

# **CITY OF LAWRENCE, KANSAS**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2015**

**Prepared by:  
Department of Finance**

# CITY OF LAWRENCE, KANSAS

## Our Mission Statement

*We are committed to providing excellent city services that enhance the quality of life for the Lawrence community.*

## Our Principles

*We are committed to these basic principles:*

*Integrity  
Courtesy  
Fairness  
Honesty*

*How we get the job done is as important as getting the job done.*

*Our interaction with the community will be professional, responsive, direct, personal, caring and appropriate.*

*We will promote teamwork, employee satisfaction and professional development in order to provide innovative, cost-effective, efficient service.*

## Our Vision

*We will provide leadership in preparing for the future.*

*We want our citizens, clients and customers to have high expectations of government service, and we will do our best to meet and exceed those expectations.*

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report  
Year ended December 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – vii
List of Principal Officials	viii
Organizational Chart	ix
Certificate of Achievement for Excellence in Financial Reporting	x
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 10
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of the Total Governmental Fund Balance to the Net Position of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance with the Government-Wide Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance Actual and Budget – General Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20 – 21
Statement of Assets and Liabilities – All Agency Funds	22

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report  
Year ended December 31, 2015

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
FINANCIAL SECTION - CONTINUED	
Statement of Net Position – Discretely Presented Component Units	23
Statement of Activities – Discretely Component Units	24
Notes to the Basic Financial Statements	25 – 54
Required Supplementary Information	
Schedule of Funding Progress	55
KPERS Pension Plan	
Schedule of City's Proportionate Share of the Net Pension Liability	56
Schedule of City Contributions	56
Other Supplementary Information	
Combining Statements and Individual Fund Schedules	
Fund Descriptions – Nonmajor Governmental Funds	57 - 58
Combining Balance Sheet - Nonmajor Governmental Funds	59 – 60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	61 - 62
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Debt Service Fund	63
Guest Tax Special Revenue Fund	64
Library Special Revenue Fund	65
Transportation Special Revenue Fund	66
Recreation Special Revenue Fund	67
Special Alcohol Special Revenue Fund	68
Special Gas Tax Special Revenue Fund	69
Special Recreation Special Revenue Fund	70
Fund Descriptions – Nonmajor Proprietary Funds	71
Combining Statement of Net Position – Nonmajor Proprietary Funds	72
Combining Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Proprietary Funds	73
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	74 – 75
Fund Descriptions – Internal Service Funds	76
Combining Statement of Net Position – Internal Service Funds	77

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report  
Year ended December 31, 2015

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
FINANCIAL SECTION - CONTINUED	
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	78
Combining Statement of Cash Flows – Internal Service Funds	79 – 80
Fund Descriptions – Agency Funds	81
Combining Statement of Assets and Liabilities – Agency Funds	82
Combining Statement of Changes in Assets and Liabilities – Agency Funds	83 – 84
STATISTICAL SECTION	
Net Position by Component – Last Ten Fiscal Years	85
Changes in Net Position – Last Ten Fiscal Years	86 - 87
General Government Tax Revenues by Source – Last Ten Fiscal Years	88
Fund Balances of Governmental Funds – Last Ten Fiscal Years	89
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	90
Assessed and Estimated Actual Value of Property – Last Ten Fiscal Years	91
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	92
Principal Taxpayers	93
Property Tax Levies and Collections – Last Ten Fiscal Years	94
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	95
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita – Last Ten Fiscal Years	96
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds	97
Computation of Legal Debt Margin – Last Ten Fiscal Years	98
Revenue Bond Coverage – Water and Sewer Fund – Last Ten Fiscal Years	99
Demographic Statistics – Last Ten Fiscal Years	100
Principal Employers – Current Year and Nine Years Ago	101
Full Time Equivalent Employees by Function – Last Ten Fiscal Years	102
Operating Indicators by Function – Last Ten Fiscal Years	103
Capital Asset Statistics by Function – Last Ten Fiscal Years	104

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report  
Year ended December 31, 2015

TABLE OF CONTENTS - CONTINUED

Page

STATISTICAL SECTION - CONTINUED

Continuing Disclosure Information	105- 112
-----------------------------------	----------

GOVERNMENTAL AUDIT SECTION

Schedule of Expenditures of Federal Awards	113
Notes to Schedule of Expenditures of Federal Awards	114
Schedule of Findings and Questioned Costs	115 – 116
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	117 – 118
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance	119 – 120

## **INTRODUCTORY SECTION**



# City of Lawrence

## FINANCE

THOMAS M. MARKUS  
CITY MANAGER

City Offices  
PO Box 708 66044-0708  
[www.lawrenceks.org](http://www.lawrenceks.org)

6 East 6<sup>th</sup> St  
785-832-3000  
FAX 785-832-3405

### CITY COMMISSION

MAYOR  
MIKE AMYX

COMMISSIONERS  
LESLIE SODEN  
STUART BOLEY  
MATTHEW J. HERBERT  
LISA LARSEN

May 13, 2016

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2015 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The report consists of management's representations concerning the finances of the City of Lawrence. The City has established a comprehensive set of internal controls that is designed to protect the government's assets from loss and to compile sufficient reliable information for the preparation of the financial statements. Because the cost of internal controls should not exceed the benefits, internal controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements have been audited by Mize Houser & Company P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lawrence for the fiscal year ended December 31, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lawrence's financial statements for the year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Lawrence was part of a broader, federally mandated "Single Audit" designed to meet the special needs for federal grantor agencies. The standards governing Single Audit engagements require





the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These Single Audit reports are part of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A section can be found immediately following the report of the independent auditors.

**Profile of the City** The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City is located thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 34.3 square miles and had an estimated population in 2015 of 97,193.

The City of Lawrence has operated under the Commission-City Manager form of government since 1951. The five member Commission is elected at large to either a two or four year term. Each year the Commission chooses one of its members to serve as Mayor. The Commission is responsible for policy making, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for the day-to-day operations of the City and for hiring personnel.

The City provides a full range of services which include police and fire protection, construction and maintenance of infrastructure, community development and planning, and recreational and cultural activities. The City also operates both the water and wastewater utilities. In addition, the City provides both residential and commercial sanitation services to its citizens. The Lawrence Public Library, Lawrence Housing Authority, and Lawrence Memorial Hospital are considered component units of the City of Lawrence and thus have financial information included in this report.

**The Budget Development Process** The annual budget provides a foundation for financial planning and control. Early each year, each department submits a budget request including payroll projections, capital outlay requests, and program improvement decision packages.

A number of study sessions are held throughout the year with city staff and the City Commissioners to discuss various elements of the budget. A goal setting session is held, giving the Commissioners an opportunity to determine priorities for the budget year. Staff in the various departments can then work toward accomplishment of those goals through their daily operations. In 2015, the City Commission goals were economic development, planned growth, community building, environment issues, neighborhood quality, transportation, downtown development, and service delivery.

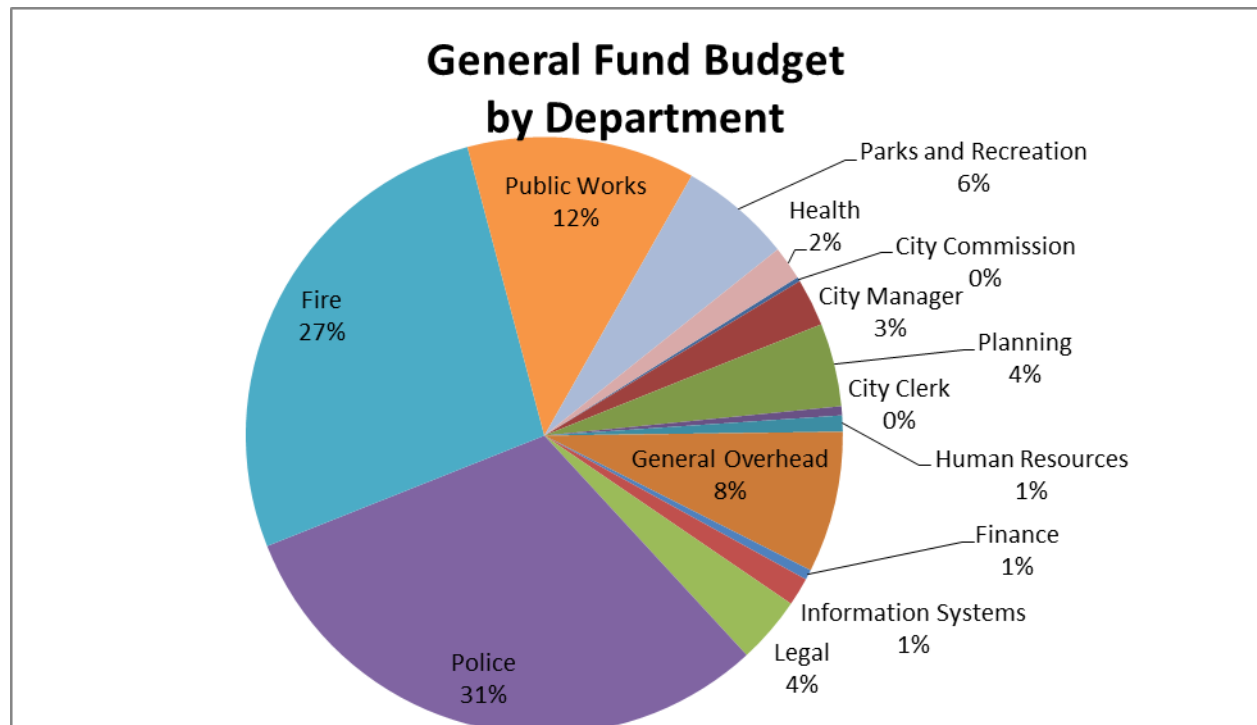
Other sessions are held to discuss the multi-year Capital Improvement Plan, to review Debt, and to provide the City Manager and staff with direction for allocation to contractual agencies.

The first opportunity for public comment on the budget is in June. The City Manager then prepares a recommended budget that is reviewed and revised by the Commissioners. A summary is published in the Lawrence Journal World and the recommended budget is available on the City's website.

A second opportunity for public comment is held in early August. A final budget is then adopted by the City Commission and filed per state statute with the County Clerk in late August.

The budget is then posted on the City's website and made available for the public. In addition to dollar amounts, this document contains narrative information on the purpose and mission, the accomplishments, goals and objectives, and performance indicators of each department and division.

The City of Lawrence is organized into 14 departments to provide City services and carry out City policies. Although funding from sources other than the General Fund support several departments, only their general fund support is noted here.



**Local Economy** The local economy is varied and diverse, producing a wide variety of products and services. Approximately 19.4% of Lawrence's employment is in the goods-producing industries, 15.0% in trade, transportation and utilities, 33.0% in service-providing industries, and 32.6% in government. Employment opportunities are provided by over 2000 local employers. Major employers include The University of Kansas, Lawrence Public Schools, Lawrence Memorial Hospital, Berry Plastics, Amarr Garage Doors, Hallmark Cards, HyVee and Dillons.

The average unemployment of the Lawrence MSA in 2015 was 3.7% which is down from 4.0% in 2014. The total civilian labor force was 52,222 in December, 2015. The average annual unemployment rate for 2011, 2012 and 2013 was 5.9%, 5.4% and 4.8% respectively. The number of homes sold in Lawrence during 2015 was 1,184, up 11.5% from the 1,062 in 2014. The median selling price for a home was \$169,000 during the year representing a 1.2% increase over the \$167,000 median selling price in 2014.

**Economic Development** The City of Lawrence provides multiples support programs for economic development opportunities designed to enhance the local economy and quality of life. As these programs involve public funding for current and future community assets, projects are viewed as an investment in which the City analyzes the risks and returns, selecting economic projects that best balance the goal of growing the local economy with the required amount of investment.

Currently, the City has the following active economic development programs and projects.

Incentive Program	Description	Location
<b>Tax Abatements</b>	Amarr	3800 Greenway circle
	Screen-It Graphics/Grandstand	3840 Greenway Circle
	Rock Chalk Park	6100 Rock Chalk Drive
	Sunlite Science & Technology, Inc	4811 Quail Crest Place
<b>Industrial Revenue Bonds (IRB)</b>	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd Street
	9th & New Hampshire--South Project	9th & New Hampshire
	Rock Chalk Park	Rock Chalk Drive & George Williams Way
	1101/1115 Indiana Street (Here Kansas)	1101/1115 Indiana Street
	Dwayne Peaslee Technical Training Ctr	2920 Haskell Avenue
<b>Neighborhood Revitalization Areas (NRA)</b>	8th and Pennsylvania Street District	720 E 9th Street
	1040 Vermont (Treanor Headquarters)	1040 Vermont Street
	810/812 Pennsylvania (Cider Building)	810/812 Pennsylvania Street
	1106 Rhode Island Street (Hernly Associates)	1106 Rhode Island Street
	1101/1115 Indiana Street (Here Kansas)	1101/1115 Indiana Street
	900 Delaware Street (9 Del Lofts)	900 Delaware St
<b>Tax Increment Financing (TIF)</b>	Downtown 2000 District	9th & New Hampshire area
	Oread Project	1200 Oread Avenue
	9th & New Hampshire TIF District	SEC & NEC, 9th & New Hampshire
	901 New Hampshire (TIF Refund)	901 New Hampshire
<b>Transportation Development Districts (TDD)</b>	Free State (Bauer Farm)	NEC 6th & Wakarusa
	Oread Project	1200 Oread Avenue
	9th & New Hampshire District	SEC & NEC, 9th & New Hampshire

During 2015, all the companies receiving property tax abatements either met or exceeded required employment levels. Amarr projected 40 net new positions and realized 157, Grandstand projected 78 net positions and realized 186, and Sunlite projected and met 11 full-time positions.

Within the first two years of operation, the Bioscience and Technology Business Center (BTBC) on the University of Kansas' West Campus reached 100% capacity. BTBC Phase II: Development of land adjacent to the BTBC is currently planned to become Phase II of the Main Facility, adding 31,000 square feet of tenant space (wet laboratory and office space). In order to raise the necessary capital for the \$10 million project, the City and County took the lead by making a \$1 million commitment each to this

expansion. The combined \$2 million was used to leverage additional funding from BTBC stakeholder partners.

**Major Initiatives** The City Commission has adopted goals to guide future financing of activities. Included in these goals are economic development, building a sense of community, and improving transportation.

Construction began in 2015 on the \$45.2 million new Wakarusa River Wastewater Treatment Plant, influent pump station at 31st & Louisiana, and improvements to the existing Kansas River Wastewater Treatment Plant, with online operations to start in early 2018. Overall project cost is \$74 million, including force mains construction and preliminary site work that began in 2014. The new Wakarusa Wastewater Plant is a 2.5 million gallon per day treatment plant that will expand the City's wastewater treatment capacity by 20%.

**Long Term Planning** As Lawrence continues to experience moderate growth the need to build new infrastructure has lessened, but the need to maintain existing streets and storm sewers remains very important. The city saw a large increase in construction activity in 2015, primarily due to construction of 2 large mixed use facilities as well as several large residential projects. Unemployment has slightly decreased, and remains below both the state and national averages.

As of September 2010, the City became responsible for the clean-up of the former Farmland fertilizer plant. The City received \$8.5 million from the Farmland Trust and must use the funds for remediation of groundwater pollution. The goal is to develop the land into a future business park. The City spent \$647,514 on clean-up related costs in 2013. The City Commission approved the formation of a special benefit district in 2012 that includes the boundaries of the former Farmland property. The City included \$8.2 million in the 2013 Series III note issue to finance the improvements. The construction of these improvements was completed in 2014. In 2015, the City completed 2 award winning environmental projects with a total cost of \$670,589.

The City Commission is provided with a projection of the revenue, expenditures, and fund balances of the property tax supported funds as part of the deliberations over the operating budget. The main purpose is to avoid large fluctuations in the property tax levy and to warn of potential deficits and the need to either enhance revenue sources and/or reduce the growth of expenditures. The City Commission has adopted a policy to maintain the unassigned fund balance in the General Fund at a level equal to 15-30% of expenditures.

