>11,237,567</u>	<u>454,361</u>	<u>20,507,155</u>
Net position, end of year	<u><u>\$ 9,130,378</u></u>	<u><u>\$ 12,533,850</u></u>	<u><u>\$ 539,996</u></u>	<u><u>\$ 22,204,224</u></u>

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 2,888,771	\$ 2,459,116	\$ 637,032	\$ 5,984,919
Payments to suppliers for goods and services	(1,963,335)	(1,431,859)	(452,148)	(3,847,342)
Payments to employees for salaries and benefits	(310,303)	(326,024)	-	(636,327)
Net cash flow from operating activities	<u>615,133</u>	<u>701,233</u>	<u>184,884</u>	<u>1,501,250</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(257,883)	(297,323)	(100,000)	(655,206)
Net cash flow from non-capital financing activities	<u>(257,883)</u>	<u>(297,323)</u>	<u>(100,000)</u>	<u>(655,206)</u>
Cash flows from capital and related financing activities:				
Revolving loan payments	(38,077)	(23,464)	-	(61,541)
Acquisition of capital assets	-	(124,205)	-	(124,205)
Proceeds from sale of assets	(186,955)	-	-	(186,955)
Net cash flow from capital and related financing activities	<u>(225,032)</u>	<u>(147,669)</u>	<u>-</u>	<u>(372,701)</u>
Cash flows from investing activities:				
Interest on investments	11,145	4,260	610	16,015
Net cash flow from investing activities	<u>11,145</u>	<u>4,260</u>	<u>610</u>	<u>16,015</u>
Net increase in cash and cash equivalents	143,363	260,501	85,494	489,358
Cash and cash equivalents, beginning of the year	1,745,675	2,099,134	453,341	4,298,150
Cash and cash equivalents, end of the year	<u><u>\$ 1,889,038</u></u>	<u><u>\$ 2,359,635</u></u>	<u><u>\$ 538,835</u></u>	<u><u>\$ 4,787,508</u></u>
Reconciliation of operating income to net cash flow from operating activities:				
Operating income	\$ 248,066	\$ 298,361	\$ 185,025	\$ 731,452
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	305,425	433,362	-	738,787
Change in net pension liability	146,694	7,334	-	154,028
Change in deferred outflows - pensions	(54,195)	(21,055)	-	(75,250)
Change in deferred inflows - pensions	872	(2,537)	-	(1,665)
Change in accounts receivable	(8,956)	(20,624)	(1,180)	(30,760)
Change in accounts payable	(33,090)	74	1,039	(31,977)
Change in accrued liabilities	10,317	6,318	-	16,635
Net cash flow from operating activities	<u><u>\$ 615,133</u></u>	<u><u>\$ 701,233</u></u>	<u><u>\$ 184,884</u></u>	<u><u>\$ 1,501,250</u></u>
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	\$ 313,823	\$ 1,290,985	\$ -	\$ 1,604,808

The accompanying notes are an integral part of the basic financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bel Aire, Kansas (City) is incorporated under the laws of the State of Kansas. The City adopted a Council-Manager form of City government in January 2010, consisting of an elected Mayor and Council and an appointed City Manager to oversee the daily operations.

The City provides services to the citizens in the areas of streets, water service, wastewater service, community development, public safety, planning and zoning, parks and recreation, public works and general administrative services.

The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit: The statements include the financial data of the Public Building Commission (PBC). The PBC was formed several years ago in order to finance and build the 1) City Hall, 2) the swimming pool 3) an effluent line for the sale of "gray water" to Willowbend and 4) to finance the industrial park of the land project. The PBC issued debt instruments (revenue bonds) to finance the projects and leases the City Hall and swimming pool to the City. All revenues from City Hall rents, gray water sales and pool operations are pledged for debt service on the respective PBC revenue bonds.

Although the PBC is a legally separate organization, the City is financially accountable for the component unit in accordance with Governmental Accounting Standards Board (GASB) standards. The PBC's governing body is substantially the same as the governing body of the City; therefore, the PBC is "blended" with the City's financial statements. For financial reporting, the activities of the PBC are accounted for within the special revenue funds within the City's financial statements.

Separate audited financial statements are not prepared for the PBC.

On August 4, 2015, the City established the Bel Aire Land Bank (Land Bank) in conformance with K.S.A. 12-5901 et seq. Although the Land Bank is a legally separate organization, the City is financially accountable for the component unit in accordance with GASB standards. The Land Bank's governing body is substantially the same as the governing body of the City; therefore, the Land Bank is "blended" with the City's financial statements. For financial reporting, the activities of the Land Bank are accounted for within the special revenue funds within the City's financial statements.

Separate audited financial statements are not prepared for the Land Bank.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Organizations: The Chisholm Creek Utility Authority (Authority) is a quasi-municipal governmental entity formed in 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing “wholesale” water, wastewater and utility services to the cities.

The Authority’s purpose is to serve the two cities and the function of the cities is to ensure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. The cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds.

The Authority does not meet GASB requirements to be reported as a component unit but does meet the criteria as joint venture in the City’s financial statements; however, no asset will be recorded as the City does not have an equity interest. Payments made by the City for debt service and subsidizing operating costs will be recorded as operating expenses of the City. See also Note IV.D.

Audited financial statements are available for the Chisholm Creek Utility Authority at the office of the City of Park City, 6110 N. Hydraulic, Park City, Kansas 67219.

B. Basis of Presentation

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds).

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations of interfund charges and balances have been made in these statements to minimize the double-counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program of the governmental activities. Direct expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The major governmental funds of the City are described below:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Bond and Interest Fund* is used to pay the general obligation and revenue bond debt service requirements of the City.

The *Capital Projects Fund* is used to account for temporary debt issued funds that are used to finance specific projects in the short-term.

The *Public Building Commission* is used to finance and pay for certain projects using revenue bonds.

The *Land Bank Fund* is used to account for maintaining and selling real property located within the City.

The major proprietary funds of the City are the *Water Fund* and the *Sewer Fund* and are used to account for revenues and expenses of those activities.

C. Measurement Focus and Basis of Accounting and Fund Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the City are included on the statement of net position. 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 budget year for which they are levied. Special assessments are recognized when levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state fuel tax, and franchise taxes 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. Sales taxes collected and held by merchants and/or the state at year-end on behalf of the City are recognized as revenue. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year during which the entitlement is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. *Deposits and Investments*

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

For the purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The investments of proceeds of long-term debt are governed by specific statutes and authorize the City to invest in the following:

- Investments authorized by K.S.A. 12-1675
- Direct obligations of the U.S. government or any other agency thereof
- Money market funds comprised entirely of obligations of the U.S. Treasury and agencies thereof
- Obligations of any municipality of Kansas
- Investment agreements with a financial institution rated in the three highest rating categories by Moody's or Standard and Poor's

The City pools temporarily idle cash from all funds for investments purposes. Each fund's portion of the pool is shown on the Statement of Net Position as cash, including investments. Deposits during the year included cash in interest bearing and demand bank accounts. Interest is allocated to each fund based on the respective invested balance.

The City follows GASB 72, *Fair Value Measurement and Application*, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

At December 31, 2020, investments consisted of funds invested in the Kansas Municipal Investment Pool (KMIP). The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the state and is valued at cost.

2. Receivables

Property tax receivable - In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2020. Estimated delinquencies are insignificant and have not been recorded.

Special assessment receivable - As required by state statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and Interest Fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest Fund to finance delinquent special assessments.

The City's special assessment taxes are levied over a 15 to 20-year term of the bonds and the annual installments are due and payable with annual ad valorem property taxes. Liens may be foreclosed against the property benefited by the special assessments when delinquent assessments are two years in arrears. At December 31, 2020, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Bond and Interest Fund with a corresponding amount recorded as deferred inflows of resources in the fund financial statements.