**Relevant Policy Changes** The City implemented GASB 68 for the 2015 fiscal year's financial reports. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* improves information provided by state and local governmental employers about financial support for pensions and establishes standards for measuring and

recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension expense.

**Awards and Acknowledgements** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2014. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

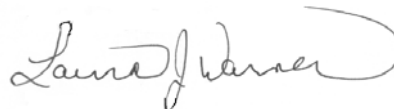
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2015 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be given to the work of Laura Warner. In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Respectfully submitted,



Bryan Kidney  
Finance Director

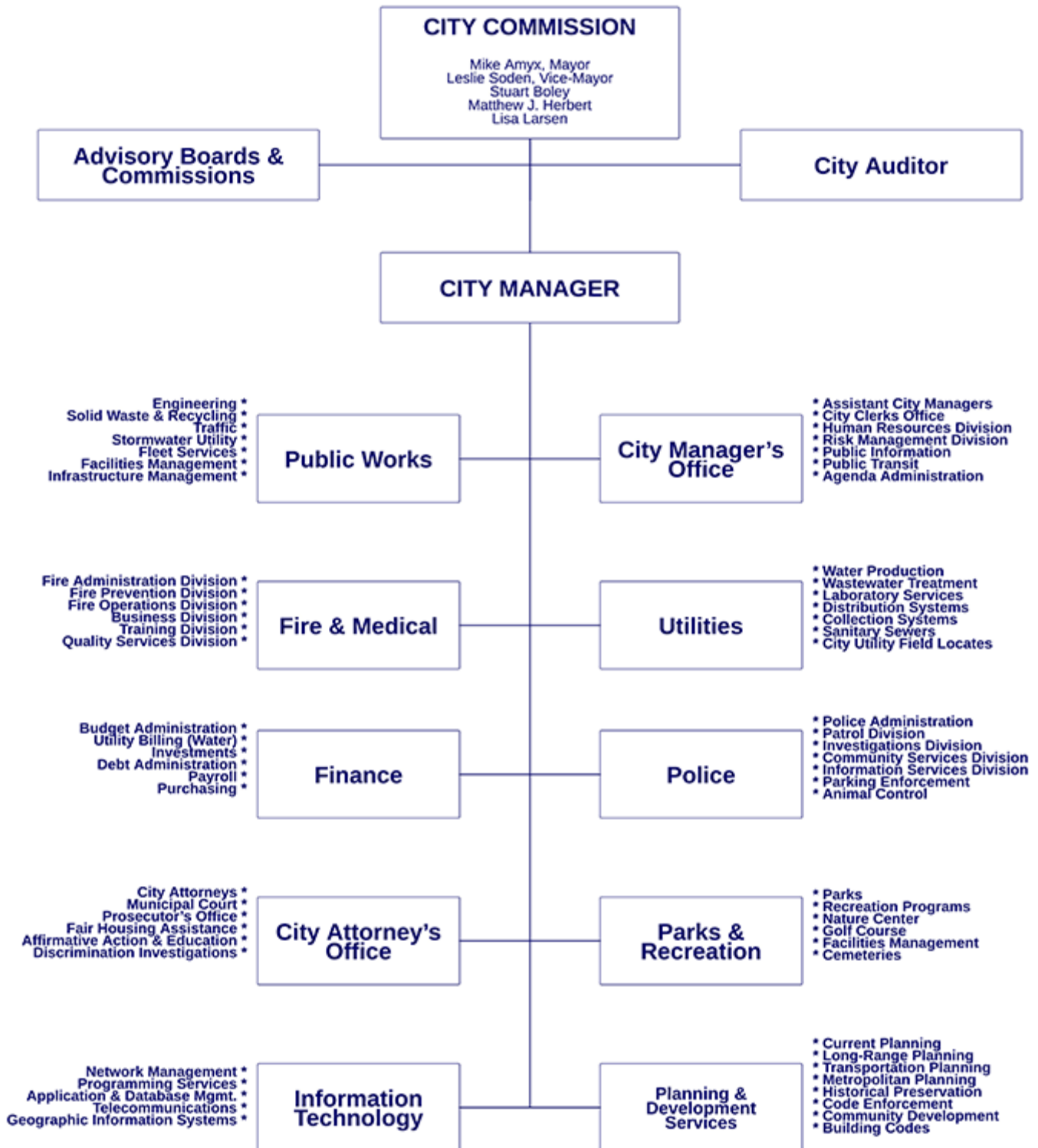


Laura Warner  
Accountant

CITY OF LAWRENCE, KANSAS

List of Principal Officials  
December 31, 2015

TITLE	NAME
Mayor	Mike Amyx
Vice Mayor	Leslie Soden
Commission Member	Stuart Boley
Commission Member	Matthew Herbert
Commission Member	Lisa Larsen
City Manager (Interim)/Assistant City Manager	Diane Stoddard
Assistant City Manager	Casey Toomay
City Clerk	Brandon McGuire
Finance Director	Bryan Kidney
Fire Chief	Mark Bradford
Information Technology Director	James Wisdom
City Attorney	Toni Wheeler
Parks & Recreation Director (Interim)	Ernie Shaw
Planning and Development Services	Scott McCullough
Police Chief	Tarik Khatib
Public Works Director	Charles Soules
Utilities Director	Dave Wagner







Government Finance Officers Association

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

Presented to

**City of Lawrence  
Kansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Mayor and City Commissioners  
City of Lawrence, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2015, 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 an opinion on the financial statement based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets of \$290,475,283 as of December 31, 2015 and total expenses of \$190,673,893 for the year then ended, the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$21,138,744 as of December 31, 2015 and total expenses of \$8,542,920 for the year then ended, which are discretely presented component units in the accompanying financial statement. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital, and Lawrence-Douglas County Housing Authority is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The financial statements of the Lawrence Memorial Hospital, and Lawrence Public Library, were not audited in accordance with *Government Auditing Standards*.

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 opinion.

[www.mizehouser.com](http://www.mizehouser.com) ■ [mhco@mizehouser.com](mailto:mhco@mizehouser.com)

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f

7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f

211 E Eighth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

## Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note 15 to the financial statements, the City implemented GASB 68 during the current year. As a result of the implementation, a restatement was made to the net position for the proportionate share of the City's net pension liability at December 31, 2014. Our opinion is not modified with respect to this matter.

### *Prior Period Adjustment*

As discussed in Note 15 to the financial statements, certain errors resulting in amounts previously reported as revenues, expenses and inventory as of December 31, 2014, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2015, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters.

## Other Matters.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 the schedule of funding progress on page 55, the schedule of the City's proportionate share of the net pension liability on page 56, and the schedule of City contributions on page 56 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas

May 13, 2016

## Management's Discussion and Analysis

As management of the City of Lawrence, Kansas, we offer readers of the financial statements an overview and analysis of the financial activities of the City of Lawrence for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

### Financial Highlights

- The assets and deferred outflows of the City of Lawrence exceeded its liabilities and deferred inflows at the end of 2015 by \$335,258,155. Of this amount, \$14,849,082 may be used to meet the government's ongoing obligations.
- The City's net position decreased by \$50.9 million due mainly to the addition of the net pension liability of \$58.8 million required by GASB 68. 2015 is the first year this liability has been reported. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as liabilities on the balance sheet for the first time. This resulted in the restatement of beginning fund balance for the City. Essentially, GASB 68 requires that the KPERS overall liability is prorated among all participating employers. This resulted in a negative unrestricted net position for governmental activities in the statement of net position.
- Without implementation of GASB 68, the City's net position increased \$7.9 million due to water and sewer fund and sanitation fund net income and overall governmental revenues in excess of expenditures.
- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$47,472,597, an increase of \$.5 million in comparison with the prior year. Most of this increase occurred as the result of the permanent financing of construction related expenses offset by construction expenditures in reserve funds.
- At the end of 2015, the City's unassigned general fund balance was \$12,718,338 or 20.6% of total general fund expenditures. The general fund decrease in 2015 of \$218,081 is mainly due to a \$500,000 grant to the Dwayne Peaslee Technical Training Center.
- The City's total long term liabilities increased by \$126.8 million during the year. This includes the net pension liability of \$58.8 million as well as the issuance of revenue bonds for improvements of \$89.9 million. An additional \$9 million of revenues bonds was issued for refunding the outstanding 2005 bonds.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances.

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

The statement of activities presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Some revenues and expenses reported in the statements will result in cash flows in future fiscal periods.

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

The government-wide financial statements include not only the City of Lawrence, but also the Lawrence Public Library, the Lawrence Public Housing Authority and Lawrence Memorial Hospital. Financial information for these component units is reported separately from the financial information presented for the City.

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

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources.

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

The City of Lawrence maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of combining statements in this report.

A budget is approved annually for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The combining statements are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

By far the largest portion of the City of Lawrence's net position reflects its investment in capital assets. Capital assets are used to provide services and are not available for future spending. The resources needed to repay capital-related debt must be provided from other sources.

#### City of Lawrence's Net Assets (000's)

	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current Assets	\$ 115,024	\$ 104,931	\$ 80,062	\$ 90,291	\$ 195,086	\$ 195,222
Capital Assets	258,418	264,112	234,863	254,041	493,281	518,153
Deferred outflows of resources	<u>-</u>	<u>4,522</u>	<u>-</u>	<u>1,111</u>	<u>-</u>	<u>5,633</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 373,442</u>	<u>\$ 373,565</u>	<u>\$ 314,925</u>	<u>\$ 345,443</u>	<u>\$ 688,367</u>	<u>\$ 719,008</u>
Other Liabilities	\$ 26,501	\$ 31,270	\$ 70,999	\$ 16,507	\$ 97,500	\$ 47,777
Long term Liabilities	<u>101,654</u>	<u>136,084</u>	<u>75,653</u>	<u>167,993</u>	<u>177,307</u>	<u>304,077</u>
Total Liabilities	<u>\$ 128,155</u>	<u>\$ 167,354</u>	<u>\$ 146,652</u>	<u>\$ 184,500</u>	<u>\$ 274,807</u>	<u>\$ 351,854</u>
Deferred Inflows	<u>\$ 27,410</u>	<u>\$ 30,968</u>	<u>\$ -</u>	<u>\$ 928</u>	<u>\$ 27,410</u>	<u>\$ 31,896</u>
Net Position:						
Net Investment in Capital Assets	\$ 153,651	\$ 165,283	\$ 142,129	\$ 138,095	\$ 295,780	\$ 303,378
Restricted	24,515	17,032	-	-	24,515	17,032
Unrestricted	<u>39,711</u>	<u>(7,072)</u>	<u>26,144</u>	<u>21,920</u>	<u>65,855</u>	<u>14,848</u>
Total Net Position	<u>\$ 217,877</u>	<u>\$ 175,243</u>	<u>\$ 168,273</u>	<u>\$ 160,015</u>	<u>\$ 386,150</u>	<u>\$ 335,258</u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet ongoing obligations.

As of the end of 2015, the City is able to report positive balances in all three categories of net position, for the government as a whole. The deferred inflows in the governmental funds mainly represent taxes that are receivable in the subsequent year. The balance of the deferred inflows and all deferred outflows are pension related.

There was a decrease in net position for the governmental type funds due in large part to an increase in liabilities associated with GASB 68. Capital assets increased by \$5.7 million due to equipment replacement and infrastructure improvements.

There was also a decrease of \$8.3 million in net position reported in connection with the business-type activities also due largely to an increase in liabilities associated with GASB 68. Capital assets increased primarily due to



continuing work on the Wakarusa River Wastewater Treatment Plant and other water and wastewater improvements.

The City's net position decreased by \$50,892,010 during 2015. Overall, citywide revenues exceeded expenditures in both government and business type activities, and would have resulted in an increase in ending net position without recording the net pension obligation as required by GASB 68.

City of Lawrence's Changes in Net Position  
(000's)

	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 12,716	\$ 12,605	\$ 50,554	\$ 53,264	\$ 63,270	\$ 65,869
Operating Grants	10,229	11,137	-	-	10,229	11,137
Capital Grants	5,433	390	-	-	5,433	390
General Revenues:						
Property Taxes	28,388	30,163	-	-	28,388	30,163
Sales Taxes	34,791	25,563	-	-	34,791	25,563
Franchise Fees	7,646	7,128	-	-	7,646	7,128
Unrestricted Grants	732	11,231	-	-	732	11,231
Other	478	2,681	823	1,000	1,301	3,681
Total	<u>100,413</u>	<u>100,898</u>	<u>51,377</u>	<u>54,264</u>	<u>151,790</u>	<u>155,162</u>
Expenses						
General Government	27,277	31,176	-	-	27,277	31,176
Public Safety	33,404	33,067	-	-	33,404	33,067
Public Works	14,560	20,263	-	-	14,560	20,263
Social Services	1,319	775	-	-	1,319	775
Recreation	9,747	9,914	-	-	9,747	9,914
Health	1,309	1,098	-	-	1,309	1,098
Interest on Debt	3,860	2,804	-	-	3,860	2,804
Water and Sewer	-	-	29,021	32,175	29,021	32,175
Sanitation	-	-	12,175	10,943	12,175	10,943
Public Parking	-	-	1,498	1,405	1,498	1,405
Storm Water	-	-	1,865	1,787	1,865	1,787
Golf	-	-	974	962	974	962
Total expenses	<u>91,476</u>	<u>99,097</u>	<u>45,533</u>	<u>47,272</u>	<u>137,009</u>	<u>146,369</u>
Excess [deficiency]	8,937	1,801	5,844	6,992	14,781	8,793
Transfers	<u>3,883</u>	<u>3,653</u>	<u>[3,883]</u>	<u>[3,653]</u>	<u>-</u>	<u>-</u>
Change in Net Position	12,820	5,454	1,961	3,339	14,781	8,793
Beginning Net Position	205,056	217,876	166,312	168,273	371,368	386,149
Prior Period Adjustment	<u>-</u>	<u>(48,087)</u>	<u>-</u>	<u>(11,597)</u>	<u>-</u>	<u>(59,684)</u>
Ending Net Position	<u>\$ 217,876</u>	<u>\$ 175,243</u>	<u>\$ 168,273</u>	<u>\$ 160,015</u>	<u>\$ 386,149</u>	<u>\$ 335,258</u>

**Governmental funds**

Governmental funds increased the City's fund balance by \$469,795 during the year. Key elements of governmental activities during the year are as follows:

Total governmental revenues increased by \$3.4 million in 2015. Property taxes increased due to overall increased property valuations and sales tax increased due to higher retail sales. Charges for services increased primarily due to higher recreation fees and higher EMS fees.

Expenditures for governmental purposes net of capital outlay increased 7.0%. The increases are largely attributable to salary and pension increases, as well as an economic development grant.

**Business-type activities**

Before the GASB 68 restatement, business-type activities increased the City's net position by \$3,709,391. The Water and Sewer Fund, Sanitation Fund and Storm Water Fund experienced positive changes in net position while the Public Parking and Golf Course Fund experienced a reduction. The key elements of the changes in net position are as follows:

- Positive change in net position in the Water and Sewer Fund equaling \$1.2 million due to increases in water and sewer rates for 2015 .
- Positive net income in the Sanitation Fund equaling \$1.9 due in part to increased revenues from the first full year of recycling operations.
- Positive net income in the Storm Water Fund equaling \$854,012 due to lower expenses. Storm water fee rates were not changed in 2015 .

**Financial Analysis of the Government's Major Funds**

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending in future years. As of December 31, 2015, the City of Lawrence's governmental funds reported combined ending fund balances of \$47,472,597, an increase of \$404,268 from the prior year. The City has 3 major governmental funds, the general fund, the debt service fund and the capital projects fund.