Real estate mortgage note receivable - The note receivable is from the sale of the previous City Hall. The note was entered into on June 1, 2004, for \$495,000, with an initial interest rate of 4.5%, for a period not to exceed 24.5 years. At December 31, 2020, the note balance was \$228,563.

3. *Property Held for Resale*

The City has transferred property to the Land Bank Fund. The purpose of the fund is to maintain and sell real property located within the City. The properties have been included as property held for resale in the Land Bank Fund.

4. *Capital Assets and Depreciation*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by proprietary funds are reported in both the proprietary activities column of the government-wide statement of net position and in the individual proprietary funds. Donated assets are recorded at acquisition value as of the date of the donation.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are accounted for in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

The City follows the policy of capitalizing assets with unit costs of \$2,500 or more. Depreciation of capital assets is computed and recorded by the straight-line method and is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements/infrastructure	20-40 years
Equipment	5-10 years
Water System	35-40 years
Sewer System	40 years

5. *Accrued Compensated Absences*

The City's policy regarding vacation permits employees with one to five years continuous service to earn eleven days' vacation pay, six to eleven years continuous service to earn sixteen days and for more than twelve years continuous service to earn eighteen days' vacation pay. Earned vacation pay in excess of five days must be taken prior to the employee's next earning date (January 1 of the following year) or be forfeited. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

The sick leave policy of the City provides that all regular employees shall earn one day of sick leave for each calendar month of service. The maximum accumulation of sick leave is 120 days. After ten years of continuous service with the City an employee shall receive compensation for up to 60 days (maximum of \$5,000) for unused accumulated sick leave when permanently separated from service by reason of death or retirement. Employees with continuous employment that started prior to 1990 shall be compensated for up to 50 days (no maximum amount) for unused accumulated sick leave when permanently separated from service by reason of death or retirement. All other accumulated sick leave is cancelled upon termination of employment.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond issuance costs are expensed in the year 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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Pensions*

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

For purposes of measuring the collective 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.

8. Fund Equity

In the government-wide statements, equity is shown as net position and 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, leases, 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 their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position - consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

In the governmental funds, equity is shown as fund balance and classified into five components:

- Nonspendable - Nonspendable consists of amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained.
- Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Committed - This classification consists of amounts that can be used only for the specific purposes imposed by a resolution made by the City Council and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.
- Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority. Encumbrances are considered as assigned unless they specifically meet the requirements to be restricted or committed.
- Unassigned - This consists of the residual balance for the general fund not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from expenditures exceeding amounts that had been restricted, committed or assigned.

The City applies restricted resources first to finance qualifying expenditures, when either restricted or unrestricted amounts are available. For unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts.

9. *Deferred Inflows of Resources/Deferred Outflows 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 three items that qualify for reporting in this category in the government-wide statement of net position, deferred outflows for pensions, deferred outflows for OPEB and deferred charges on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note IV. E. and IV. F. for more information on the deferred outflows for pensions and OPEB, respectively.

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 City has four types of items, unavailable revenue, deferred revenue, deferred inflows for pensions and deferred inflows for OPEB that qualify for reporting in this category that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes are not recognized as revenue until the period for which they are levied. The third and fourth items, deferred inflows for pensions and OPEB, are reported on the government-wide statement of net position. See Note IV. E. and IV. F., respectively, for more information on these deferred inflows.

10. *Land Project*

The City invested in the land project for projected growth and future development.

The land project consists of approximately 1,600 acres of land (600 acres residential, 200 acres commercial and 800 acres industrial park) and is being accounted for by using the cost recovery method as allowed under GASB 62.

Capitalized costs of the land project include but are not limited to:

- Land acquisition and title costs
- Capitalized interest and debt issuance costs
- Street, sewers, grading, excavating, improvements and infrastructure
- Other development costs

Under the hybrid cost recovery method, as parcels of land are sold, the proceeds are offset against the total accumulated costs of the project. Other methods of matching costs, such as the specific identification method, the gross profit method and the unit/area method were not practical in the circumstances.

Management deems that the current estimated fair value of the project is in excess of the remaining unrecovered costs. Unrecovered costs at December 31, 2020, amounted to \$9,612,240.

The industrial park portion of the land project was financed with Public Building Commission bonds and the amount outstanding at December 31, 2020 was \$16,560,000, also see Note III. C.

11. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

Estimates significant to the financial statement include the valuation of land held for resale; see the Land Project discussion in No. 10 above.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require budgets be adopted for all funds, unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption of the legal budget.

1. Preparation of the budget for the current fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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

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

A legal operating budget is not required for the following funds: Capital Improvement, Equipment Reserve, Capital Projects, Local Drug Forfeiture Fund, State Drug Forfeiture Fund, Federal Drug Forfeiture Fund, and the Public Building Commission.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover the value of its deposits. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution. To comply with the statutes, the City requires the issuance of joint custody receipts as evidence of the pledged collateral. 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 its investment or collateral securities that are in the possession of an outside party.

At December 31, 2020, the City had \$765,051 that was uncollateralized and exceeded federal depository insurance.

At December 31, 2020, the City had invested \$12,052,511 in the state's municipal investment pool not SEC (Securities and Exchange Commission) registered. The 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. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the state pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The investment in the municipal investment pools is valued at cost.

Credit Risk and Concentration of Credit Risk. Kansas law limits the types of investments that can be made by the City, which inherently reduces its credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. On December 31, 2020, 100% of the City's investments, \$12,052,511, were invested in the Kansas Municipal Investment Pool, which is not rated.

Interest Rate Risk. As a means of managing its exposure to fair value losses arising from increasing interest rates, the City follows state statutes which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. Investments in U.S. treasury coupon securities have a maturity of less than one year.

Deposits and investments at December 31, 2020 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 5,276,466
Carrying amount of investments	<u>12,052,511</u>
Total	<u>\$ 17,328,977</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Increases	Decreases	Transfer	Balance December 31, 2020
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements					
Land Project	\$ 6,705,161	\$ --	1,387,839	\$ --	\$ 5,317,322
Parks, recreation, etc.	3,421,063	--	--	--	3,421,063
City Hall	400,752	--	--	--	400,752
Other	418,510	130,321	--	--	548,831
Construction in process	522,331	1,797,434	800,545	--	1,519,220
Total capital assets, not being depreciated	11,467,817	1,927,755	2,188,384	--	11,207,188
Capital assets, being depreciated					
Infrastructure	41,028,186	670,224	--	--	41,698,410
City Hall	2,950,273	--	--	--	2,950,273
Swimming pool	854,756	--	--	--	854,756
Other structures and equipment	3,442,704	242,977	14,000	--	3,671,681
Total capital assets, being depreciated	48,275,919	913,201	14,000	--	49,175,120
Less accumulated depreciation					
Infrastructure	14,725,294	1,059,423	--	--	15,784,717
City Hall	1,036,668	66,381	--	--	1,103,049
Swimming pool	359,001	25,643	--	--	384,644
Other structures and equipment	2,276,507	161,659	11,130	--	2,427,036
Total accumulated depreciation	18,397,470	1,313,106	11,130	--	19,699,446
Total capital assets, being depreciated, net	29,878,449	(399,905)	2,870	--	29,475,674
Governmental activities capital assets, net	\$ 41,346,266	\$ 1,527,850	\$ 2,191,254	\$ --	\$ 40,682,862

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

Governmental activities:	
Administration, mayor and council	\$ 13,944
Police	42,591
Capital improvement program	77,004
Community development	1,098,801
Parks, grounds, recreation, pool, etc.	80,766
Total depreciation expense	<u>\$ 1,313,106</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