**The general fund** is the primary operating fund of the City. At the end of 2015, unassigned general fund balance totaled \$12,718,338, while total general fund balance was \$13,202,220. Unassigned general fund balance represents 20.6% of total general fund expenditures, within the 15%-30% range established by the City Commission's adopted fund balance policy.

The City of Lawrence adopts its budget on a fund basis. The 2015 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, overall revenues exceeded the budgeted amount by \$1.2 million.

General fund budget basis expenditures increased 4.7%. General government expenditures experienced a 5% increase largely due to increased salary and pension costs and economic development grant. Non-represented employees were eligible for merit increases funded by a 1.0% merit pool. Public safety expenses increased 4.1% because of increased salary and benefits, including an increase in pension costs.

Key factors affecting the general fund balance are as follows:

- An increase of 3.8% in sales tax revenues

- An increase of 4.7% in general fund expenditures, driven by compensation increases, increased pension contributions, and economic grants.

**The debt service fund** has a total fund balance of \$10,901,622, all of which is restricted for debt service. The primary source of revenue for the debt service fund is property taxes currently at 8.504 mills.

**The capital project fund** has a total fund deficit of \$8,530,229. The capital project fund is used to account for debt financed projects. Projects will have a deficit fund balance until long term financing has been issued. Currently there is \$10.8 million in bond anticipation notes outstanding.

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

Unrestricted net position of the Water and Sewer Fund totaled \$16,744,917 at the end of 2015. The unrestricted net position of the Sanitation Fund amounted to \$110,461 at the end of 2015. The change in net position for the Water and Sewer Fund was [\$5,297,381]. The Sanitation Fund had a decrease in net position of \$1,737,206. These are due to the net pension obligation that was recorded in 2015. Before the restatement, the Water and Sewer Fund showed an increase in net position of \$1,164,255 and the Sanitation Fund an increase of \$1,962,149.

## Capital Asset and Debt Administration

### Capital assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$518,152,868 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 5.0%. For governmental activities, this was primarily normal equipment replacement and infrastructure. The business-type activity additions of \$24.9 million was primarily due to the new wastewater treatment plant and related water and wastewater improvements. (For additional information on the city's capital assets please read Note 6).

The major capital asset addition during the year was the following:

-Wakarusa River Wastewater Treatment Plant CIP \$16,626,619

City of Lawrence's Capital Assets (net of depreciation) (000's)						
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 16,423	\$ 16,423	\$ 6,811	\$ 6,893	\$ 23,234	\$ 23,316
Buildings	55,718	52,994	64,948	62,950	120,666	115,944
Improvements	17,077	16,676	119,236	125,129	136,313	141,805
Equipment	12,140	14,084	6,284	6,010	18,424	20,094
Infrastructure	126,252	154,501	-	-	126,252	154,501
Construction in Progress	<u>30,808</u>	<u>9,433</u>	<u>37,584</u>	<u>53,059</u>	<u>68,392</u>	<u>62,492</u>
Total	<u>\$ 258,418</u>	<u>\$ 264,111</u>	<u>\$ 234,863</u>	<u>\$ 254,041</u>	<u>\$ 493,281</u>	<u>\$ 518,152</u>

### Long-term debt

At the end of 2015, the City of Lawrence had total bonded debt outstanding of \$243,421,937. Of this amount, \$97,940,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the bonded debt represents bonds secured solely by revenue generated by the Water and Sewer

utility (revenue bonds). In addition, the City had \$15,946,937 due in accordance with the State Revolving Loan Fund (SRF) program for wastewater projects. (For additional information on the city's debt please read Note 5).

City of Lawrence's Outstanding Debt  
General Obligation and Revenue Bonds

	(000's)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
General Obligation	\$ 90,795	\$ 89,689	\$ 9,800	\$ 8,251	\$ 100,595	\$ 97,940
Revenue	-	-	44,030	129,535	44,030	129,535
SRF	-	-	18,302	15,947	18,302	15,947
Total	<u>\$ 90,795</u>	<u>\$ 89,689</u>	<u>\$ 72,132</u>	<u>\$ 153,733</u>	<u>\$ 162,927</u>	<u>\$ 243,422</u>

The City's total outstanding bonded debt increased \$80 million during the year. In governmental activities, \$9.5 million in general obligation bonds was issued while \$10.5 million was retired. The general obligation bonds were issued for various street and other improvements. In business-type activities, \$98.9 million in revenue bonds were issued to finance the Wakarusa River Wastewater Treatment Plant, other water and sewer improvements and refunding of 2005 revenue bonds while \$17.2 million in debt was retired with storm water revenue, sanitation revenue and water and sewer revenue.

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

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2015 the debt limitation for the City of Lawrence was \$287,437,339. The City's general obligation debt as of December 31, 2015 was \$97,940,000. This is only 34% of the maximum allowed under statutes.

### **Economic Factors and 2015 Budget**

The average unemployment rate for Lawrence MSA in 2015 was 3.7%, a decrease of 0.3% from the previous year. This is below the 2015 State average of 4.2%. The City experienced an increase of 0.7% in its assessed valuation in 2014. The 2015 property tax based on the assessed valuation is used to fund the 2016 budget.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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## CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION  
December 31, 2015

	Primary Government			
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Component Units
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>				
Current assets:				
Cash and investments	\$ 70,787,252	\$ 80,256,127	\$ 151,043,379	\$ 155,445,550
Receivables (net of allowance for uncollectibles)				
Accounts	1,259,180	3,725,836	4,985,016	27,375,401
Taxes	25,912,828	-	25,912,828	-
Special assessments	5,385,760	-	5,385,760	-
Intergovernmental	3,637,464	-	3,637,464	-
Franchise fees	772,118	-	772,118	-
Loans	506,574	-	506,574	-
Accrued interest	8,065	2,845	10,910	25
Internal balances	[3,651,400]	3,651,400	-	-
Inventory	313,466	2,214,456	2,527,922	3,494,797
Due from other entities	-	-	-	800,647
Prepays	-	440,327	440,327	7,054,894
Other assets	-	-	-	746,866
Total current assets	<u>104,931,307</u>	<u>90,290,991</u>	<u>195,222,298</u>	<u>194,918,180</u>
Noncurrent assets:				
Capital assets, nondepreciable				
Land	16,423,212	6,892,719	23,315,931	6,513,436
Construction in progress	9,433,193	53,059,123	62,492,316	3,615,903
Capital assets, depreciable	395,737,423	312,871,632	708,609,055	248,286,132
Less: Accumulated depreciation	<u>[157,482,438]</u>	<u>[118,781,996]</u>	<u>[276,264,434]</u>	<u>[138,272,751]</u>
Total noncurrent assets	<u>264,111,390</u>	<u>254,041,478</u>	<u>518,152,868</u>	<u>120,142,720</u>
Total assets	<u>369,042,697</u>	<u>344,332,469</u>	<u>713,375,166</u>	<u>315,060,900</u>
Deferred outflows of resources				
Deferred amount on refunding	-	-	-	462,045
Pension - contributions subsequent to the measurement date	3,361,847	761,402	4,123,249	194,186
Pension - differences between expected and actual experience	332,630	3,165	335,795	-
Pension - changes in proportion	<u>827,737</u>	<u>345,882</u>	<u>1,173,619</u>	<u>269,666</u>
Total deferred outflows of resources	<u>4,522,214</u>	<u>1,110,449</u>	<u>5,632,663</u>	<u>925,897</u>
Total assets and deferred outflows of resources	<u>\$ 373,564,911</u>	<u>\$ 345,442,918</u>	<u>\$ 719,007,829</u>	<u>\$ 315,986,797</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Liabilities				
Current liabilities:				
Accounts payable	\$ 4,477,398	\$ 4,073,341	\$ 8,550,739	\$ 5,243,814
Accrued payroll	728,949	255,785	984,734	11,343,752
Interest payable	1,047,407	1,226,025	2,273,432	1,309,458
Retirement obligation payable	-	-	-	434,720
Meter deposits payable	-	1,182,570	1,182,570	-
Due to other entities	-	-	-	952,091
Unearned revenue	492,915	-	492,915	25,614
Other liabilities	-	-	-	330,765
Temporary notes payable	10,876,070	-	10,876,070	-
Current portion of compensated absences payable	2,942,503	1,043,639	3,986,142	12,725
Current portion of revenue bonds payable	-	4,625,000	4,625,000	2,670,000
Current portion of notes payable	-	2,520,986	2,520,986	-
Current portion of general obligation bonds payable	10,640,819	1,579,181	12,220,000	-
Current portion of capital lease payable	<u>64,246</u>	<u>-</u>	<u>64,246</u>	<u>-</u>
Total current liabilities	<u>31,270,307</u>	<u>16,506,527</u>	<u>47,776,834</u>	<u>22,322,939</u>
Noncurrent liabilities:				
Compensated absences payable	3,902,266	1,165,069	5,067,335	306,064
Net OPEB obligation	4,346,302	1,572,697	5,918,999	16,328
Net pension liability	47,310,636	11,525,071	58,835,707	3,156,571
Claims payable	760,188	-	760,188	-
General obligation bonds payable	79,697,423	6,671,938	86,369,361	-
Revenue bonds payable	-	133,632,416	133,632,416	56,771,246
Notes payable	-	13,425,951	13,425,951	-
Capital lease payable	<u>67,298</u>	<u>-</u>	<u>67,298</u>	<u>-</u>
Total non-current liabilities	<u>136,084,113</u>	<u>167,993,142</u>	<u>304,077,255</u>	<u>60,250,209</u>
Total liabilities	<u>167,354,420</u>	<u>184,499,669</u>	<u>351,854,089</u>	<u>82,573,148</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	27,953,343	-	27,953,343	-
Pension - differences between expected and actual experience	917,570	322,239	1,239,809	89,356
Pension - net difference between projected and actual investment earnings	1,580,311	446,145	2,026,456	122,874
Pension - changes in proportion	-	-	-	138,335
Pension - changes of assumptions	<u>516,280</u>	<u>159,697</u>	<u>675,977</u>	<u>44,116</u>
Total deferred inflows of resources	<u>30,967,504</u>	<u>928,081</u>	<u>31,895,585</u>	<u>394,681</u>
Total liabilities and deferred inflows of resources	<u>\$ 198,321,924</u>	<u>\$ 185,427,750</u>	<u>\$ 383,749,674</u>	<u>\$ 82,967,829</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 165,282,595	\$ 138,094,523	\$ 303,377,118	\$ 64,226,993
Restricted for:				
Debt service	10,901,622	-	10,901,622	107,716
Improvements	5,567,374	-	5,567,374	1,527,491
Other purposes	562,959	-	562,959	-
Unrestricted	<u>[7,071,563]</u>	<u>21,920,645</u>	<u>14,849,082</u>	<u>167,156,768</u>
Total net position	<u>\$ 175,242,987</u>	<u>\$ 160,015,168</u>	<u>\$ 335,258,155</u>	<u>\$ 233,018,968</u>

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

## CITY OF LAWRENCE, KANSAS

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

					Net [Expenses] Revenue and Changes in Net Assets			
Program Revenues					Primary Government			Component Units
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Total	Total		
				Governmental Activities	Business-type Activities			
<b>Governmental activities:</b>								
General government	\$ 29,469,833	\$ 8,769,512	\$ 3,999,348	\$ -	\$ [16,700,973]	\$ -	\$ [16,700,973]	\$ -
Public safety	33,066,853	427,146	177,530	62,338	[32,399,839]	-	[32,399,839]	-
Public works	20,010,423	107,499	2,811,909	242,901	[16,848,114]	-	[16,848,114]	-
Health	1,098,022	163,796	-	-	[934,226]	-	[934,226]	-
Social services	774,782	176,416	1,769,354	-	1,170,988	-	1,170,988	-
Culture and recreation	9,914,279	2,946,433	769,500	84,400	[6,113,946]	-	[6,113,946]	-
Tourism	1,706,788	-	1,609,899	-	[96,889]	-	[96,889]	-
Airport	252,735	13,797	-	-	[238,938]	-	[238,938]	-
Interest on long-term debt	2,803,653	-	-	-	[2,803,653]	-	[2,803,653]	-
Total governmental activities	99,097,368	12,604,599	11,137,540	389,639	[74,965,590]	-	[74,965,590]	-
<b>Business-type activities:</b>								
Water and Sewer	32,175,287	35,608,968	-	-	-	3,433,681	3,433,681	-
Sanitation	10,943,115	12,565,494	-	-	-	1,622,379	1,622,379	-
Stormwater	1,787,179	3,015,164	-	-	-	1,227,985	1,227,985	-
Public Parking	1,405,290	1,340,528	-	-	-	[64,762]	[64,762]	-
Golf Course	961,517	733,798	-	-	-	[227,719]	[227,719]	-
Total business-type activities	47,272,388	53,263,952	-	-	-	5,991,564	5,991,564	-
Total primary government	\$ 146,369,756	\$ 65,868,551	\$ 11,137,540	\$ 389,639	[74,965,590]	5,991,564	[68,974,026]	-
<b>Component units:</b>								
Lawrence Housing Authority	\$ 8,542,920	\$ 8,226,224	\$ 736,594	\$ 506,378	-	-	-	926,276
Lawrence Memorial Hospital	190,673,893	206,235,886	-	894,632	-	-	-	16,456,625
Lawrence Public Library	4,140,946	203,188	3,812,102	-	-	-	-	[125,656]
Total component units	\$ 203,357,759	\$ 214,665,298	\$ 4,548,696	\$ 1,401,010	-	-	-	17,257,245
<b>General Revenues:</b>								
Property tax					30,163,532	-	30,163,532	-
Sales tax					25,563,595	-	25,563,595	-
Franchise tax					7,127,746	-	7,127,746	-
Unrestricted grants and contributions					11,230,708	-	11,230,708	-
Use of money or property					100,697	233,589	334,286	1,602,567
Reimbursements					1,577,241	-	1,577,241	-
Miscellaneous					1,003,105	767,015	1,770,120	493
Transfers, net					3,653,030	[3,653,030]	-	-
Subtotal general revenues					80,419,654	[2,652,426]	77,767,228	1,603,060
Change in net position					5,454,064	3,339,138	8,793,202	18,860,305
Net position - January 1					217,876,211	168,273,954	386,150,165	217,297,840
Prior period adjustment					[48,087,288]	[11,597,924]	[59,685,212]	[3,139,177]
Net position - January 1, restated					169,788,923	156,676,030	326,464,953	214,158,663
Net position - December 31					\$ 175,242,987	\$ 160,015,168	\$ 335,258,155	\$ 233,018,968

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

## CITY OF LAWRENCE, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 12,398,202	\$ 11,487,526	\$ 2,385,518	\$ 27,727,778	\$ 53,999,024
Receivables:					
Taxes	15,816,478	7,005,934	-	3,090,416	25,912,828
Special assessments	-	5,385,760	-	-	5,385,760
Intergovernmental	3,053,672	-	-	583,792	3,637,464
Accounts (net allowance for uncollectibles)	889,953	36,987	-	174,816	1,101,756
Franchise fees	772,118	-	-	-	772,118
Loans	-	-	-	506,574	506,574
Accrued interest	2,013	1,318	323	3,402	7,056
Due from other funds	751,000	-	-	-	751,000
Restricted assets:					
Cash	-	-	-	5,649,627	5,649,627
Total assets	<u>\$ 33,683,436</u>	<u>\$ 23,917,525</u>	<u>\$ 2,385,841</u>	<u>\$ 37,736,405</u>	<u>\$ 97,723,207</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,279,649	\$ -	\$ 121,070	\$ 1,618,101	\$ 4,018,820
Accrued payroll	628,890	-	-	85,532	714,422
Due to other funds	-	-	-	629,000	629,000
Unearned revenue	492,915	-	-	-	492,915
Temporary notes payable	-	-	10,795,000	-	10,795,000
Total liabilities	<u>3,401,454</u>	<u>-</u>	<u>10,916,070</u>	<u>2,332,633</u>	<u>16,650,157</u>
Deferred inflows of resources:					
Unavailable revenue	<u>17,079,762</u>	<u>13,015,903</u>	<u>-</u>	<u>3,504,788</u>	<u>33,600,453</u>
Total liabilities and deferred inflows of resources	<u>20,481,216</u>	<u>13,015,903</u>	<u>10,916,070</u>	<u>5,837,421</u>	<u>50,250,610</u>
Fund balance:					
Nonspendable	-	-	-	562,959	562,959
Restricted	-	10,901,622	-	5,567,374	16,468,996
Assigned	483,882	-	-	25,955,112	26,438,994
Unassigned	<u>12,718,338</u>	<u>-</u>	<u>[8,530,229]</u>	<u>[186,461]</u>	<u>4,001,648</u>
Total fund balances	<u>13,202,220</u>	<u>10,901,622</u>	<u>[8,530,229]</u>	<u>31,898,984</u>	<u>47,472,597</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,683,436</u>	<u>\$ 23,917,525</u>	<u>\$ 2,385,841</u>	<u>\$ 37,736,405</u>	<u>\$ 97,723,207</u>

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



CITY OF LAWRENCE, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2015

Total Governmental Fund Balances		\$ 47,472,597
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	420,354,787	
Accumulated depreciation is	<u>[156,618,258]</u>	263,736,529
Internal service funds are used by the City's management to charge the costs of various services to other funds. The assets and liabilities of certain internal service funds are included with governmental activities.		
		6,408,384
Pension contributions are reported as expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position.		
		4,456,760
Pension fundings are reported as a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position.		
		[2,959,010]
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		5,647,111
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[6,693,296]	
Net OPEB obligation	[4,346,302]	
Net pension liability	[46,631,523]	
Claims and judgements payable	[250,000]	
General obligation bonds payable	[90,338,242]	
Temporary note premium	[81,070]	
Capital lease payable	[131,544]	
Accrued interest on the bonds	<u>[1,047,407]</u>	<u>[149,519,384]</u>
Net Position of Governmental Activities		<u>\$ 175,242,987</u>

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

## CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 36,773,048	\$ 8,314,719	\$ -	\$ 17,934,669	\$ 63,022,436
Special assessments	-	2,411,557	-	-	2,411,557
Licenses and permits	1,525,191	-	-	-	1,525,191
Charges for services	5,273,573	-	-	2,818,285	8,091,858
Fines, forfeitures, and penalties	2,895,570	-	-	91,980	2,987,550
Interest	46,544	10,095	3,997	34,407	95,043
Intergovernmental	11,388,676	-	-	11,112,707	22,501,383
Reimbursements	13,329	-	50,000	1,513,907	1,577,236
Miscellaneous	200,894	218,770	-	653,260	1,072,924
Total revenues	<u>58,116,825</u>	<u>10,955,141</u>	<u>53,997</u>	<u>34,159,215</u>	<u>103,285,178</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	17,577,112	-	-	9,093,680	26,670,792
Public safety	32,712,138	-	-	1,033,185	33,745,323
Public works	6,507,734	-	-	2,226,715	8,734,449
Health	1,004,687	-	-	166,162	1,170,849
Social services	-	-	-	1,236,327	1,236,327
Culture and recreation	3,295,827	-	-	6,270,784	9,566,611
Tourism	-	-	-	1,566,103	1,566,103
Airport	134,062	-	-	-	134,062
Capital outlay	559,540	-	4,189,132	14,846,226	19,594,898
Debt service:					
Principal retirement	-	8,575,568	-	1,980,153	10,555,721
Interest and fiscal charges	-	2,289,466	314,215	769,664	3,373,345
Total expenditures	<u>61,791,100</u>	<u>10,865,034</u>	<u>4,503,347</u>	<u>39,188,999</u>	<u>116,348,480</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,674,275]</u>	<u>90,107</u>	<u>[4,449,350]</u>	<u>[5,029,784]</u>	<u>[13,063,302]</u>
Other financing sources [uses]					
Transfers in	3,656,194	-	-	200,000	3,856,194
Transfers [out]	[200,000]	-	-	[53]	[200,053]
Issuance of general obligation bonds	-	-	9,450,000	-	9,450,000
Premiums on general obligation bonds	-	-	426,956	-	426,956
Total other financing sources [uses]	<u>3,456,194</u>	<u>-</u>	<u>9,876,956</u>	<u>199,947</u>	<u>13,533,097</u>
Net change in fund balance	<u>[218,081]</u>	<u>90,107</u>	<u>5,427,606</u>	<u>[4,829,837]</u>	<u>469,795</u>
Fund balance - January 1	13,622,434	10,674,909	[13,957,835]	36,728,821	47,068,329
Restatement to fund balance	<u>[202,133]</u>	<u>136,606</u>	<u>-</u>	<u>-</u>	<u>[65,527]</u>
Fund balance - January 1, restatement	<u>13,420,301</u>	<u>10,811,515</u>	<u>[13,957,835]</u>	<u>36,728,821</u>	<u>47,002,802</u>
Fund balance - December 31	<u>\$ 13,202,220</u>	<u>\$ 10,901,622</u>	<u>\$ [8,530,229]</u>	<u>\$ 31,898,984</u>	<u>\$ 47,472,597</u>

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

CITY OF LAWRENCE, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2015

Total Net Change In Fund Balances - Governmental Funds	\$	469,795
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Loss on sale of assets	[14,456]	
Capital outlays	16,809,372	
Depreciation expense	<u>[11,075,182]</u>	5,719,734
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.		
		569,692
Internal service funds are used by the City's management to charge the costs of certain activities to the individual funds. The revenues and expenses of certain internal service funds are reported with governmental activities.		
		[738,204]
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		[2,412,518]
Some expenses reported in the statement of activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		[818,384]
Pension payments are reported as expenditures in the governmental funds and do not affect the statement of activities.		
		2,185,008
Bond proceeds are other financing sources in the governmental funds, but they increase long-term liabilities in the statement of net position and do not affect the statement of activities.		
		[9,876,956]
Repayment of principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
General obligation debt	10,589,441	
Claims and judgements payable	[102,000]	
Capital leases	<u>[131,544]</u>	
Changes In Net Position of Governmental Activities	\$	<u>5,454,064</u>

## CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis <u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Taxes	\$ 36,773,048	\$ 14,383,242	\$ 51,156,290	\$ 50,101,739	\$ 50,101,739	\$ 1,054,551
Licenses and permits	1,525,191	-	1,525,191	1,506,500	1,506,500	18,691
Charges for services	5,273,573	-	5,273,573	5,395,413	5,395,413	[121,840]
Fines, forfeitures, and penalties	2,895,570	-	2,895,570	3,170,000	3,170,000	[274,430]
Interest	46,544	-	46,544	75,000	75,000	[28,456]
Intergovernmental	11,388,676	-	11,388,676	10,790,648	10,790,648	598,028
Reimbursements	13,329	-	13,329	104,200	104,200	[90,871]
Miscellaneous	200,894	-	200,894	158,000	158,000	42,894
Total revenues	<u>58,116,825</u>	<u>14,383,242</u>	<u>72,500,067</u>	<u>71,301,500</u>	<u>71,301,500</u>	<u>1,198,567</u>
Expenditures						
General government	17,577,112	60,999	17,638,111	31,721,458	31,721,458	14,083,347
Public safety	32,712,138	[39,278]	32,672,860	32,815,498	32,815,498	142,638
Public works	6,507,734	40,313	6,548,047	7,043,115	7,043,115	495,068
Health	1,004,687	[6,352]	998,335	1,037,979	1,037,979	39,644
Culture and recreation	3,295,827	20,974	3,316,801	3,452,619	3,452,619	135,818
Airport	134,062	-	134,062	211,794	211,794	77,732
Capital outlay	559,540	[11,698]	547,842	-	-	[547,842]
Total expenditures	<u>61,791,100</u>	<u>64,958</u>	<u>61,856,058</u>	<u>76,282,463</u>	<u>76,282,463</u>	<u>14,426,405</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,674,275]</u>	<u>14,318,284</u>	<u>10,644,009</u>	<u>[4,980,963]</u>	<u>[4,980,963]</u>	<u>15,624,972</u>
Other financing sources [uses]						
Transfer in	3,656,194	-	3,656,194	3,656,751	3,656,751	(557)
Transfer out	<u>[200,000]</u>	<u>[14,383,242]</u>	<u>[14,583,242]</u>	<u>[5,398,451]</u>	<u>[5,398,451]</u>	<u>[9,184,791]</u>
Total other financing sources [uses]	<u>3,456,194</u>	<u>[14,383,242]</u>	<u>[10,927,048]</u>	<u>[1,741,700]</u>	<u>[1,741,700]</u>	<u>[9,185,348]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[218,081]</u>	<u>[64,958]</u>	<u>[283,039]</u>	<u>\$ [6,722,663]</u>	<u>\$ [6,722,663]</u>	<u>\$ 6,439,624</u>
Fund balance, January 1	13,622,434	[418,924]	13,203,510			
Restatement to fund balance	<u>[202,133]</u>	<u>-</u>	<u>[202,133]</u>			
Fund balance, January 1, restated	<u>13,420,301</u>	<u>[418,924]</u>	<u>13,001,377</u>			
Fund balance, December 31	<u>\$ 13,202,220</u>	<u>\$ [483,882]</u>	<u>\$ 12,718,338</u>			

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

## CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>						
Current assets:						
Cash	\$ 20,057,848	\$ 4,795,645	\$ 2,544,547	\$ 542,000	\$ 27,940,040	\$ 11,138,601
Receivables (net of allowances for uncollectibles):						
Accounts	2,641,683	875,919	202,996	5,238	3,725,836	157,424
Accrued interest	1,871	601	308	65	2,845	1,009
Inventory	2,211,942	-	-	2,514	2,214,456	313,466
Prepays	440,327	-	-	-	440,327	-
Restricted Cash:						
Customer deposits	1,161,452	21,118	-	-	1,182,570	-
Current portion of revenue bonds	4,625,000	-	-	-	4,625,000	-
Total current assets	31,140,123	5,693,283	2,747,851	549,817	40,131,074	11,610,500
Noncurrent assets:						
Restricted cash and investments	46,508,517	-	-	-	46,508,517	-
Total restricted assets	46,508,517	-	-	-	46,508,517	-
Capital assets:						
Land	4,568,381	-	1,845,283	479,055	6,892,719	-
Building and Improvements	270,624,322	1,555,872	13,270,802	7,729,316	293,180,312	762,567
Construction in progress	51,651,963	1,297,150	110,010	-	53,059,123	-
Equipment	7,764,960	8,910,889	2,365,274	650,197	19,691,320	476,472
Less: accumulated depreciation	[99,075,879]	[7,591,378]	[4,968,685]	[7,146,054]	[118,781,996]	[864,179]
Total capital assets	235,533,747	4,172,533	12,622,684	1,712,514	254,041,478	374,860
Total noncurrent assets	282,042,264	4,172,533	12,622,684	1,712,514	300,549,995	374,860
Total assets	313,182,387	9,865,816	15,370,535	2,262,331	340,681,069	11,985,360
Deferred outflows of resources:						
Pension - contributions subsequent to the measurement date	431,686	235,374	28,495	65,847	761,402	44,728
Pension - differences between expected and actual experience	-	-	-	3,165	3,165	-
Pension - changes in proportion	200,041	109,071	13,204	23,566	345,882	20,726
Total deferred outflows of resources	631,727	344,445	41,699	92,578	1,110,449	65,454
Total assets and deferred outflows of resources	\$ 313,814,114	\$ 10,210,261	\$ 15,412,234	\$ 2,354,909	\$ 341,791,518	\$ 12,050,814
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>						
Liabilities:						
Current liabilities						
Accounts payable	\$ 3,431,232	\$ 608,361	\$ 6,814	\$ 26,934	\$ 4,073,341	\$ 458,578
Interest payable	1,181,261	29,667	15,097	-	1,226,025	-
Claims payable	-	-	-	-	-	510,188
Accrued payroll	144,617	83,745	9,531	17,892	255,785	14,527
Compensated absences	602,960	333,636	37,276	69,767	1,043,639	65,721
Due to other funds	-	-	-	-	-	122,000
Current portion of general obligation bonds payable	635,000	265,000	679,181	-	1,579,181	-
Current portion of notes payable	2,520,986	-	-	-	2,520,986	-
Total unrestricted current liabilities	8,516,056	1,320,409	747,899	114,593	10,698,957	1,171,014
Current Liabilities payable from restricted assets:						
Customer deposits	1,161,452	21,118	-	-	1,182,570	-
Current portion of revenue bonds	4,625,000	-	-	-	4,625,000	-
Total current liabilities payable from restricted assets	5,786,452	21,118	-	-	5,807,570	-
Total current liabilities	14,302,508	1,341,527	747,899	114,593	16,506,527	1,171,014
Noncurrent liabilities:						
Compensated absences	657,141	373,527	50,919	83,482	1,165,069	85,752
General obligation bonds payable	4,625,000	1,515,000	531,938	-	6,671,938	-
Revenue bonds payable	133,632,416	-	-	-	133,632,416	-
Notes payable	13,425,951	-	-	-	13,425,951	-
Net pension liability	6,554,423	3,573,755	432,645	964,248	11,525,071	679,113
Net OPEB obligation	761,558	613,231	58,781	139,127	1,572,697	-
Total noncurrent liabilities	159,656,489	6,075,513	1,074,283	1,186,857	167,993,142	764,865
Total liabilities	173,958,997	7,417,040	1,822,182	1,301,450	184,499,669	1,935,879
Deferred inflows of resources:						
Pension - differences between expected and actual experience	185,542	101,166	12,247	23,284	322,239	19,224
Pension - net difference between projected and actual earnings on pension plan investments	255,141	139,114	16,841	35,049	446,145	26,436
Pension - changes of assumptions	91,606	49,947	6,047	12,097	159,697	9,491
Total deferred inflows of resources	532,289	290,227	35,135	70,430	928,081	55,151
Total liabilities and deferred inflows of resources	\$ 174,491,286	\$ 7,707,267	\$ 1,857,317	\$ 1,371,880	\$ 185,427,750	\$ 1,991,030
<b>NET POSITION:</b>						
Net investment in capital assets	\$ 122,577,911	\$ 2,392,533	\$ 11,411,565	\$ 1,712,514	\$ 138,094,523	\$ 374,860
Unrestricted	16,744,917	110,461	2,143,352	[729,485]	18,269,245	9,684,924
Total net position	\$ 139,322,828	\$ 2,502,994	\$ 13,554,917	\$ 983,029	\$ 156,363,768	\$ 10,059,784
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,651,400	
Net position of business-type activities					\$ 160,015,168	