	Balance January 1, 2020	Increases	Decreases	Transfer	Balance December 31, 2020
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 534,040	\$ --	--	\$ --	\$ 534,040
Construction in process	19,508	1,604,808	507,758	--	1,116,558
Total capital assets, not being depreciated	<u>553,548</u>	<u>1,604,808</u>	<u>507,758</u>	<u>--</u>	<u>1,650,598</u>
Capital assets, being depreciated					
Plant and equipment	25,951,844	818,918	--	--	26,770,762
Less accumulated depreciation	9,291,633	738,787	--	--	10,030,420
Total capital assets, being depreciated, net	<u>16,660,211</u>	<u>80,131</u>	<u>--</u>	<u>--</u>	<u>16,740,342</u>
Proprietary activities capital assets, net	<u>\$ 17,213,759</u>	<u>\$ 1,684,939</u>	<u>\$ 507,758</u>	<u>\$ --</u>	<u>\$ 18,390,940</u>
Depreciation expense					<u>\$ 738,787</u>

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City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Long-term debt

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due within one year
Governmental Activities:					
General obligation bonds	\$ 31,960,000	\$ 3,650,000	\$ 3,600,000	\$ 32,010,000	\$ 2,470,000
Temporary notes	4,990,000	5,180,000	2,130,000	8,040,000	--
Revenue bonds - PBC	20,415,000	--	865,000	19,550,000	1,010,000
Rail loan	249,053	--	41,927	207,126	42,773
Premiums/discounts	508,685	140,000	42,640	606,045	--
Net pension liability	1,115,873	532,297	256,222	1,391,948	--
Total OPEB liability	57,826	183,884	36,142	205,568	
Compensated absences	58,849	87,559	71,145	75,263	23,540
Total Governmental Activities	<u>\$ 59,355,286</u>	<u>\$ 9,773,740</u>	<u>\$ 7,043,076</u>	<u>\$ 62,085,950</u>	<u>\$ 3,546,313</u>
Business-type Activities:					
Revolving loans	\$ 1,034,654	\$ --	\$ 61,541	\$ 973,113	\$ 64,930
Net pension liability	253,800	212,525	58,497	407,828	--
Compensated absences	5,749	16,975	11,042	11,682	2,299
Total Business-type Activities	<u>\$ 1,294,203</u>	<u>\$ 229,500</u>	<u>\$ 131,080</u>	<u>\$ 1,392,623</u>	<u>\$ 67,229</u>

Compensated absences for the governmental activities are liquidated in the General Fund.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

General Obligation Bonds and Notes

The general obligation bonds to be paid with tax levies were issued to construct or acquire capital assets. Debt service payments are primarily made by the Bond and Interest Fund and the Public Building Commission. Temporary notes are generally paid from the Capital Projects Fund after bonds are issued.

General obligation bonds outstanding at December 31, 2020 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2020</u>
Series 2012A	2.000% - 3.250%	5,215,000	10/1/2032	3,295,000
Series 2013D	2.000% - 4.375%	3,895,000	10/1/2034	2,820,000
Series 2014A	2.000% - 3.750%	1,100,000	10/1/2034	810,000
Series 2015A	2.000% - 2.500%	5,390,000	11/1/2027	2,825,000
Series 2015B	1.500% - 3.250%	575,000	11/1/2027	320,000
Series 2015D	2.000% - 3.500%	3,960,000	11/1/2036	3,300,000
Series 2015E	1.500% - 5.000%	220,000	11/1/2036	185,000
Series 2016A	2.000% - 4.000%	2,820,000	11/1/2037	2,380,000
Series 2017A	3.000% - 3.125%	5,545,000	11/1/2038	5,065,000
Series 2019A	2.000% - 3.000%	6,060,000	11/1/2040	6,060,000
Series 2019B	2.000% - 2.550%	1,430,000	11/1/2029	1,300,000
Series 2020B	1.400% - 2.000%	3,650,000	11/1/2041	3,650,000
Total		<u>\$ 39,860,000</u>		<u>\$ 32,010,000</u>

Temporary notes outstanding at December 31, 2020 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2020</u>
Series 2019C	1.350%	2,860,000	12/1/2022	2,860,000
Series 2020A	1.250%	1,985,000	12/1/2023	1,985,000
Series 2020C	0.420%	3,195,000	12/1/2023	3,195,000
Total		<u>\$ 8,040,000</u>		<u>\$ 8,040,000</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

The annual debt service requirements to amortize the general obligation bonds and temporary notes outstanding as of December 31, 2020 are as follows:

Year	Governmental Activities			
	General Obligation Bonds		Temporary Notes	
	Principal	Interest	Principal	Interest
2021	\$ 2,470,000	\$ 915,481	\$ --	\$ 77,624
2022	2,525,000	854,900	2,860,000	76,841
2023	2,205,000	789,891	5,180,000	38,231
2024	2,245,000	729,151	--	--
2025	2,300,000	665,864	--	--
2026 – 2030	9,405,000	2,349,506	--	--
2031 – 2035	7,240,000	1,038,294	--	--
2036 – 2040	3,500,000	243,126	--	--
2041 – 2045	120,000	2,400	--	--
Total	<u>\$ 32,010,000</u>	<u>\$ 7,588,613</u>	<u>\$ 8,040,000</u>	<u>\$ 192,696</u>

Current Refunding

On November 10, 2020, the City issued \$3,650,000 General Obligation Series 2020B refunding bonds at a premium of \$140,000. The average interest rate of the new bonds is 1.87%. Total proceeds of the issuance were \$3,790,000. These proceeds were used to refund \$1,525,000 of outstanding General Obligation Series 2011A bonds with an average interest rate of 4.18% and to long-term finance the 2017B temporary note.

This refunding bond was issued for certain improvements and reduced the City's total debt payments by \$211,225. The economic gain (difference between the present value of the old and new debt service payments is \$200,087.

City of Bel Aire Public Building Commission

The City of Bel Aire Public Building Commission (PBC) is a component unit of the City. The City has authority to issue revenue bonds to finance the cost of acquiring and/or constructing land and facilities operated for a public purpose by a governmental entity. The PBC finances the debt service of the revenue bonds by leasing the land and facilities to the governmental entity which operates it. The operating governmental entity guarantees the rentals under the PBC lease. The PBC has no power to levy taxes, and revenue bonds issued by the PBC are not included in any legal debt limitation of the City. All revenues from City Hall rents, gray water sales, pool operations, and industrial land sales are pledged for debt service on the revenue bonds.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

For the payment of its lease obligations, if necessary, the City may levy taxes on all taxable tangible property within its territorial jurisdiction. For the land project bonds, in addition to the lease payments, other revenue pledged for debt service include sales of land for industrial purposes.

The outstanding revenue bonds are as follows:

Purpose	Interest Rate	Original Issue	Maturity Date	Amount
Revenue Refunding Bonds - Series 2014A	2.000% - 4.000%	3,050,000	2/1/2030	2,195,000
Taxable Revenue Refunding Bonds - Series 2014B	2.000% - 4.600%	1,120,000	2/1/2030	795,000
Taxable Revenue Refunding Bonds - Series 2017	1.500% - 3.750%	17,755,000	12/31/2034	16,560,000
Total		<u>\$ 21,925,000</u>		<u>\$ 19,550,000</u>

The City has entered into capital lease agreements with the PBC for leases of the City Hall, swimming pool and the land project. Lease payments are to be in amounts adequate to pay the PBC's principal and interest maturities on its bonds payable. Future payments due from the City are reflected below:

Year	PBC Bonds		
	Principal	Interest	Total
2021	\$ 1,010,000	\$ 661,153	\$ 1,671,153
2022	1,180,000	633,003	1,813,003
2023	1,325,000	598,816	1,923,816
2024	1,365,000	559,778	1,924,778
2025	1,395,000	516,928	1,911,928
2026 - 2030	7,735,000	1,793,313	9,528,313
2031 - 2035	5,540,000	411,188	5,951,188
Total	<u>\$ 19,550,000</u>	<u>\$ 5,174,179</u>	<u>\$ 24,724,179</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Pledged Revenues