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

CITY OF LAWRENCE, KANSAS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue						
Charges for services	\$ 35,342,902	\$ 12,565,494	\$ 3,015,164	\$ 2,074,326	\$ 52,997,886	\$ 13,998,527
Other sales	266,066	-	-	-	266,066	-
Total operating revenues	<u>35,608,968</u>	<u>12,565,494</u>	<u>3,015,164</u>	<u>2,074,326</u>	<u>53,263,952</u>	<u>13,998,527</u>
Operating expenses						
Continuing operations	-	10,118,222	1,238,232	1,994,606	13,351,060	3,940,399
Transmission and distribution	15,223,353	-	-	-	15,223,353	-
General administration	4,414,636	-	-	-	4,414,636	1,836,779
Health insurance claims	-	-	-	-	-	9,291,662
Depreciation and amortization	6,665,565	664,002	478,129	351,412	8,159,108	42,157
Total operating expense	<u>26,303,554</u>	<u>10,782,224</u>	<u>1,716,361</u>	<u>2,346,018</u>	<u>41,148,157</u>	<u>15,110,997</u>
Operating income [loss]	<u>9,305,414</u>	<u>1,783,270</u>	<u>1,298,803</u>	<u>[271,692]</u>	<u>12,115,795</u>	<u>[1,112,470]</u>
Nonoperating revenues [expenses]						
Interest income	219,238	6,934	2,443	438	229,053	9,162
Interest expense	[5,692,257]	-	[61,074]	-	[5,753,331]	-
Gain [loss] on sale of capital assets	600	6,460	13,840	-	20,900	1,851
Miscellaneous	416,156	329,730	-	229	746,115	-
Total nonoperating revenues [expenses]	<u>[5,056,263]</u>	<u>343,124</u>	<u>[44,791]</u>	<u>667</u>	<u>[4,757,263]</u>	<u>11,013</u>
Income [loss] before transfers	<u>4,249,151</u>	<u>2,126,394</u>	<u>1,254,012</u>	<u>[271,025]</u>	<u>7,358,532</u>	<u>[1,101,457]</u>
Transfers from [to] other funds						
Transfers [to]	<u>[3,084,896]</u>	<u>[164,245]</u>	<u>[400,000]</u>	<u>-</u>	<u>[3,649,141]</u>	<u>[7,000]</u>
Total transfers	<u>[3,084,896]</u>	<u>[164,245]</u>	<u>[400,000]</u>	<u>-</u>	<u>[3,649,141]</u>	<u>[7,000]</u>
Change in net position	<u>1,164,255</u>	<u>1,962,149</u>	<u>854,012</u>	<u>[271,025]</u>	<u>3,709,391</u>	<u>[1,108,457]</u>
Net position, January 1	144,620,209	4,240,200	13,148,755	2,243,137		11,871,221
Restatement to net position	<u>[6,461,636]</u>	<u>[3,699,355]</u>	<u>[447,850]</u>	<u>[989,083]</u>		<u>[702,980]</u>
Net position, January 1, restated	<u>138,158,573</u>	<u>540,845</u>	<u>12,700,905</u>	<u>1,254,054</u>		<u>11,168,241</u>
Net position, December 31	<u>\$ 139,322,828</u>	<u>\$ 2,502,994</u>	<u>\$ 13,554,917</u>	<u>\$ 983,029</u>		<u>\$ 10,059,784</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>[370,253]</u>	
Change in net position of business-type activities					<u>\$ 3,339,138</u>	

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

CITY OF LAWRENCE, KANSAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	\$ 35,234,091	\$ 12,639,400	\$ 3,020,809	\$ 2,073,823	\$ 52,968,123	\$ 14,215,049
Cash paid to suppliers of goods and services	[20,788,714]	[3,945,631]	[538,893]	[639,035]	[25,912,273]	[13,879,083]
Cash paid to employees	[2,966,888]	[6,173,406]	[729,613]	[1,425,171]	[11,295,078]	[1,170,516]
Net cash provided by [used in] operating activities	<u>11,478,489</u>	<u>2,520,363</u>	<u>1,752,303</u>	<u>9,617</u>	<u>15,760,772</u>	<u>[834,550]</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[25,377,738]	[1,615,924]	[328,949]	[14,988]	[27,337,599]	[16,040]
Proceeds from sale of capital assets	600	6,460	13,840	-	20,900	1,851
Proceeds from other activities	323,144	329,730	-	229	653,103	-
Proceeds from issuance of debt	106,852,819	-	-	-	106,852,819	-
Principal payments on general obligation bonds	[625,000]	[270,000]	[654,279]	-	[1,549,279]	-
Principal payments on revenue bonds	[13,355,000]	-	-	-	[13,355,000]	-
Principal payments on temporary notes	[59,900,000]	-	-	-	[59,900,000]	-
Principal payments loans payable	[2,354,751]	-	-	-	[2,354,751]	-
Interest payments on debt	[5,414,873]	[2,223]	[68,966]	-	[5,486,062]	-
Net cash provided by [used in] capital and related financing activities	<u>149,201</u>	<u>[1,551,957]</u>	<u>[1,038,354]</u>	<u>[14,759]</u>	<u>[2,455,869]</u>	<u>[14,189]</u>
Cash flows from noncapital financing activities						
Interfund loan	-	-	-	-	-	[17,000]
Transfers [out]	[3,084,896]	[164,245]	[400,000]	-	[3,649,141]	[7,000]
Net cash provided by [used in] noncapital financing activities	<u>[3,084,896]</u>	<u>[164,245]</u>	<u>[400,000]</u>	<u>-</u>	<u>[3,649,141]</u>	<u>[24,000]</u>
Cash flows from investing activities:						
Interest received	224,955	8,478	2,135	374	235,942	15,233
Sale of investments	51,502,981	2,000,000	-	-	53,502,981	4,999,072
Net cash provided by [used in] investing activities	<u>51,727,936</u>	<u>2,008,478</u>	<u>2,135</u>	<u>374</u>	<u>53,738,923</u>	<u>5,014,305</u>
Net increase [decrease] in cash and cash equivalent	60,270,730	2,812,639	316,084	[4,768]	63,394,685	4,141,566
Cash and cash equivalents, beginning	<u>12,082,087</u>	<u>2,004,124</u>	<u>2,228,463</u>	<u>546,768</u>	<u>16,861,442</u>	<u>6,997,035</u>
Cash and cash equivalents, ending	<u>\$ 72,352,817</u>	<u>\$ 4,816,763</u>	<u>\$ 2,544,547</u>	<u>\$ 542,000</u>	<u>\$ 80,256,127</u>	<u>\$ 11,138,601</u>

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

CITY OF LAWRENCE, KANSAS  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Water and Sewer	Sanitation	Stormwater Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ 9,305,414	\$ 1,783,270	\$ 1,298,803	\$ [271,692]	\$ 12,115,795	\$ [1,112,470]
Net cash provided by [used in] operating activities						
Depreciation expense	6,665,565	664,002	478,130	351,412	8,159,109	42,157
[Increase] decrease in accounts receivable	[374,069]	72,035	5,645	[502]	[296,891]	216,522
[Increase] decrease in inventory	[410,478]	-	-	[1,071]	[411,549]	[30,468]
[Increase] decrease in prepaid items	[5,674]	-	-	-	[5,674]	-
[Increase] decrease in deferred outflows	[237,346]	[126,402]	[15,303]	[27,760]	[406,811]	[24,020]
Increase [decrease] in meter deposits payable	[808]	1,871	-	-	1,063	-
Increase [decrease] in accounts payable	[3,253,615]	295,923	[1,444]	[3,163]	[2,962,299]	84,843
Increase [decrease] in claims payable	-	-	-	-	-	35,634
Increase [decrease] in accrued payroll	[293,712]	[166,750]	[19,201]	[36,185]	[515,848]	[34,995]
Increase [decrease] in deferred inflows	[706,938]	[385,453]	[46,664]	[113,654]	[1,252,709]	[73,247]
Increase [decrease] in net pension liability	608,971	332,038	40,197	94,431	1,075,637	63,097
Increase [decrease] in net OPEB obligation	93,648	75,443	7,218	17,138	193,447	-
Increase [decrease] in accrued compensated absences	87,531	[25,614]	4,922	663	67,502	[1,603]
Net cash provided by [used in] operating activities	<u>\$ 11,478,489</u>	<u>\$ 2,520,363</u>	<u>\$ 1,752,303</u>	<u>\$ 9,617</u>	<u>\$ 15,760,772</u>	<u>\$ [834,550]</u>
Cash consists of:						
Cash	\$ 20,057,848	\$ 4,795,645	\$ 2,544,547	\$ 542,000	\$ 27,940,040	\$ 11,138,601
Restricted cash - customer deposits	1,161,452	21,118	-	-	1,182,570	-
Restricted cash - revenue bonds	4,625,000	-	-	-	4,625,000	-
Restricted cash - noncurrent	46,508,517	-	-	-	46,508,517	-
	<u>\$ 72,352,817</u>	<u>\$ 4,816,763</u>	<u>\$ 2,544,547</u>	<u>\$ 542,000</u>	<u>\$ 80,256,127</u>	<u>\$ 11,138,601</u>

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



CITY OF LAWRENCE, KANSAS

STATEMENT OF ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
December 31, 2015

	<u>Agency Funds</u>
Assets	
Cash	\$ 1,176,685
Accounts receivable	<u>21,375</u>
Total assets	<u>\$ 1,198,060</u>
Liabilities	
Accounts payable	\$ 1,176,685
Due to others	<u>21,375</u>
Total liabilities	<u>\$ 1,198,060</u>

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

## CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
December 31, 2015

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>				
Current assets:				
Cash	\$ 6,573,413	\$ 147,759,568	\$ 1,112,569	\$ 155,445,550
Receivables (net of allowances for uncollectibles)				
Accounts	20,664	27,354,737	-	27,375,401
Accrued interest	25	-	-	25
Due from other entities	800,647	-	-	800,647
Inventory	77,422	3,417,375	-	3,494,797
Prepays	85,728	6,969,166	-	7,054,894
Other assets	-	746,866	-	746,866
Restricted cash	-	-	-	-
Customer deposits	-	-	-	-
Current portion of revenue bonds	-	-	-	-
Total current assets	<u>7,557,899</u>	<u>186,247,712</u>	<u>1,112,569</u>	<u>194,918,180</u>
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	5,384,757	-	6,513,436
Construction in progress	686,770	2,929,133	-	3,615,903
Capital assets, depreciable	24,593,297	218,871,368	4,821,467	248,286,132
Less: accumulated depreciation	<u>(12,929,886)</u>	<u>(123,419,732)</u>	<u>(1,923,133)</u>	<u>(138,272,751)</u>
Total capital assets	<u>13,478,860</u>	<u>103,765,526</u>	<u>2,898,334</u>	<u>120,142,720</u>
Total assets	<u>21,036,759</u>	<u>290,013,238</u>	<u>4,010,903</u>	<u>315,060,900</u>
Deferred outflows of resources:				
Deferred amount on refunding	-	462,045	-	462,045
Pension liability - changes in proportion	5,656	-	264,010	269,666
Pension liability - contributions made after measurement date	<u>96,329</u>	<u>-</u>	<u>97,857</u>	<u>194,186</u>
Total deferred outflows of resources	<u>101,985</u>	<u>462,045</u>	<u>361,867</u>	<u>925,897</u>
Total assets and deferred outflows of resources	<u>\$ 21,138,744</u>	<u>\$ 290,475,283</u>	<u>\$ 4,372,770</u>	<u>\$ 315,986,797</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>				
Liabilities:				
Current liabilities				
Accounts payable	\$ 49,795	\$ 5,169,465	\$ 24,554	\$ 5,243,814
Interest payable	-	1,309,458	-	1,309,458
Claims Payable				
Accrued payroll	91,109	11,250,222	2,421	11,343,752
Retirement plan obligation	-	434,720	-	434,720
Due to other entities	101,574	850,517	-	952,091
Unearned revenue	25,614	-	-	25,614
Other liabilities	175,081	155,684	-	330,765
Temporary notes payable	-	-	-	-
Current portion of compensated absences	12,725	-	-	12,725
Current portion of revenue bonds payable	-	2,670,000	-	2,670,000
Current portion of general obligation bonds payable	-	-	-	-
Current portion of notes payable	-	-	-	-
Total current liabilities	<u>455,898</u>	<u>21,840,066</u>	<u>26,975</u>	<u>22,322,939</u>
Noncurrent liabilities:				
Compensated absences	114,524	-	191,540	306,064
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	56,771,246	-	56,771,246
Notes payable	-	-	-	-
Net pension liability	1,518,470	-	1,638,101	3,156,571
Net OPEB obligation	-	-	<u>16,328</u>	<u>16,328</u>
Total noncurrent liabilities	<u>1,632,994</u>	<u>56,771,246</u>	<u>1,845,969</u>	<u>60,250,209</u>
Total liabilities	<u>2,088,892</u>	<u>78,611,312</u>	<u>1,872,944</u>	<u>82,573,148</u>
Deferred inflows of resources				
Pension - difference between expected and actual experience	42,985	-	46,371	89,356
Pension - difference between expected and actual investment earnings	59,109	-	63,765	122,874
Pension - changes in proportion	138,335	-	-	138,335
Pension - changes in assumptions	<u>21,222</u>	<u>-</u>	<u>22,894</u>	<u>44,116</u>
Total deferred inflows of resources	<u>261,651</u>	<u>-</u>	<u>133,030</u>	<u>394,681</u>
Total liabilities and deferred inflows of resources	<u>\$ 2,350,543</u>	<u>\$ 78,611,312</u>	<u>\$ 2,005,974</u>	<u>\$ 82,967,829</u>
<b>NET POSITION:</b>				
Net investment in capital assets	\$ 13,478,860	\$ 47,849,799	\$ 2,898,334	\$ 64,226,993
Restricted for:				
Debt service	-	1,527,491	-	1,527,491
Housing authority - HUD programs	107,716	-	-	107,716
Unrestricted	<u>5,201,625</u>	<u>162,486,681</u>	<u>[531,538]</u>	<u>167,156,768</u>
Total net position	<u>\$ 18,788,201</u>	<u>\$ 211,863,971</u>	<u>\$ 2,366,796</u>	<u>\$ 233,018,968</u>

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds			
	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Revenues				
Charges for services	\$ 8,226,224	\$ 206,235,886	\$ 203,188	\$ 214,665,298
Operating grants and contributions	736,594	-	3,812,102	4,548,696
Capital grants and contributions	506,378	894,632	-	1,401,010
Total revenues	<u>9,469,196</u>	<u>207,130,518</u>	<u>4,015,290</u>	<u>220,615,004</u>
Operating expenses				
Lawrence Housing Authority	8,542,920	-	-	8,542,920
Lawrence Memorial Hospital	-	187,996,435	-	187,996,435
Lawrence Public Library	-	-	4,140,946	4,140,946
Total operating expense	<u>8,542,920</u>	<u>187,996,435</u>	<u>4,140,946</u>	<u>200,680,301</u>
Operating income [loss]	<u>926,276</u>	<u>19,134,083</u>	<u>[125,656]</u>	<u>19,934,703</u>
Nonoperating revenues [expenses]				
Use of money or property	9,540	1,582,938	10,089	1,602,567
Interest expense	-	[2,677,458]	-	[2,677,458]
Gain [loss] on sale of capital assets	-	-	-	-
Miscellaneous	-	-	493	493
Total nonoperating revenues [expenses]	<u>9,540</u>	<u>[1,094,520]</u>	<u>10,582</u>	<u>[1,074,398]</u>
Income [loss] before transfers	<u>935,816</u>	<u>18,039,563</u>	<u>[115,074]</u>	<u>18,860,305</u>
Transfers from [to] other funds				
Transfers from	-	-	-	-
Transfers [to]	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>935,816</u>	<u>18,039,563</u>	<u>[115,074]</u>	<u>18,860,305</u>
Net position, January 1	19,644,892	193,824,408	3,828,540	217,297,840
Restatement to net position	<u>[1,792,507]</u>	<u>-</u>	<u>[1,346,670]</u>	<u>[3,139,177]</u>
Net position, January 1, restated	<u>17,852,385</u>	<u>193,824,408</u>	<u>2,481,870</u>	<u>214,158,663</u>
Net position, December 31	<u>\$ 18,788,201</u>	<u>\$ 211,863,971</u>	<u>\$ 2,366,796</u>	<u>\$ 233,018,968</u>

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

## CITY OF LAWRENCE, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2015

#### **1. Summary of Significant Accounting Policies**

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

##### **A. Government-Wide and Fund Financial Statements**

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

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

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

##### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**1. Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus, Basis, of Accounting, and Financial Statement Presentation (Continued)**

Debt service expenditures as well as expenditure related to certain compensated absences and claims and judgments are recognized when due and payable rather than when expected to be liquidated with expendable resources.