The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following table lists those revenues, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and approximate percentage of the revenue stream that has been committed. Annual principal and interest payments not funded by the pledged revenues noted below are budgeted and paid from the City's general tax revenues:

Issue	Revenue Pledged	Amount of Pledge	Term of Commitment	Percent of Revenue Pledged	Principal and Interest for 2020	Pledged Revenues Recognized in 2020
Governmental Activities						
2010A/2017A	Land sales for industrial use	\$ 21,101,029	Through 2034	100%	\$ 1,188,749	\$ 1,387,839
2014A	City hall rent	\$ 2,657,725	Through 2030	100%	\$ 266,750	\$ 43,926
2014B	Annual property tax levy and sale of water through effluent line improvements	\$ 965,424	Through 2030	100%	\$ 103,053	\$ 61,504

Conduit Debt

From time to time, the City has sponsored the issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership for the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, state nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The total amount outstanding at December 31, 2020 was \$54,037,603.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Revolving Loans

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to reroute certain waterlines and replace existing user meters. The maximum amount of the loan is not to exceed \$858,942. Principal and interest payments commenced August 1, 2014 at 2.16% interest. At December 31, 2020, the balance of this loan was \$602,771.

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to provide for various improvements to the sanitary sewer system including manhole rehabilitation, replacement of several sewer lines, upgrade to wastewater pumping station and SCADA system. The maximum amount of the loan is not to exceed \$535,980. Principal and interest payments commenced September 1, 2014 at 2.12% interest. At December 31, 2020, the balance of this loan was \$370,342.

Annual debt service requirements as of December 31, 2020 are as follows:

Year	Business-type Activities			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2021	\$ 39,959	\$ 11,026	\$ 24,971	\$ 7,100
2022	40,827	10,299	25,503	6,630
2023	41,713	9,556	26,047	6,151
2024	42,619	8,797	26,602	5,662
2025	43,545	8,022	27,169	5,162
2026 - 2030	232,326	27,871	144,780	17,925
2031 - 2035	161,782	6,518	95,270	4,188
Total	<u>\$ 602,771</u>	<u>\$ 82,089</u>	<u>\$ 370,342</u>	<u>\$ 52,818</u>

Rail Loan

The City entered into a loan agreement with the Kansas Department of Transportation for a project to build a railroad spur in the Sunflower Commerce Park. The maximum amount of the loan is not to exceed \$421,358. Payments commence upon the completion of the railroad spur at 2% interest. At December 31, 2020, the balance of this loan was \$207,126. Annual debt service requirements as of December 31, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ 42,773	\$ 3,752	\$ 46,525
2022	43,636	2,889	46,525
2023	44,517	2,008	46,525
2024	45,416	1,109	46,525
2025	30,784	231	31,015
Total	<u>\$ 207,126</u>	<u>\$ 9,989</u>	<u>\$ 217,115</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Interfund Transfers

A summary of interfund transfers by fund type for the year ended December 31, 2020 is as follows:

Transfer from:	Transfer to:						
	Land Bank	Capital Improvements	Equipment Reserve	Bond and Interest	PBC	Special Highway	General
General	\$ 236,500	\$ 550,000	\$ 50,000	\$ 367,707	\$ 1,429,710	\$ --	\$ --
Capital Projects	--	--	--	--	--	--	64,909
Special Street and Highway	--	--	--	29,783	--	--	--
Solid Waste	--	--	--	--	--	100,000	--
Water	--	--	100,000	157,883	--	--	--
Sewer	--	--	100,000	197,323	--	--	--
Total	<u>\$ 236,500</u>	<u>\$ 550,000</u>	<u>\$ 250,000</u>	<u>\$ 752,696</u>	<u>\$ 1,429,710</u>	<u>\$ 100,000</u>	<u>\$ 64,909</u>
							<u>\$ 3,383,815</u>

Transfers are used to (1) move revenues from the fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond and Interest Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Any transfers within the governmental funds have been eliminated in the government-wide Statement of Activities.

Additionally, the Capital Projects Fund constructed assets in the amount of \$313,823 and \$1,290,985 to the Water and Sewer Funds, respectively. This activity is shown as an expenditure from the Capital Projects Fund and capital contribution revenue to the Water and Sewer Funds, in the fund financial statements. However, this activity is shown within transfers in the government-wide financial statements.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Fund Balances

A summary of the components of governmental fund balance, by purpose, is as follows:

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental	Total
Nonspendable	\$ 228,563	\$ --	\$ --	\$ --	\$ 4,294,918	\$ --	\$ 4,523,481
Restricted for:							
Bond and interest	--	572,942	--	--	--	--	572,942
Land bank	--	--	--	--	1,461,634	--	1,461,634
Capital projects	--	--	3,976,890	--	--	208,117	4,185,007
Public Building Commission	--	--	--	1,445,572	--	--	1,445,572
Drug forfeiture	--	--	--	--	--	3,653	3,653
Assigned to:							
Capital projects	--	--	--	--	--	612,046	612,046
Equipment reserve	--	--	--	--	--	363,574	363,574
Unassigned	<u>3,682,655</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,682,655</u>
Total	<u>\$ 3,911,218</u>	<u>\$ 574,942</u>	<u>\$ 3,976,890</u>	<u>1,445,572</u>	<u>\$ 5,756,552</u>	<u>\$ 1,187,390</u>	<u>\$ 16,850,564</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss from torts: theft, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

B. Contingent Liabilities

Various legal actions and claims against the City are currently pending. The ultimate liability that might result from their resolution is not presently determinable; however, in the opinion of management and counsel, the probability of material aggregate liabilities resulting from these claims is remote.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Construction Commitments

The City had outstanding construction commitments for various capital projects and improvements at December 31, 2020 as follows:

Project	Project costs to date	Approved project amount
Woodlawn Engineering/Discovery	\$ 627,804	\$ 580,250
Rock Spring 3rd Addition Ph 1 – Paving	303,340	449,000
Rock Spring 3rd Addition Ph 1 & Ph2 – Drainage	350,372.00	535,000.00
Webb Road Lift Station – Sewer	761,235.00	775,000.00
Webb Road Sewer Extension – Sewer	135	205,000
Bristol Hollows Addition, Phase I-Water	97,601	111,000
Bristol Hollows Addition, Phase I-Sewer	245,117	285,000
Bristol Hollows Addition, Phase I-Paving	29,935	400,000
Bristol Hollows Addition, Phase I-Drainage	171,609	465,000
Rock Springs Ph 7 – Water	3,532	104,000
Rock Springs Ph 7 – Sewer	7,280	105,000
Rock Springs Ph 7 – Paving	15,773	370,000
Woodlawn Construction	20,388	1,791,908
Woodlawn Water Utility Relocation	1,408	225,000
Woodlawn Sewer Utility Construction	248	600,000
	<u>\$ 2,635,777</u>	<u>\$ 7,001,158</u>

D. Commitments to Chisholm Creek Utility Authority

The City's Service Agreement with Chisholm Creek Utility Authority (Authority) requires the City to pay for minimum amounts of water and treated wastewater, whether such water is actually received by the City or whether such wastewater is actually accepted by the Authority and treated.

The Service Agreement also requires the City to maintain and collect rates and charges for service sufficient to a) pay its share of the expenses of the Authority, b) pay its share of the Authority's debt service payments, c) enable the City to have in each fiscal year a coverage ratio, as defined by the agreement, of not less than 1.25 on all debt service requirements and of not less than 1.10 on any Additional Indebtedness, as defined by the agreement, and d) provide reasonable and adequate reserves for the payment of Additional Indebtedness.