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

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

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

The City reports the following major governmental funds:

*General Fund* is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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

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

The City reports the following major proprietary funds:

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

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

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

**C. Inventories**

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Procedures**

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

A legal annual operating budget is not required for the Capital Projects Fund, Enterprise Funds, Internal Service Funds and the following Special Revenue Funds:

Airport Improvement Fund	Outside Agency Fund
Capital Improvement Reserve Fund	Wee Folks Scholarship Fund
Equipment Reserve Fund	Fair Housing Assistance Fund
Guest Tax Reserve Fund	CDBG Recovery Fund
Sales Tax Reserve Fund	Community Development Fund
City Parks Memorial Fund	Rehabilitation Escrow Fund
Farmland Remediation Fund	Home Program Fund
Cemetery Perpetual Care Fund	Transportation Planning Fund
Cemetery Mausoleum Fund	Law Enforcement Trust Fund
Housing Trust Fund	

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

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

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended December 31, 2015.

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

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

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**1. Summary of Significant Accounting Policies (Continued)****D. Budgetary Procedures (Continued)**

The following is a summary of effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

	Major Governmental Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
GAAP FUND BALANCE December 31, 2015	\$ 13,202,220	\$ 10,901,622	\$ [8,530,229]	\$ 31,898,984	\$ 47,472,597
Adjustments:					
Fund balances not subject to the Kansas Budget Law	-	-	8,530,229	[22,677,184]	[14,146,955]
Encumbrances	[483,882]	-	-	[667,878]	[1,151,760]
Total deductions	[483,882]	-	8,530,229	[23,345,062]	[15,298,715]
BUDGETARY FUND BALANCE December 31, 2015	\$ 12,718,338	\$ 10,901,622	\$ -	\$ 8,553,922	\$ 32,173,882

**E. Pooled Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds managed by the City. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

**F. Receivables and Payables**

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

*Taxes Receivable.* Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2016. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**1. Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years and an initial, individual cost of more than \$5,000 for property, plant, and equipment, or \$50,000 for infrastructure assets. Such assets are stated at actual or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Depreciation of plant and equipment is provided on the straight-line basis over the estimated useful lives of the respective assets as follows:

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

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

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

**H. Bond Discounts/ Issuance Costs**

In all fund types, bond underwriter's discounts and issuance costs are recognized in the current period.

**I. Compensated Absences**

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

**J. Capitalization of Interest**

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. There was no interest capitalized during 2015.

**K. Use of Estimates**

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



CITY OF LAWRENCE, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**1. Summary of Significant Accounting Policies (Continued)**

**L. Deferred Revenue**

The City has reported as deferred revenue certain taxes and special assessments, which have been deemed to be measurable but not available.

**M. Comparative Data/ Reclassification**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports pension contributions subsequent to the measurement date, changes in the pension liability proportion and differences between expected and actual experience as deferred outflows of resources in the government activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues from two sources: property taxes and special assessments. Differences between expected and actual experience, net differences between projected and actual investment earnings, changes in assumptions, and changes in the pension liability proportion are reported as deferred inflows for governmental activities. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**O. Fund Equity**

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

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**1. Summary of Significant Accounting Policies (Continued)****O. Fund Equity (Continued)**

available, the following is the order in which resources will be expended: committed, assigned and unassigned. The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds			Other Government Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund		
Fund Balances:					
Nonspendable for:					
Donor Restrictions	\$ -	\$ -	\$ -	\$ 23,000	\$ 23,000
Loans	-	-	-	539,959	539,959
Restricted for:					
Capital outlay	-	-	-	5,567,374	5,567,374
Debt service	-	10,901,622	-	-	10,901,622
Assigned for:					
General Government	143,586	-	-	11,208,026	11,351,612
Public Safety	157,784	-	-	233,701	391,485
Public Works	100,624	-	-	1,200,217	1,300,841
Health	1,350	-	-	-	1,350
Social Service	-	-	-	220,591	220,591
Culture and recreation	80,538	-	-	5,217,755	5,298,293
Tourism	-	-	-	1,169,898	1,169,898
Capital outlay	-	-	-	6,704,924	6,704,924
Unassigned	12,718,338	-	[8,530,229]	[186,461]	4,001,648
	<u>\$ 13,202,220</u>	<u>\$ 10,901,622</u>	<u>\$ [8,530,229]</u>	<u>\$ 31,898,984</u>	<u>\$ 47,472,597</u>

**P. Net Position**

Net position represents the difference between assets and liabilities. 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 legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**2. Reporting Entity**

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

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

CITY OF LAWRENCE, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**2. Reporting Entity (Continued)**

2. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of other circumstances.

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

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

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

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

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

Lawrence Housing Authority 1600 Haskell Avenue Lawrence, Kansas 66044	Lawrence Memorial Hospital 325 Maine Lawrence, Kansas 66044	Lawrence Public Library 707 Vermont Lawrence, Kansas 66044
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**3. Deposits and Investments**

*Deposits-* At December 31, 2015, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity Less Than 5 Years</u>
Certificate of Deposit	\$ 39,996,413	n/a	\$ 39,996,413
Money Market	35,079,876	n/a	35,079,876
Guaranteed Investment Contract	32,608,889	A	32,608,889
Kansas Municipal Investment Pool	12,104	AAA	12,104
Total	<u>\$ 107,697,282</u>		

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**3. Deposits and Investments (Continued)**

The City Commission has adopted an Investment and Cash Management Policy that is reviewed annually by the Pooled Money Investment Board. The City's policy was certified by the MTA US&C Review Board. The policy establishes performance standards, legal authority, and procedures for the City's investments.

*Interest rate risk.* The City of Lawrence manages its exposure to declines in the fair value of its investments by planning an orderly liquidation of its portfolio upon the occurrence of an unforeseen event in accordance with our investment policy. Otherwise, the City plans on holding its investments to maturity.

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

*Concentration of credit risk.* The City of Lawrence's investment policy does not allow for more than 30% of the city's investment portfolio to be invested in the certificates of deposit of any one institution.

*Custodian credit risk-deposit.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. Under State statute, deposits and certificates of deposit must be 100% collateralized. Most of the collateral is held at the Federal Home Loan Bank in Topeka under a custodial agreement. Obligations of government sponsored agencies are held by the City's brokerage firms. To sell securities to the City the firm must be a primary dealer.

**4. Tax Revenue**

Tax revenue for the year ended December 31, 2015 is as follows:

	Primary Government			
	General	Debt	Other	
	Fund	Service	Governmental	
	Fund	Fund	Funds	Total
Property taxes	\$ 16,831,806	\$ 7,586,828	\$ 3,286,534	\$ 27,705,168
Motor vehicle taxes	1,537,057	727,891	299,689	2,564,637
Payment in lieu of taxes	96,085	-	-	96,085
Utility franchise taxes	7,127,746	-	-	7,127,746
Sales tax	11,180,354	-	14,348,446	25,528,800
Total	<u>\$ 36,773,048</u>	<u>\$ 8,314,719</u>	<u>\$ 17,934,669</u>	<u>\$ 63,022,436</u>

\*This amount does not include county-wide taxes, which are included as intergovernmental revenues in the individual fund statements.

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2015 were as follows:

	Primary Government			
	General	Debt	Library	
	Fund	Service	Fund	
	Fund	Fund	Fund	Total
Levy	<u>\$ 19.227</u>	<u>\$ 8.504</u>	<u>\$ 3.757</u>	<u>\$ 31.488</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**5. Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended December 31, 2015:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 90,794,602	\$ 9,450,000	\$ 10,555,721	\$ 89,688,881	\$ 10,640,819
General obligation bonds premium	337,195	345,885	33,719	649,361	-
General obligation bonds, net	91,131,797	9,795,885	10,589,440	90,338,242	10,640,819
Capital Lease	-	202,039	70,495	131,544	64,246
Accrued vacation and sick pay	6,562,539	4,127,445	3,845,215	6,844,769	2,942,503
Net OPEB obligation	3,811,750	1,041,219	506,667	4,346,302	-
Total	<u>\$ 101,506,086</u>	<u>\$ 15,166,588</u>	<u>\$ 15,011,817</u>	<u>\$ 101,660,857</u>	<u>\$ 13,647,568</u>
Business-type activities:					
General obligation bonds	\$ 9,800,398	\$ -	\$ 1,549,279	\$ 8,251,119	\$ 1,579,181
Revenue bonds	44,030,000	98,860,000	13,355,000	129,535,000	4,625,000
Revenue bonds premium	-	8,722,416	-	8,722,416	-
Revenue bonds, net	44,030,000	107,582,416	13,355,000	138,257,416	4,625,000
Long term notes payable	18,301,688	-	2,354,751	15,946,937	2,520,986
Accrued vacation and sick pay	2,141,205	1,485,271	1,417,768	2,208,708	1,043,639
Net OPEB obligation	1,379,250	376,781	183,334	1,572,697	-
Total	<u>\$ 75,652,541</u>	<u>\$ 109,444,468</u>	<u>\$ 18,860,132</u>	<u>\$ 166,236,877</u>	<u>\$ 9,768,806</u>

The following is a summary of general obligation temporary note transactions for the year ended December 31, 2015:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	\$ 19,030,000	\$ -	\$ 19,030,000	\$ -
Premium	296,714	81,070	296,714	81,070
Business-type activities	59,900,000	10,795,000	59,900,000	10,795,000
Premium	974,573	-	974,573	-
Total	<u>\$ 80,201,287</u>	<u>\$ 10,876,070</u>	<u>\$ 80,201,287</u>	<u>\$ 10,876,070</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**5. Long-Term Debt (Continued)**

Debt payable, other than claims and judgments and compensated absences, at December 31, 2015 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2004-B	2016	2.5-3.0	\$ 10,600,000	\$ 1,035,000	\$ 1,035,000
Internal improvement	2004-C	2016	3.0-4.5	1,600,000	160,000	160,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	2,135,000	1,050,000
Internal improvement	2006	2018	4.00	17,130,000	4,945,000	1,590,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	4,330,000	1,020,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	6,155,000	1,150,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	1,745,000	270,000
Internal improvement	2010	2034	4.25-5.7	2,975,000	2,865,000	110,000
Internal improvement	2010	2022	1.25-3.0	8,920,000	5,430,000	725,000
Internal improvement	2010	2023	1.25-3.0	8,305,000	5,260,000	635,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	2,695,000	310,000
Internal improvement	2012	2024	2.0-3.0	7,710,000	5,215,000	865,000
Internal improvement	2012	2016	1.5-2.0	3,480,000	885,000	885,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	3,705,000	350,000
Internal improvement	2014	2024	2.0-5.0	25,065,000	24,170,000	880,000
Internal improvement	2014	2024	3.0-4.0	18,440,000	17,760,000	655,000
Internal improvement	2015	2030	2.0-3.0	9,450,000	9,450,000	530,000
					<u>97,940,000</u>	<u>12,220,000</u>
Revenue bonds:						
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	18,820,000	645,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	3,120,000	185,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	8,735,000	325,000
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	8,960,000	1,230,000
Water and sewerage improvement	2015	2040	2.0-5.0	89,900,000	89,900,000	2,240,000
					<u>129,535,000</u>	<u>4,625,000</u>
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	15,946,937	2,520,986
					<u>15,946,937</u>	<u>2,520,986</u>
Total primary government					<u>\$ 243,421,937</u>	<u>\$ 19,365,986</u>

In 2015, the City issued \$89,900,000 in revenue bonds for paying the costs of certain water and sewerage system improvements. The Revenue Bonds, Series 2015, are due in annual installments of \$2,240,000 to \$5,485,000 through November 2040, with interest due in semiannual installments at an interest rate ranging between 2.00% to 5.00%.

In 2015, the City issued \$8,960,000 in revenue bonds to provide for the current refunding of outstanding water and sewer revenue bond series 2005. The current refunding resulted in a net present value savings of \$1,362,196. The Revenue Bonds, Series 2015-B, are due in annual installments of \$770,000 to \$1,230,000 through November 2025, with interest due in semiannual installments at an interest rate ranging between 3.00% to 5.00%.

In 2015, the City issued \$9,450,000 in general obligation bonds for paying the costs of certain street, building, and equipment improvements. The General Obligation Bonds, Series 2015-A, are due in annual installments of \$530,000 to \$760,000 through September 2030, with interest due in semiannual installments at an interest rate ranging between 2.00% to 3.00%.

In 2015, the City issued \$10,795,000 in general obligation temporary notes to fund certain street, sewer and parking improvements and to retire a portion of the 2014-III Temporary Notes. The Series 2015-I notes mature October 1, 2017 and carry an interest rate of 1.25%.

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**5. Long-Term Debt (Continued)**

The future annual requirements for general obligation bonds outstanding as of December 31, 2015, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total due</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 10,640,819	\$ 3,039,895	\$ 1,579,181	\$ 264,909	\$ 15,524,804
2017	8,724,579	2,700,096	1,435,421	213,722	13,073,818
2018	8,388,483	2,385,863	976,517	167,629	11,918,492
2019	6,910,000	2,092,886	980,000	137,169	10,120,055
2020	5,795,000	1,880,230	1,005,000	105,888	8,786,118
2021-2025	20,720,000	6,940,188	2,275,000	126,138	30,061,326
2026-2030	16,515,000	3,868,405	-	-	20,383,405
2031-2035	11,995,000	1,104,455	-	-	13,099,455
Total	<u>\$ 89,688,881</u>	<u>\$ 24,012,018</u>	<u>\$ 8,251,119</u>	<u>\$ 1,015,455</u>	<u>\$ 122,967,473</u>

The future annual requirements for revenue bonds outstanding as of December 31, 2015, are as follows:

<u>Year</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2016	\$ 4,625,000	\$ 5,287,290	\$ 9,912,290
2017	4,675,000	5,097,273	9,772,273
2018	4,820,000	4,933,850	9,753,850
2019	5,015,000	4,740,695	9,755,695
2020	5,200,000	4,539,195	9,739,195
2021-2025	27,460,000	19,269,235	46,729,235
2026-2030	26,375,000	14,023,425	40,398,425
2031-2035	25,970,000	8,214,055	34,184,055
2036-2040	25,395,000	3,127,000	28,522,000
Total	<u>\$ 129,535,000</u>	<u>\$ 69,232,018</u>	<u>\$ 198,767,018</u>

The future annual requirements for long-term notes payable as of December 31, 2015, are as follows:

<u>Year</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2016	\$ 2,520,986	\$ 411,051	\$ 2,932,037
2017	2,608,454	329,940	2,938,394
2018	2,698,956	246,015	2,944,971
2019	2,698,956	246,015	2,944,971
2020	2,792,599	159,178	2,951,777
2021-2025	2,626,986	69,328	2,696,314
Total	<u>\$ 15,946,937</u>	<u>\$ 1,461,527</u>	<u>\$ 17,408,464</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**5. Long-Term Debt (Continued)**

The Water and Sewage System Revenue Bond require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due to set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 120% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000. The City is in compliance with all requirements.

*Conduit Debt.* The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprise are equal to the mortgage payment schedule related to the original debt. At December 31, 2015, total outstanding conduit debt was \$41,002,218.