The City's obligations under the Service Agreement are several; no member of the Authority is responsible for payment obligations of any other member of the Authority.

Similarly, as required by the bond covenants relating to bonds issued by the Authority, the rates charged by each city participating in the Authority to its residents and businesses should result in the funds necessary for the cities to pay for all the water and wastewater costs of the Authority in addition

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

to all debt service payments. Provisions of the revenue bond rate covenant were complied with for 2020.

At year-end, the Authority had revenue bonds and a land contract outstanding in the principal and interest amount of \$26,852,016. The debt is more fully described in the audited financial statements of the Authority. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the land contract.

During 2009, a temporary financing agreement was approved by the City for the Authority to make certain capital improvements to the wastewater treatment facilities. The improvements were approved up to \$3,918,306, of which the City of Bel Aire is liable for \$1,322,934. The temporary financing by the City will be repaid through the issuance of revenue bonds by the Authority. The payment of the revenue bonds will be through monthly payments by the cities to the Authority from revenues in utility funds.

Bel Aire's scheduled share of payments due to the Authority for currently issued revenue bonds and interest as of December 31, 2020 are as follows:

<u>Year</u>	<u>Interest and Principal</u>
2021	2,014,148
2022	2,045,326
2023	2,062,258
2024	2,057,394
2025	2,064,532
2026 and thereafter	16,608,358
Total	<u>\$ 26,852,016</u>

The above payments are recognized as expenses incurred for water and sewer operations. Funding is to be provided by user charges.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operation.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

E. Pension and Other Post-Employment Benefit Plans

Defined Benefit Plans

General Information about the Pension Plan

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

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

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

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee'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 member employees 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.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for KPERS for the fiscal year ended December 31, 2020.

Contributions to the pension plan from the City were \$168,081 for KPERS for the year ended December 31, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 group of the plan. The City participates in the local (KPERS) group.

At December 31, 2020, the City reported a liability of \$1,799,776 for KPERS for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2019 which was rolled forward to June 30, 2020. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the KPERS for the fiscal year ended June 30, 2020. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2020, the City's proportion and change from its proportion measured as of June 30, 2020 were as follows:

<u>Net pension liability as of December 31, 2020</u>					
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	<u>Proportion as of June 30, 2020</u>	<u>Increase (decrease) proportion from June 30, 2019</u>
KPERS (local)	\$ 1,391,948	\$ 407,828	\$ 1,799,776	0.104%	0.006%

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

For the year ended December 31, 2020, the City recognized pension expense of \$310,238 for KPERS. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business - Type Activities	Governmental Activities	Business - Type Activities
Difference between expected and actual experience	\$ 23,241	\$ 6,810	\$ 17,896	\$ 5,242
Net difference between projected and actual earnings on pension plan investments	162,407	47,583	-	-
Changes in proportionate share	109,663	32,130	-	-
Changes in assumptions	83,840	24,565	-	-
City contributions subsequent to measurement date	66,783	19,567	-	-
Total	<u>\$ 445,934</u>	<u>\$ 130,655</u>	<u>\$ 17,896</u>	<u>\$ 5,242</u>

The \$86,350 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2021	\$ 96,714	\$ 28,337
2022	98,856	28,964
2023	88,257	25,859
2024	73,494	21,533
2025	3,934	1,153
	<u>\$ 361,255</u>	<u>\$ 105,846</u>

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

Actuarial cost method	Entry age normal
Price inflation	2.75%
Salary increases, including wage increases	3.25% to 11.75%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.50%

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 Scale MP-2016.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study conducted for the three-year period beginning January 1, 2016. The experience study is dated January 7, 2020.

The actuarial assumptions changes adopted by the pension plan for all groups based on the experience study:

- Investment return assumption was lowered from 7.75 percent to 7.50 percent
- General wage growth assumption was lowered from 3.50 percent to 3.25 percent
- Payroll growth assumption was lowered from 3.00 percent to 2.75%

The long-term expected rate of return on 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 as of the most recent experience study dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equities	23.5%	5.20%
Non-US Equities	23.5%	6.40%
Fixed Income	11%	1.55%
Yield Driven	8%	4.70%
Real Return	11%	3.25%
Private Real Estate	11%	4.45%
Private Equity	8%	9.50%
Short-term Investments	4%	0.25%
	<u>100.0%</u>	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.50%. The discount rate used to measure the total pension liability at the prior measurement date of June 30, 2019 was 7.75%. The projection of cash flows used to determine the discount rate assumed that

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the state fiscal year 2020 was 1.2%. The local employers are currently contributing the full actuarial contribution rate. The expected employer actuarial contribution rate was modeled for future years, assuming all actuarial assumptions are met in the 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 collective net pension liability to changes in the discount rate. The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's KPERS proportionate share of the net pension liability	<u>\$ 2,533,005</u>	<u>\$ 1,799,776</u>	<u>\$ 1,183,321</u>
	<u>\$ 2,533,005</u>	<u>\$ 1,799,776</u>	<u>\$ 1,183,321</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

Defined Contribution Plan 457 plan

The City established a defined contribution plan for certain employees. The plan is administered by the ICMA Retirement Corporation, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The contribution percentage is 7% and there is no match. The contributions by the City for 2020 were \$16,904.

F. Other Post Employment Benefits

COBRA

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

KPERS Death and Disability OPEB Plan

Plan Description. The City participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and 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. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits provided:

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 premium provision.

Long-term disability benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and 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, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 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 term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on 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 life insurance policy.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	37
	<u>38</u>

Total OPEB Liability

The City's total OPEB liability of \$205,568 was measured as of June 30, 2020 and was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	2.21 to 10%, including price inflation
Discount rate	3.50%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on an actuarial experience study for the period January 1, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2019 KPERS pension valuation.

	Total OPEB Liability
Balance at fiscal year-end 12/31/19	<u>\$ 57,826</u>
Changes for the year:	
Service cost	6,988
Interest	1,860
Effect of economic/demographic gains or losses	141,938
Effect of assumptions changes or inputs	20,544
Benefit payments	(23,588)
Net changes	<u>147,742</u>
Balance at fiscal year-end 12/31/20	<u><u>\$ 205,568</u></u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

Changes in the Total OPEB Liability

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period and demographic assumption update based on the most recent KPERS experience study. The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

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 total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 222,714	\$ 205,568	\$ 190,374

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$12,358. At December 31, 2020, 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
Difference between expected and actual experience	\$ 127,586	\$ 12,479
Changes in assumptions	19,178	1,728
Benefit payments subsequent to the measurement date	23,588	-
Total	<u>\$ 170,352</u>	<u>\$ 14,207</u>

The \$23,588 benefit payments made subsequent to the measurement date will be recognized as a reduction in the total OPEB liability for the year ended December 31, 2021. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

IV. OTHER INFORMATION (CONTINUED)

		Deferred (Inflows) & (Outflows) of Resources
Year ended June 30:		
2021	\$	14,544
2022		14,544
2023		14,544
2024		14,544
2025		14,544
Thereafter		59,837
	\$	<u>132,557</u>

G. Concentrations

The City buys all of its wastewater services from the Chisholm Creek Utility Authority. All water purchases are made from the Chisholm Creek Utility Authority and the City of Wichita.

H. Tax Abatements

The City follows GASB Statement No. 77 *Tax Abatement Disclosures*, which enhances comparability of financial statements among governments by establishing disclosures about the nature and magnitude of tax abatements enabling users to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition.

GASB 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the citizens of those governments.

The City enters into property tax abatement agreements with local businesses under the state Economic Development Opportunity Act of 2006. Under the Act, localities may grant property tax abatements of a maximum of ten years at up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. See further information regarding IRB's, including the amount outstanding at December 31, 2020, at Footnote III.C. - Conduit Debt.

The County Appraiser determines the full value of the property, noting the value that has been exempted through the program. The County Treasurer computes the taxes due on the appraised value only on the taxable portion of the property. For the fiscal year ended December 31, 2020, all of the buildings associated with tax abatements were still under construction; therefore, the City abated property taxes totaling \$239,368 under this program. These agreements also include performance measurements that the business must achieve. If the performance measurements are not met, the tax abatement will be removed, and the business will have to pay their full property taxes.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. Pending Governmental Accounting Standards

The effect on the City's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2022.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the City's financial reporting, other provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for the City's fiscal year ending December 31, 2021 and now postponed until December 31, 2022 per GASB Statement No. 95.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's fiscal year ending December 31, 2023.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2020

I. Pending Governmental Accounting Standards (CONTINUED)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, *Leases*. The new defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement will be effective for the City's fiscal year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. The last provision will be effective for the City's fiscal year ending December 31, 2022.

J. Subsequent Events

On July 6, 2021, the City issued \$5,135,000 of General Obligation Refunding Bonds, Series 2021A with a stated maturity of November 1, 2034 with interest rates ranging from 2.00%-4.00% and \$9,850,000 of General obligation Temporary Notes, Series 2021B with a stated maturity of December 1, 2024 with an interest rate of 0.375%.

In June, the City received the first allocation of the federal funding from the American Rescue Plan Act of \$600,000.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Bel Aire, Kansas

Notes to Required Supplementary Information

December 31, 2020

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements.

For the City, this information includes:

- A budgetary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund
- A budgetary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budget Basis - Land Bank
- Defined Benefit Pension Plans - Share of the Collective Net Pension Liability Kansas Public Employee Retirement System Last Eight Fiscal Years
- Defined Benefit Pension Plans - Schedule of City's Contributions Kansas Public Employees Retirement System Last Seven Eight Years
- Other Post Employment Plans - Schedule of Changes in the City's Death & Disability Total OPEB Liability and Related Ratios Last Four Fiscal Years

Budgetary Comparison Schedule

A. The City utilizes encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. Also see Note II to the financial statements for additional budgetary information.

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Taxes and shared revenue:				
Ad valorem tax	\$ 2,938,273	\$ 2,938,273	\$ 2,906,666	\$ (31,607)
Delinquent tax	30,000	30,000	31,107	1,107
Motor vehicle tax	396,773	396,773	456,637	59,864
Sales tax	1,334,588	1,334,588	1,396,204	61,616
Franchise tax	697,760	697,760	680,251	(17,509)
Court fines	188,800	188,800	115,513	(73,287)
Licenses, permits and fees	161,050	161,050	232,495	71,445
Recreation fees	110,500	110,500	54,831	(55,669)
Rents and note collections	44,120	44,120	45,842	1,722
Intergovernmental	61,622	61,622	149,764	88,142
Interest	25,000	25,000	8,133	(16,867)
Other	34,930	34,930	57,117	22,187
Transfer in	-	-	64,909	64,909
Total revenues	6,023,416	6,023,416	6,199,469	176,053
Expenditures:				
City Administration:				
Personnel services	716,500	716,500	806,699	90,199
Contractual services	46,697	46,697	29,282	(17,415)
Operating expenses	31,000	31,000	22,475	(8,525)
Capital outlay	30,000	30,000	-	(30,000)
Community Development:				
Personnel services	176,500	176,500	170,956	(5,544)
Contractual services	22,643	22,643	23,956	1,313
Operating expenses	17,900	17,900	7,630	(10,270)
Capital outlay	1,500	1,500	-	(1,500)
Law and Municipal Court:				
Personnel services	95,750	95,750	95,454	(296)
Contractual services	67,775	67,775	29,617	(38,158)
Operating expenses	5,800	5,800	3,713	(2,087)
Parks and Grounds:				
Personnel services	104,900	104,900	54,102	(50,798)
Contractual services	26,629	26,629	32,372	5,743
Operating expenses	37,050	37,050	26,258	(10,792)
Capital outlay	11,500	11,500	24,960	13,460
Police:				
Personnel services	872,800	872,800	772,900	(99,900)
Contractual services	80,647	80,647	73,228	(7,419)
Operating expenses	120,000	120,000	91,007	(28,993)
Capital outlay	4,000	4,000	-	(4,000)
Recreation:				
Personnel services	256,250	256,250	215,182	(41,068)
Contractual services	59,270	59,270	43,947	(15,323)
Operating expenses	37,950	37,950	47,091	9,141
Capital outlay	30,000	30,000	-	(30,000)
Senior Center:				
Personnel services	21,700	21,700	17,177	(4,523)
Contractual services	4,400	4,400	4,592	192
Operating expenses	9,900	9,900	5,714	(4,186)

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Mayor and Council:				
Personnel services	19,550	19,550	21,429	1,879
Contractual services	17,000	17,000	14,959	(2,041)
Operating expenses	20,100	20,100	10,219	(9,881)
Central Park Pool:				
Personnel services	27,000	27,000	28,829	1,829
Contractual services	15,811	15,811	8,233	(7,578)
Operating expenses	12,100	12,100	5,892	(6,208)
Economic Development:				
Personnel services	6,000	6,000	-	(6,000)
Contractual services	63,500	63,500	-	(63,500)
Operating expenses	48,800	48,800	100,190	51,390
Nondepartmental:				
Personnel services	10,000	10,000	3,336	(6,664)
Contractual services	181,530	181,530	56,679	(124,851)
Operating expenses	22,300	22,300	373,564	351,264
Capital outlay	100,000	100,000	-	(100,000)
Transfer out	2,956,259	2,956,259	2,633,917	(322,342)
Land project	269,727	269,727	230,322	(39,405)
Total expenditures	6,658,738	6,658,738	6,085,881	(572,857)
Net change in fund balance	<u>\$ (635,322)</u>	<u>\$ (635,322)</u>	113,588	<u>\$ 748,910</u>
Fund balance, beginning of year			<u>3,213,498</u>	
Fund balance, end of year			<u><u>\$ 3,327,086</u></u>	
Explanation of difference between budgetary and GAAP fund balance:				
Accrued revenues			<u>584,132</u>	
GAAP fund balance at end of year			<u><u>\$ 3,911,218</u></u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Land Bank Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Residential lot sales	\$ 50,000	\$ 50,000	\$ 1,218,185	\$ 1,168,185
Commercial lot sales	50,000	50,000	-	(50,000)
Interest	-	-	1,229	1,229
Transfer in	236,500	236,500	236,500	-
Total revenues	336,500	336,500	1,455,914	1,119,414
Expenditures:				
Special assessments	410,000	410,000	357,302	(52,698)
Contractual services	20,000	20,000	377	(19,623)
Total expenditures	430,000	430,000	357,679	(72,321)
Net change in fund balance	\$ (93,500)	\$ (93,500)	1,098,235	\$ 1,191,735
Fund balance, beginning of year			250,899	
Fund balance, end of year			\$ 1,349,134	
Explanation of difference between budgetary and GAAP fund balance:				
Receivables at 12/31/20			112,500	
Property held for resale			4,294,918	
GAAP fund balance at end of year			\$ 5,756,552	

City Of Bel Aire, Kansas
Required Supplementary Information
December 31, 2020

Schedule of City's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Eight Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
City's proportion of the collective net pension liability	0.104%	0.098%	0.096%	0.090%	0.087%	0.076%	0.076%	0.070%
City's proportionate share of the net pension liability	\$ 1,799,776	\$ 1,369,673	\$ 1,331,099	\$ 1,298,316	\$ 1,353,388	\$ 1,002,884	\$ 931,409	\$ 1,065,989
City's covered payroll^	\$ 1,932,044	\$ 1,786,806	\$ 1,594,160	\$ 1,477,171	\$ 1,450,432	\$ 1,257,280	\$ 1,208,004	\$ 1,128,446
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93%	77%	83%	88%	93%	80%	77%	94%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

*GASB 68 requires presentation of ten years. As of December 31, 2020, only eight years of information is available.