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

Changes in long term debt transactions:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 62,085,654	\$ -	\$ 2,644,408	\$ 59,441,246	\$ 2,670,000
Retirement plan obligation	915,548	-	759,864	155,684	155,684
	<u>\$ 63,001,202</u>	<u>\$ -</u>	<u>\$ 3,404,272</u>	<u>\$ 59,596,930</u>	<u>\$ 2,825,684</u>

The City has issued Series 2006, Series 2012, and Series 2013 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

<u>Debt Issue</u>	<u>Date Matured</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance At End of Year</u>	<u>Due in One Year</u>
Series 2006	2019	5.0-5.25	\$ 51,845,000	\$ 45,575,000	\$ 875,000
Series 2012	2036	2.53	10,500,000	9,200,000	455,000
Series 2013	2021	1.06	6,865,000	4,060,000	1,340,000
Total Revenue Bonds				58,835,000	2,670,000
Unamortized premiums				606,246	-
				<u>\$ 59,441,246</u>	<u>\$ 2,670,000</u>



CITY OF LAWRENCE, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**5. Long-Term Debt (Continued)**

Annual debt service requirements for the hospital revenue bonds as of December 31, 2015 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2016	\$ 2,670,000	\$ 2,610,658	\$ 5,280,658
2017	2,745,000	2,538,524	5,283,524
2018	2,815,000	2,463,669	5,278,669
2019	1,515,000	2,385,827	3,900,827
2020	2,040,000	2,319,627	4,359,627
2021-2025	15,940,000	9,723,392	25,663,392
2026-2030	12,065,000	6,763,776	18,828,776
2031-2035	15,465,000	3,358,789	18,823,789
2036	3,580,000	182,725	3,762,725
Total	<u>\$ 58,835,000</u>	<u>\$ 32,346,987</u>	<u>\$ 91,181,987</u>

*Arbitrage.* The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2015.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**6. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,423,212	\$ -	\$ -	\$ 16,423,212
Construction in progress	30,807,591	13,849,958	35,224,356	9,433,193
Total capital assets, not being depreciated	47,230,803	13,849,958	35,224,356	25,856,405
Capital assets, being depreciated:				
Buildings	92,469,846	201,294	-	92,671,140
Improvements other than buildings	33,205,094	885,549	-	34,090,643
Machinery and equipment	35,426,670	4,605,832	765,496	39,267,006
Infrastructure	197,201,502	32,507,132	-	229,708,634
Total capital assets being depreciated	358,303,112	38,199,807	765,496	395,737,423
Less accumulated depreciation for:				
Buildings	36,752,093	2,924,328	-	39,676,421
Improvements other than buildings	16,128,027	1,286,001	-	17,414,028
Machinery and equipment	23,287,389	2,647,016	751,040	25,183,365
Infrastructure	70,948,632	4,259,992	-	75,208,624
Total accumulated depreciation	147,116,141	11,117,337	751,040	157,482,438
Total capital assets, being depreciated, net	211,186,971	27,082,470	14,456	238,254,985
Governmental activities capital assets, net	\$ 258,417,774	\$ 40,932,428	\$ 35,238,812	\$ 264,111,390
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,810,960	\$ 81,759	\$ -	\$ 6,892,719
Construction in progress	37,583,990	29,488,114	14,012,981	53,059,123
Total capital assets, not being depreciated	44,394,950	29,569,873	14,012,981	59,951,842
Capital assets, being depreciated:				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	193,540,018	10,765,532	-	204,305,550
Machinery and equipment	19,085,789	1,015,176	409,646	19,691,319
Total capital assets being depreciated	301,500,570	11,780,708	409,646	312,871,632
Less accumulated depreciation for:				
Buildings	23,926,586	1,998,493	-	25,925,079
Improvements other than buildings	74,303,799	4,872,633	-	79,176,432
Machinery and equipment	12,802,149	1,287,982	409,646	13,680,485
Total accumulated depreciation	111,032,534	8,159,108	409,646	118,781,996
Total capital assets, being depreciated, net	190,468,036	3,621,600	-	194,089,636
Business-type activities capital assets, net	\$ 234,862,986	\$ 33,191,473	\$ 14,012,981	\$ 254,041,478

# CITY OF LAWRENCE, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2015

### 6. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 36,412
Public safety	472,103
Public works	9,166,783
Social services	856,710
Culture and recreation	525,294
Tourism	6,165
Airport	11,713
	<u>11,075,180</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>42,157</u>
Total depreciation expense - governmental activities:	<u>\$ 11,117,337</u>
Business-type activities:	
Water and sewer	\$ 6,665,565
Sanitation	664,002
Parking	147,312
Stormwater	478,129
Golf course	204,100
Total depreciation expense - business-type activities:	<u>\$ 8,159,108</u>

### 7. Defined Benefit Pension Plan

*Description of Pension Plan.* The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
- State/School employees
- Local employees
- Police and Firemen
- Judges

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

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

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**7. Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	Actuarial <u>Employer Rate</u>	Statutory Employer <u>Capped Rate</u>
Local government employees	9.48%	9.48%
Police and Firemen	21.36%	21.36%

Member contribution rates as a percentage of eligible compensation for the fiscal year 2015 are 5.00% or 6.00% for Local employees and 7.15% for Police and Firemen.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**7. Defined Benefit Pension Plan (Continued)**

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

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

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

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2015, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended December 31, 2015.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion for the Local employees group was 1.678%, which was an increase of .054% from its proportion measured at June 30, 2014. At June 30, 2015, the City's proportion for the Police and Firemen group was 5.068%, which was an increase of .057% from its proportion measured at June 30, 2014.

*Net Pension Liability.* At December 31, 2015 and 2014, the City reported a liability of \$58,835,707 and \$52,855,497, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions:

<u>Assumptions</u>	<u>Rate</u>
Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4% to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**7. Defined Benefit Pension Plan (Continued)**

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset</u>	<u>Long-Term Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.30%
Fixed Income	13.00%	0.80%
Yield driven	8.00%	4.20%
Real Return	11.00%	1.70%
Real estate	11.00%	5.40%
Alternatives	8.00%	9.40%
Short-term investments	<u>2.00%</u>	-0.50%
	<u>100.00%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Local	\$ 31,284,932	\$ 22,038,579	\$ 14,199,488
Police & Firemen	53,435,864	36,797,128	22,743,085
Total	<u>\$ 84,720,796</u>	<u>\$ 58,835,707</u>	<u>\$ 36,942,573</u>

*Pension Expense.* For the year ended December 31, 2015, the City recognized Local pension expense of \$1,596,566 and Police and Firemen pension expense of \$3,451,824, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**7. Defined Benefit Pension Plan (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources.* At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

<u>Local</u>	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ -	\$ 623,865
Net differences between projected and actual earnings on investments	-	857,887
Changes in assumptions	-	308,014
Changes in proportion	672,619	-
Total	<u>\$ 672,619</u>	<u>\$ 1,789,766</u>

<u>Police &amp; Firemen</u>	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 335,795	\$ 615,944
Net differences between projected and actual earnings on investments	-	1,168,569
Changes in assumptions	-	367,963
Changes in proportion	501,000	-
Total	<u>\$ 836,795</u>	<u>\$ 2,152,476</u>

\$4,123,249 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Local</u>		<u>Police &amp; Firemen</u>	
<u>Deferred</u>		<u>Deferred</u>	
Year ended December 31,	[Inflows] Outflows Amount	Year ended December 31,	[Inflows] Outflows Amount
2016	\$ [523,670]	2016	\$ [751,338]
2017	[523,670]	2017	[751,338]
2018	[523,670]	2018	[751,338]
2019	423,570	2019	1,033,203
2020	30,293	2020	[94,870]
Total	<u>\$ [1,117,147]</u>	Total	<u>\$ [1,315,681]</u>

**8. Interfund Transactions**

*Interfund Receivables and Payables.* At December 31, 2015, the following funds had interfund receivables and payables to the following funds:

<u>Due From</u>	Amount Due To <u>General Fund</u>
Central Maintenance	\$ 122,000
Farmland Remediation	56,000
Outside Agency	250,000
Community Development	220,000
Home Program	70,000
Transportation Planning	33,000
Total	<u>\$ 751,000</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015

**8. Interfund Transactions (Continued)**

The City uses interfund receivables and payables as needed when pooled cash is negative within a fund until investments mature or grant proceeds are received. All payables are cared in less than one year.

*Interfund Transfers.* A summary of transfers for the year ended December 31, 2015 follows:

<u>Fund</u>	Transfers <u>Out</u>	Transfers <u>In</u>
General	\$ 200,000	\$ 3,656,194
Capital Improvement Reserve	-	200,000
Water and Sewer	3,084,896	-
Sanitation	164,245	-
Central Maintenance	7,000	-
Stormwater	400,000	-
CDBG Recovery	51	-
Rehabilitation Escrow	2	-
Total	<u>\$ 3,856,194</u>	<u>\$ 3,856,194</u>

The City uses interfund transfers to share administrative costs between funds and to build reserve balances in certain special liability funds.

**9. Commitments and Contingencies**

*Contract Commitments.* At December 31, 2015, the City had construction contract commitments totaling approximately \$48,553,390. The City expects to receive the contracted services during fiscal year 2015

*Encumbrances.* The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as assigned fund balance. As of December 31, 2015, the City had a total of \$1,151,760 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	<u>Assigned</u>
General	\$ 483,882
Nonmajor governmental funds	<u>667,878</u>
Total	<u>\$ 1,151,760</u>

*Insurance.* The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Under the City's risk management program, the City retains risk for general liability protection, automobile liability and up to \$300,000 per occurrence (\$1,000,000 in aggregate) for each worker's compensation claim. The City purchases commercial insurance for claims in excess of the maximum under an umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



# CITY OF LAWRENCE, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2015

### 9. Commitments and Contingencies (Continued)

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,661,292 at December 31, 2015. The primary government's claims liability reported in the Statement of Net Position at December 31, 2015 was \$250,000. The liability reported in the financial statements at December 31, 2015 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of loss can be reasonably estimated.

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

	2015	2014
Unpaid claims, January 1	\$ 420,499	\$ 353,545
Incurred claims (including IBNR's)	9,378,490	8,993,714
Claim payments	9,342,856	8,926,760
Unpaid claims, December 31	<u>\$ 456,133</u>	<u>\$ 420,499</u>

### 10. Fund Deficit

The Capital Project Fund has a deficiency of \$8,530,229 due to projects for which permanent financing has not yet been obtained. The Transportation Planning Fund had a deficiency for \$7,596 due to grant expenditures which had not yet been received.

### 11. Cost Sharing Arrangements

The City has entered into various cost sharing arrangements with Douglas County, Kansas, (the County) to provide services and facilities. A listing of those arrangements is as follows:

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

In 1996, the County emergency medical services and the City fire department were combined with the City paying 73.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance services and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment, and furniture were transferred to the ownership of the City. This agreement was later modified in 1997, 1998, and 2005.

In 1996, the City and the County agreed to share equally in the cost of construction of a health facility to house the Lawrence- Douglas County Health Department, the Bert Nash Community Mental Health Center, and the Douglas County Visiting Nurses Association. The agreement provided that on completion the building, equipment, and furniture would be owned by the City. The health facility was completed and occupied in 1997. A related agreement provides for the City and the County to each pay half of the health facility maintenance and operating expenses.

Also, the County pays one-sixth of the cost of the City's planning department.

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**12. Net Assets**

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

	Governmental Activities	Business-type Activities	Total
Total net capital assets	\$ 264,111,390	\$ 254,041,478	\$ 518,152,868
Less:			
Current portion of general obligation bonds	[10,640,819]	[1,579,181]	[12,220,000]
Current portion of notes payable	-	[2,520,986]	[2,520,986]
Current portion of revenue bonds	-	[4,625,000]	[4,625,000]
Temporary notes payable	[10,876,070]	-	[10,876,070]
Noncurrent portion of general obligation bonds	[79,697,423]	[6,671,938]	[86,369,361]
Noncurrent portion of revenue bonds	-	[133,632,416]	[133,632,416]
Noncurrent portion of notes payable	-	[13,425,951]	[13,425,951]
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	<u>2,385,517</u>	<u>46,508,517</u>	<u>48,894,034</u>
Net investment in capital assets	<u>\$ 165,282,595</u>	<u>\$ 138,094,523</u>	<u>\$ 303,377,118</u>

**13. Postemployment Health Care Plan**

*Plan Description.* The City operates a single employer defined benefit healthcare plan administered by Blue Cross of Kansas in 2009. The Employee Benefit Plan (the Plan) provides medical and dental insurance benefits to eligible early retirees and their spouses. KSA 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years or becomes eligible for Medicare. No separate financial report is issued for the Plan.

*Funding Policy.* The contribution requirements of plan participants and the City are established by the City. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended December 31, 2015, the City contributed \$690,001 to the Plan. (approximately 61% of total contributions). Plan participants contributed \$438,738 to the Plan (approximately 39% of total contributions) through their required contributions of 80% of premiums, ranging from \$449 to \$1,386 per month for coverage.

*Net OPEB obligation.* The City operates a single employer defined benefit healthcare plan administered by the City. The Employee Benefit Plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group healthcare plan to make participation available to all retirees and dependents until the retirees reaches the age of 5 years. The Health Insurance Fund has been used to liquidate net other postemployment benefit obligations in prior years. No separate financial report is issued for the Plan. OPEB expenses are paid from the Health Insurance internal services fund

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the Plan for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Plan:

## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**13. Postemployment Health Care Plan (Continued)**

Annual required contribution	\$ 1,524,000
Interest on Net OPEB obligation	181,000
Adjustment to annual required contrib	<u>[287,000]</u>
Annual OPEB cost	1,418,000
Contributions made	<u>[690,001]</u>
Increase in Net OPEB obligation	727,999
Net OPEB obligation - beginning of ye	<u>5,191,000</u>
Net OPEB obligation - end of year	<u>\$ 5,918,999</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of ARC Contributed	OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 1,077,000	4.00%	\$ 653,000	\$ 4,892,000
December 31, 2014	1,070,000	60.70%	771,000	5,191,000
December 31, 2015	1,418,000	45.28%	690,001	5,918,999

*Funding Status and Funding Progress.* As of January 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$10,639,177 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,639,177. The covered payroll (annual payroll of active employees covered by the plan) was \$46,184,545, and the ratio of the UAAL to the covered payroll was 23.0%. A Schedule of Funding Progress is shown on page 52 and provides multi-year information about the City's OPEB.

Actuarial valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, will present multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits when such information is available.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of January 1, 2015, the most recent actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and initial annual healthcare cost trends of 7.5% for medical, 7.5% for drugs and 3.5% for dental, reduced by decrements to ultimate rates of 5.0% after eight years. Projected salary increases are 1.5% and the projected rate of inflation is 2.75%. Post-retirement benefits are not projected to change. The UAAL is being amortized as a level percentage over a closed thirty-year period.

## CITY OF LAWRENCE, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

#### **14. Pollution Remediation**

On September 29, 2010, the City of Lawrence obtained the former Farmland site out of bankruptcy. The site includes 463.5 acres located in Northeast Lawrence adjacent to Kansas Highway 10. Of this acreage, 263 acres will require minimal action. Farmland used the location to produce nitrogen from 1954 to 2001 and the groundwater, soil, sediments and surface and storm waters contain nitrate and ammonia levels that exceed environmental regulations.

The City entered into a consent order with the Kansas Department of Health and Environment (KDHE) to remediate the pollution and received \$8.5 million from the Farmland Trust Account to pay the estimated cost of between \$11.2 million and \$11.8 million over 30 years. The Kansas Department of Health and Environment and the Environmental Protection Agency (EPA) anticipate it will take 30 years or longer to meet all of the obligations on the entire site. The least expensive remediation option is to pump the groundwater and apply it to land as fertilizer.

The City Commission authorized the acquisition of Farmland to add additional space for industrial and business park expansion in Lawrence. The former Farmland facility is adjacent to the existing East Hills Business Park and BNSF rail service, has contiguous acreage for larger businesses and sites, and has relative close proximity to utilities and infrastructure. City land use plans call for the use of this property as an industrial/business park.

The City is now in the process of demolition of old structures on the property and is continuing to work on the environmental clean-up of the property. In October 2010, the city requested proposals to remove the structures from the Farmland site. In 2011, the contractors for the city demolished over 35 structures and removed over 1,600 tons of scrap metal for recycling from the Farmland property. The City continues to work on the environmental clean-up of the property, which includes remediation efforts to pump ground water from the site which has an overabundance of nitrogen from the fertilizer operation. The City pumps the ground water to local farm fields as part of the remediation efforts.

The KDHE and the EPA have both estimated the costs for the work over the next 30 years. The KDHE estimate for the remediation over a 30-year period is \$11.2 million with an additional \$2.1 million contingency. The EPA produced an estimate of \$11.8 million. While all of these estimates are more than the \$8.5 million the City received at closing, the City will benefit from three elements which still make the proposed acquisition attractive to the City:

The City estimates that the \$8.5 million will earn approximately \$2.6 million in interest over the 30 year clean up timeframe assuming an average interest rate of 2.0% and level annual expenses. As a result, it is estimated that the City will have approximately \$11.1 million to remediate the pollution.