^ Covered payroll is measured as of the measurement date ending June 30.

City Of Bel Aire, Kansas
Required Supplementary Information
December 31, 2020

Schedule of City's Contributions
Kansas Public Employees Retirement System
Last Eight Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 168,081	\$ 166,245	\$ 145,716	\$ 133,898	\$ 138,160	\$ 130,342	\$ 107,294	\$ 97,298
Contributions in relation to the contractually required contribution	(168,081)	(166,245)	(145,716)	(133,898)	(138,160)	(130,342)	(107,294)	(97,298)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ^	\$1,998,715	\$ 1,870,020	\$ 1,736,656	\$ 1,569,560	\$ 1,337,466	\$ 1,374,918	\$ 1,107,270	\$ 1,106,921
Contributions as a percentage of covered payroll	8.41%	8.89%	8.39%	8.53%	10.33%	9.48%	9.69%	8.79%

*GASB 68 requires presentation of ten years. As of December 31, 2020, only eight years of information is available.

^ Covered payroll is measured as of the the fiscal year end December 31

City Of Bel Aire, Kansas
Required Supplementary Information
December 31, 2020

Kansas Public Employees Retirement System
Last Eight Fiscal Years*

Changes in benefit terms for KPERS. Effective January 1, 2014, KPERS 1 member's employee contribution rate increased to 5.0 percent and then on January 1, 2015, increase to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retired after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

Changes in assumptions for KPERS. As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

Changes from the November 2016 experience study that impacted KPERS are listed below:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016, is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

As a result of the experience study completed in January 2020, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2019 and include:

- The investment return assumption was lowered from 7.75% to 7.50%.
- The general wage growth assumption was lowered from 3.50% to 3.25%.
- The payroll growth assumption was lowered from 3.00% to 2.75%.

Changes from the January 2020 experience study that impacted individual groups are listed below:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination rates were increased for most KPERS groups.
- Disability rates were reduced.
- Factors for the State group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

City Of Bel Aire, Kansas
Required Supplementary Information
December 31, 2020

Schedule of Changes in the City's
Death & Disability Total OPEB Liability and Related Ratios

Last Four Fiscal Years*

	2020	2019	2018	2017
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability				
Service cost	\$ 6,988	\$ 6,349	\$ 6,313	\$ 6,051
Interest	1,860	3,007	3,627	3,515
Effect of economic/demographic gains or losses	141,938	(11,096)	(5,304)	-
Effect of assumptions changes or inputs	20,544	895	(778)	(2,030)
Benefit payments	(23,588)	(25,108)	(29,875)	(29,875)
Net change in total OPEB liability	147,742	(25,953)	(26,017)	(22,339)
Total OPEB liability - beginning	57,826	83,779	109,796	132,135
Total OPEB liability - ending	<u>\$ 205,568</u>	<u>\$ 57,826</u>	<u>\$ 83,779</u>	<u>\$ 109,796</u>
Covered-employee payroll	\$ 1,932,044	\$ 1,786,806	\$ 1,594,160	\$ 1,477,171
Total OPEB liability as a percentage of covered-employee payroll	10.64%	3.24%	5.26%	7.43%

* GASB 75 requires presentation of ten years. As of December 31, 2020, only four years of information is available
There are no assets accumulated in the trust to pay related benefits.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.
- The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

SUPPLEMENTARY INFORMATION

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City of Bel Aire, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
Assets:							
Cash, including investments	\$ 207,624	\$ 880	\$ 1,552	\$ 1,221	\$ 612,046	\$ 363,574	\$ 1,186,897
Receivables	5,735	-	-	-	-	-	5,735
Total assets	<u>\$ 213,359</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 612,046</u>	<u>\$ 363,574</u>	<u>\$ 1,192,632</u>
Liabilities							
Accounts and retainage payable	\$ 2,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,640
Accrued liabilities	2,602	-	-	-	-	-	2,602
Total liabilities	<u>5,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,242</u>
Fund balance:							
Restricted	208,117	880	1,552	1,221	-	-	211,770
Assigned	-	-	-	-	612,046	363,574	975,620
Total fund balance	<u>208,117</u>	<u>880</u>	<u>1,552</u>	<u>1,221</u>	<u>612,046</u>	<u>363,574</u>	<u>1,187,390</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 213,359</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 612,046</u>	<u>\$ 363,574</u>	<u>\$ 1,192,632</u>

City of Bel Aire, Kansas
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
Revenues:							
Taxes and shared revenues	\$ 307,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,101
Miscellaneous	-	-	-	-	10,421	8,917	19,338
Total revenues	307,101	-	-	-	10,421	8,917	326,439
Expenditures:							
Streets and highways	317,902	-	-	-	-	-	317,902
Capital outlay	-	-	-	-	266,942	247,789	514,731
Total expenditures	317,902	-	-	-	266,942	247,789	832,633
Excess of revenues over (under) expenditures	(10,801)	-	-	-	(256,521)	(238,872)	(506,194)
Other financing sources (uses):							
Transfers in	100,000	-	-	-	550,000	250,000	900,000
Transfers out	(29,783)	-	-	-	-	-	(29,783)
Total other financing sources (uses)	70,217	-	-	-	550,000	250,000	870,217
Net change in fund balance	59,416	-	-	-	293,479	11,128	364,023
Fund balance, beginning of year	148,701	880	1,552	1,221	318,567	352,446	823,367
Fund balance, end of year	\$ 208,117	\$ 880	\$ 1,552	\$ 1,221	\$ 612,046	\$ 363,574	\$ 1,187,390

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Bond and Interest Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Special assessments	\$ 1,939,519	1,939,519	\$ 1,950,614	\$ 11,095
Delinquent tax	50,000	50,000	112,806	62,806
Interest	-	-	2,781	2,781
Transfer in	1,289,069	1,289,069	752,696	(536,373)
Total revenues	<u>3,278,588</u>	<u>3,278,588</u>	<u>2,818,897</u>	<u>(459,691)</u>
Expenditures:				
Principal payments	2,050,000	2,050,000	2,075,000	25,000
Interest expense	1,055,035	1,055,035	884,236	(170,799)
Total expenditures	<u>3,105,035</u>	<u>3,105,035</u>	<u>2,959,236</u>	<u>(145,799)</u>
Net change in fund balance	<u>\$ 173,553</u>	<u>\$ 173,553</u>	<u>(140,339)</u>	<u>\$ (313,892)</u>
Fund balance, beginning of year			<u>713,281</u>	
Fund balance, end of year			<u>\$ 572,942</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget Basis
Capital Projects Fund
For the Year Ended December 31, 2020

	Actual Amounts Budgetary Basis
Revenues:	
Bond proceeds	\$ 8,830,000
Bond premiums	140,000
Capital contributions	20,361
Interest	4,955
Total revenues	<u>8,995,316</u>
Expenditures:	
Cost of issuance	168,886
Sunflower Commerce Park	2,592
Rock Spring	1,959,117
Chapel Landing	280,128
Bristol Hollows	544,262
Prestwick	10,800
Central Park	618,952
Temporary note and bond principal	3,696,927
Temporary note and bond interest	99,893
Transfer out	64,909
Total expenditures	<u>7,446,466</u>
Net change in fund balance	1,548,850
Fund balance, beginning of year	<u>2,428,040</u>
Fund balance, end of year	<u><u>\$ 3,976,890</u></u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget Basis
Public Building Commission
For the Year Ended December 31, 2020

	Actual Amounts Budgetary Basis
Revenues:	
Industrial land sales	\$ 1,290,774
Effluent sales	61,504
Transfer in	1,429,710
Total revenues	<u>2,781,988</u>
Expenditures:	
Fees	2,559
Bond principal	865,000
Bond interest	695,749
Total expenditures	<u>1,563,308</u>
Net change in fund balance	1,218,680
Fund balance, beginning of year	<u>226,892</u>
Fund balance, end of year	<u><u>\$ 1,445,572</u></u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Special Street and Highway Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over/ (Under)
Revenues:				
Taxes and Shared Revenue:				
State gas tax	\$ 215,840	\$ 215,840	\$ 212,842	\$ (2,998)
County gas tax	96,190	96,190	94,259	(1,931)
Transfer in	100,000	100,000	100,000	-
Total revenues	412,030	412,030	407,101	(4,929)
Expenditures:				
Personnel services	127,450	127,450	80,154	(47,296)
Contractual services	98,829	98,829	118,652	19,823
Operating expense	124,600	124,600	107,044	(17,556)
Capital outlay	34,000	34,000	12,052	(21,948)
Transfer out	46,656	46,656	29,783	(16,873)
Total expenditures	431,535	431,535	347,685	(83,850)
Net change in fund balance	\$ (19,505)	\$ (19,505)	59,416	\$ 78,921
Fund balance, beginning of year			148,701	
Fund balance, end of year			<u>\$ 208,117</u>	

City of Bel Aire, Kansas
Combining Balance Sheet
Nonmajor Enterprise Funds
December 31, 2020

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Assets:			
Cash, including investments	\$ 267,097	\$ 271,738	\$ 538,835
Accounts receivable	36,237	-	36,237
Total assets	303,334	271,738	575,072
Liabilities:			
Accounts payable	35,076	-	35,076
Total liabilities	35,076	-	35,076
Net position:			
Unrestricted	268,258	271,738	539,996
Total net position	\$ 268,258	\$ 271,738	\$ 539,996

City of Bel Aire, Kansas
Combining Statement of Revenues, Expenses and Changes in
Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2020

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Operating revenues:			
Utility income	\$ 553,865	\$ 84,347	\$ 638,212
Total operating revenues	553,865	84,347	638,212
Operating expenses:			
Contractual services	448,595	4,592	453,187
Total operating expenses	448,595	4,592	453,187
Operating income (loss)	105,270	79,755	185,025
Non-operating revenues (expenses):			
Interest and other	-	610	610
Transfers out	(100,000)	-	(100,000)
Change in net position	5,270	80,365	85,635
Net position, beginning of year	262,988	191,373	454,361
Net position, end of year	<u>\$ 268,258</u>	<u>\$ 271,738</u>	<u>\$ 539,996</u>

City of Bel Aire, Kansas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended December 31, 2020

	Solid Waste	Stormwater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 552,685	\$ 84,347	\$ 637,032
Payments to suppliers for goods and services	(447,556)	(4,592)	(452,148)
Net cash flow from operating activities	105,129	79,755	184,884
Cash flows from non-capital financing activities:			
Transfers to other funds	(100,000)	-	(100,000)
Net cash flow from non-capital financing activities	(100,000)	-	(100,000)
Cash flows from investing activities:			
Interest on investments	-	610	610
Net cash flow from investing activities	-	610	610
Net increase in cash and cash equivalents	5,129	80,365	85,494
Cash and cash equivalents, beginning of the year	261,968	191,373	453,341
Cash and cash equivalents, end of the year	<u>\$ 267,097</u>	<u>\$ 271,738</u>	<u>\$ 538,835</u>
Reconciliation of operating income to net cash flow from operating activities:			
Operating income	\$ 105,270	\$ 79,755	\$ 185,025
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in accounts receivable	(1,180)	-	(1,180)
Change in accounts payable	1,039	-	1,039
Net cash flow from operating activities	<u>\$ 105,129</u>	<u>\$ 79,755</u>	<u>\$ 184,884</u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Water Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 2,383,500	\$ 2,383,500	\$ 2,888,771	\$ 505,271
Interest income	15,000	15,000	3,735	(11,265)
Miscellaneous	6,000	6,000	7,410	1,410
Total revenues	<u>2,404,500</u>	<u>2,404,500</u>	<u>2,899,916</u>	<u>495,416</u>
Expenditures:				
Personnel services	304,600	304,600	317,778	13,178
Contractual services	1,741,118	1,741,118	1,631,323	(109,795)
Commodities	343,500	343,500	485,877	142,377
Capital outlay	331,000	331,000	-	(331,000)
Debt service	52,105	52,105	38,077	(14,028)
Transfer out	257,883	257,883	257,883	-
Total expenditures	<u>3,030,206</u>	<u>3,030,206</u>	<u>2,730,938</u>	<u>(299,268)</u>
Net change in fund balance	<u>\$ (625,706)</u>	<u>\$ (625,706)</u>	168,978	<u>\$ 794,684</u>
Fund balance, beginning of year			1,688,545	
Fund balance, end of year			<u>\$ 1,857,523</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Sewer Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 2,238,500	\$ 2,238,500	\$ 2,459,116	\$ 220,616
Interest income	15,000	15,000	4,260	(10,740)
Total revenues	<u>2,253,500</u>	<u>2,253,500</u>	<u>2,463,376</u>	<u>209,876</u>
Expenditures:				
Personnel services	340,300	340,300	329,251	(11,049)
Contractual services	1,579,653	1,579,653	1,123,142	(456,511)
Commodities	392,300	392,300	432,996	40,696
Capital outlay	504,000	504,000	-	(504,000)
Debt service	31,919	31,919	23,464	(8,455)
Transfer out	297,323	297,323	297,323	-
Total expenditures	<u>3,145,495</u>	<u>3,145,495</u>	<u>2,206,176</u>	<u>(939,319)</u>
Net change in fund balance	<u>\$ (891,995)</u>	<u>\$ (891,995)</u>	257,200	<u>\$ 1,149,195</u>
Fund balance, beginning of year			<u>2,048,273</u>	
Fund balance, end of year			<u>\$ 2,305,473</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Solid Waste Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 522,000	\$ 522,000	\$ 552,685	\$ 30,685
Total revenues	522,000	522,000	552,685	30,685
Expenditures:				
Contractual services	530,000	530,000	448,595	(81,405)
Transfers out	100,000	100,000	100,000	-
Total expenditures	630,000	630,000	548,595	(81,405)
Net change in fund balance	<u>\$ (108,000)</u>	<u>\$ (108,000)</u>	4,090	<u>\$ 112,090</u>
Fund balance, beginning of year			227,931	
Fund balance, end of year			<u>\$ 232,021</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Stormwater Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 89,000	\$ 89,000	\$ 84,347	\$ (4,653)
Interest income	-	-	610	610
Total revenues	89,000	89,000	84,957	(4,043)
Expenditures:				
Contractual services	5,000	5,000	4,592	(408)
Capital outlay	80,000	80,000	-	(80,000)
Total expenditures	85,000	85,000	4,592	(80,408)
Net change in fund balance	<u>\$ 4,000</u>	<u>\$ 4,000</u>	80,365	<u>\$ 76,365</u>
Fund balance, beginning of year			191,373	
Fund balance, end of year			<u>\$ 271,738</u>	

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APPENDIX E

Form of Bond Counsel's Legal Opinion

[FORM OF BOND COUNSEL OPINION]

December 7, 2021

Governing Body
City of Bel Aire, Kansas

Re: \$2,500,000 General Obligation Bonds, Series 2021C (the “Bonds”) of the City of
Bel Aire, Kansas, Dated December 7, 2021

We have acted as Bond Counsel in connection with the issuance by the City of Bel Aire, Kansas (the “Issuer”), of the above-captioned 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 resolutions 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 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.

We express no opinion regarding 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.

KMC:cmh