The proximity of the site and several of the required remediation efforts allow the City to use City resources and personnel for a number of the required remediation efforts, thereby reducing costs; including the management of the various groundwater pumping systems, soil excavation, and storm water management.

The City is receiving the land without paying a purchase price; concurrent with the remediation and infrastructure work the City will seek to sell or lease portions of the property for industrial and business. This will provide additional income to the City for use in the remediation and infrastructure installation on the property. Based upon the average assessed value of undeveloped lots in a similar use business park adjacent to the property the City has estimated a value of \$37,204 per acre for the 463 acres, for a total valuation of \$17,225,000, assuming satisfactory environmental compliance and infrastructure installation.

# CITY OF LAWRENCE, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2015

### 15. Restatement of Equity

On January 1, 2015, the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

In addition, it was determined the prior year tax revenues were recorded in the incorrect fund. It was also determined that inventory in the Water and Sewer Fund was not properly recorded. The effects of those adjustments are as follows:

	Governmental Activities	Business-type Activities	Component Units
Net position - January 1	\$ 217,876,211	\$ 168,273,954	\$ 217,297,840
Period period adjustment	<u>[48,087,288]</u>	<u>[11,597,924]</u>	<u>[3,139,177]</u>
Net position - January 1, restated	<u>\$ 169,788,923</u>	<u>\$ 156,676,030</u>	<u>\$ 214,158,663</u>

### 16. Subsequent Event

eXplore Lawrence, an organization that promotes Lawrence to meeting, conference and sporting event planners and to leisure travelers, will be included in the City of Lawrence year ended December 31, 2016, financial statements as a discretely presented component unit.

### 17. Tax Increment Financing

#### **Property Tax Abatements**

Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy (city code chapter 1, article 21). The program has no specific name. The City provides property tax abatements to encourage existing industry to expand, assist new business start-ups, recruit new companies from out-of-state or internationally, encourage high technology and research based businesses, encourage training and development of Lawrence area employees, and encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in the community through leadership and support of civic and philanthropic organizations. Property tax abatements reduce ad valorem property taxes, by reducing the assessed value of the property. The percentage of reduction ranges from 50% to 100%, but in all cases, the maximum duration is for ten years as per state statute. To receive an abatement, applicants must submit an application, which undergoes due diligence and analysis before being considered by the City Commission. If the abatement is authorized, the applicant must sign a performance agreement that specifies annual compliance measures. These measures include capital investment and job creation. Each year, the applicant must submit a renewal application, along with compliance information, which is reviewed by City staff for conformance with agreement provisions. If compliance is not met, details are reviewed by advisory boards and the City Commission to determine the amount of incentives, if any, to be received by the property owner. Compliance details are reported annually in the City's economic development report. In 2015, the City of Lawrence participated in real property tax abatements for four local companies.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

**17. Tax Increment Financing (Continued)**

No other governments have entered into tax abatement agreements that reduce the City's tax revenues. The City of Lawrence negotiates property tax abatements on an individual basis. The City had the property tax abatements listed below in 2015 totaling \$606,204:

Company	Commitments	Type & % Abatement in 2015	Amount Abated in 2015
Amarr Garage Doors	Job creation/retention	Personal Property Taxes, 55%	\$28,593
3840 Greenway Circle LLC/Screen-It Graphics (Grandstand)	Business relocation and expansion, job creation and retention	Real Property Taxes, 65%	\$99,422
Sunlite Science & Technology, Inc.	Business relocation and expansion, job creation and retention	Real Property Taxes, 50%	\$21,182
Rock Chalk Park	A property tax abatement was authorized to assist the University of Kansas (KU) in pursuing this project. KU would normally enjoy a 100% property tax abatement on their property for the duration of ownership. However, due to the structure of the project with KU Athletics entering into a long term lease with a private developer to construct the facilities, an automatic property tax exemption was not possible.	Real Property Taxes, 100%	\$457,007

**Neighborhood Revitalization Areas (NRA)**

The City of Lawrence has seven established neighborhood revitalization areas, three of which received tax rebates in 2015. NRAs are authorized under Kansas state statutes K.S.A. 12-117 and subject to City policy (Res. 6954).

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

**17. Tax Increment Financing (Continued)**

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2015:

Company	Purpose	Duration-% of Increment Subject to NRA	Rebate Amount in 2015
<b>8th and Pennsylvania District:</b> (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	\$13,617
<b>1040 Vermont</b> (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2015 – Note 2	\$29,718
<b>810/812 Pennsylvania</b> (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	\$26,370
<b>1106 Rhode Island</b> (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%,	n/a: First rebate tax year will be 2016
<b>1101/1115 Indiana</b> (Mixed-Use, Student Housing)	Redevelopment of underutilized property for mixed-use commercial and residential space	10Y-85%,	n/a: First rebate tax year will be 2017
<b>900 Delaware</b> (9 Del Lofts)	Redevelopment of vacant parcel into multi-family, affordable housing	15Y-95%	n/a: First rebate tax year will be 2016

Note 1 – The 8<sup>th</sup> & Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per agreement with the City, rebates are due until the maximum amount of \$324,673.18 has been rebated or 12-31-2032, whichever comes first.

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

**Tax Increment Financing (TIF)**

TIFs are an economic development tool established by the Kansas TIF Act (K.S.A. 12-1770 et seq.) and subject to City policy (Res. 6789) to aid in financing projects for substantial public benefit. Public benefits can include creating jobs or retaining existing employment, eliminating blight, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, upgrading older neighborhoods, facilitating economic self-sufficiency, promoting projects that are of community wide importance, or implementing the Comprehensive Plan and economic development goals of the City. The program works by reimbursing a portion of the incremental increase in property taxes resulting from improvements and a portion of local sales tax generated within the district to the property owner. The base value, or what the property was valued at prior to improvements, is shielded from the rebate.

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

**17. Tax Increment Financing (Continued)**

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

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2015:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2015
Downtown 2000 Redevelopment (Original 9th and New Hampshire)	Aid construction and funding of multi-level, City public parking garage.	2020	\$28,085 – Note 1
The Oread TIF District – Note 2			
The Oread: TIF Sales Tax	Fund public improvements for multi-level hotel project	2028	\$181,009
The Oread: TIF Property Tax			\$270,490
9th & New Hampshire TIF District			
TIF Sales Tax: <b>South Project</b> (900 New Hampshire)	Fund public improvements for development of vacant parcel into mixed-use hotel with on-site, underground parking	2032	\$50,786
TIF Property Tax: <b>South Project</b> (900 New Hampshire)			\$22,685
TIF Sales Tax: <b>North Project</b>	Fund public improvements for redevelopment of property into mixed-use apartment and banking center with on-site, underground parking.	2034	n/a: Project under construction in 2015
TIF Property Tax: <b>North Project</b>			n/a: Project under construction in 2015

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

Note 2 – For 2015, not all distributions collected had been reimbursed due to a contractual dispute.

**Transportation Development District**

Transportation Development Districts (TDD) are an economic development tool established by the Kansas TDD Act (K.S.A. 12-17,140 et seq.) and subject to City policy (Res. 6952) to assist with the development of transportation improvements which can benefit a development and the public. In all TDD districts, public improvements were financed initially by the developer and are reimbursed annually via a one percent (1%) transportation district sales tax on retail or taxable services occurring within the district.

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



## CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2015**17. Tax Increment Financing (Continued)**

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

The City of Lawrence negotiates TDDs on an individual basis. The City had the TDDs listed below in 2015.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2015
The Oread	Aid in funding transportation improvements related to The Oread Hotel TDD district.	2031	\$93,559
Free-State (Bauer Farms)	Aid in funding transportation improvements related to the Free-State TDD development district.	2031	\$115,851
9th & New Hampshire			
South Project: 900 New Hampshire St.	Aid in funding transportation improvements related to the 9th & New Hampshire TDD district.	2037	\$0 – Note 1
North Project: 100 E 9th St.			n/a: Project under construction in 2015

Note 1 - \$21,622 in TDD revenue was distributed in 2015 on behalf of the South Project. The City retains the first \$850,000 as contribution toward the City parking garage at 10<sup>th</sup> & New Hampshire. In 2015, the City retained the entire amount of \$21,622.

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## REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAWRENCE, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as Percent of Payroll (b)-(a)/(c)
1/1/2011	\$ -	\$ 21,303,407	\$ 21,303,407	\$ -	\$ 42,671,173	49.92%
1/1/2013	-	9,414,166	9,414,166	-	43,500,165	21.64%
1/1/2015	-	10,639,177	10,639,177	-	46,184,545	23.04%

CITY OF LAWRENCE, KANSAS  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
December 31, 2015

KPERS PENSION PLAN

Schedule of the City's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years\*

	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
City's proportion of the net pension liability	1.678%	5.068%
City's proportionate share of the net pension liability	\$ 22,038,579	\$ 36,797,128
City's covered-employee payroll	\$ 27,253,827	\$ 22,717,357
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.86%	161.98%
Plan fiduciary net position as a percentage of the total pension liability	71.98%	74.60%

\* - The amounts presented for each fiscal year were determined as of 12/31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

Schedule of the City's Contributions  
Last Ten Fiscal Years\*

	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
Contractually required contribution	\$ 2,783,814	\$ 5,137,753
Contributions in relation to the contractually required contribution	<u>2,783,814</u>	<u>5,137,753</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 29,365,147	\$ 24,053,146
Contributions as a percentage of covered employee payroll	9.48%	21.36%

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

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**COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES**

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CITY OF LAWRENCE, KANSAS  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

**BUDGETED FUNDS**

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

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

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

Recreation Fund – This fund is used to account for user fees derived from recreational and cultural events and the expenditures necessary to carry out the recreation programs at the City's four community recreation centers.

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

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

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

**NONBUDGETED FUNDS**

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

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

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

Guest Tax Reserve Fund – This fund is used to account for tourism, visitation and related expenditures (Charter Ordinance No. 30).

Sales Tax Reserve Fund – This fund is used to account for the City's share of a .01 cent sales tax levied by the county designated for recreational and cultural capital projects and a health facility project (K.S.A. 12-1,118).

CITY OF LAWRENCE, KANSAS  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

**NONBUDGETED FUNDS (CONTINUED)**

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

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

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

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

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

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

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

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

CDBG-Recovery Fund – This fund is used to account for additional CDBG funding that was received in accordance with the ARRA stimulus funding. These funds were used to provide assistance to low and moderate income individuals and areas in the City (K.S.A. 12-1663).

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

Rehabilitation Escrow Fund – This fund is used to account for federal grants received to provide assistance to homeowners for improvements to properties in targeted neighborhoods (K.S.A. 12-1663).

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

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

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

## CITY OF LAWRENCE, KANSAS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2015

	Guest Tax	Library	Transportation	Recreation	Special Alcohol
ASSETS					
Cash	\$ 1,020,432	\$ 438,855	\$ 5,533,558	\$ 929,879	\$ 144,760
Receivables:					
Taxes	-	3,090,416	-	-	-
Intergovernmental	-	-	-	-	-
Accounts (net allowance for uncollectibles)	-	-	68	-	-
Loans	-	-	-	-	-
Accrued interest	132	48	656	116	12
Restricted assets:					
Cash	-	-	-	-	-
Total assets	<u>\$ 1,020,564</u>	<u>\$ 3,529,319</u>	<u>\$ 5,534,282</u>	<u>\$ 929,995</u>	<u>\$ 144,772</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 824	\$ 64,653	\$ -
Accrued payroll	-	-	762	49,230	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,586</u>	<u>113,883</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue	-	3,323,727	68	1,210	-
Total deferred inflows of resources	<u>-</u>	<u>3,323,727</u>	<u>68</u>	<u>1,210</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>3,323,727</u>	<u>1,654</u>	<u>115,093</u>	<u>-</u>
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	1,020,564	205,592	5,532,628	814,902	144,772
Unassigned	-	-	-	-	-
Total fund balance [deficit]	<u>1,020,564</u>	<u>205,592</u>	<u>5,532,628</u>	<u>814,902</u>	<u>144,772</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,020,564</u>	<u>\$ 3,529,319</u>	<u>\$ 5,534,282</u>	<u>\$ 929,995</u>	<u>\$ 144,772</u>



<u>Special Gas Tax</u>	<u>Special Recreation</u>	<u>Airport Improvement</u>	<u>Capital Improvement Reserve</u>	<u>Equipment Reserve</u>	<u>Guest Tax Reserve</u>	<u>Sales Tax Reserve</u>	<u>City Parks Memorial</u>
\$ 1,236,694	\$ 328,403	\$ 92,969	\$ 7,878,389	\$ 5,506,145	\$ 149,932	\$ 3,780,917	\$ 92,031
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,974	154,853	5,151	-	-	-
-	-	-	-	-	-	-	-
177	39	12	1,014	664	-	444	11
-	-	-	-	-	-	-	-
<u>\$ 1,236,871</u>	<u>\$ 328,442</u>	<u>\$ 103,955</u>	<u>\$ 8,034,256</u>	<u>\$ 5,511,960</u>	<u>\$ 149,932</u>	<u>\$ 3,781,361</u>	<u>\$ 92,042</u>
\$ 11,651	\$ 25,318	\$ 120	\$ 1,258,624	\$ 141,241	\$ 598	\$ 3,063	\$ -
25,002	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>36,653</u>	<u>25,318</u>	<u>120</u>	<u>1,258,624</u>	<u>141,241</u>	<u>598</u>	<u>3,063</u>	<u>-</u>
-	-	19,690	154,853	-	-	-	-
-	-	19,690	154,853	-	-	-	-
<u>36,653</u>	<u>25,318</u>	<u>19,810</u>	<u>1,413,477</u>	<u>141,241</u>	<u>598</u>	<u>3,063</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,200,218	303,124	84,145	6,620,779	5,370,719	149,334	3,778,298	92,042
-	-	-	-	-	-	-	-
<u>1,200,218</u>	<u>303,124</u>	<u>84,145</u>	<u>6,620,779</u>	<u>5,370,719</u>	<u>149,334</u>	<u>3,778,298</u>	<u>92,042</u>
<u>\$ 1,236,871</u>	<u>\$ 328,442</u>	<u>\$ 103,955</u>	<u>\$ 8,034,256</u>	<u>\$ 5,511,960</u>	<u>\$ 149,932</u>	<u>\$ 3,781,361</u>	<u>\$ 92,042</u>

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
December 31, 2015

	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship
ASSETS						
Cash	\$ 634	\$ 65,572	\$ 4,233	\$ 102,748	\$ 357	\$ 160,550
Receivables:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	265,694	-
Accounts (net allowance for uncollectibles)	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Accrued interest	-	8	1	13	-	22
Restricted assets:						
Cash	5,627,623	22,004	-	-	-	-
Total assets	<u>\$ 5,628,257</u>	<u>\$ 87,584</u>	<u>\$ 4,234</u>	<u>\$ 102,761</u>	<u>\$ 266,051</u>	<u>\$ 160,572</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,663	\$ -	\$ -	\$ -	\$ 9,108	\$ -
Accrued payroll	1,220	-	-	-	3,020	-
Due to other funds	56,000	-	-	-	250,000	-
Total liabilities	<u>60,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,128</u>	<u>-</u>
Deferred inflows of resources:						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>60,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,128</u>	<u>-</u>
Fund balance:						
Nonspendable	-	22,000	1,000	-	-	-
Restricted	5,567,374	-	-	-	-	-
Assigned	-	65,584	3,234	102,761	3,923	160,572
Unassigned	-	-	-	-	-	-
Total fund balance [deficit]	<u>5,567,374</u>	<u>87,584</u>	<u>4,234</u>	<u>102,761</u>	<u>3,923</u>	<u>160,572</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,628,257</u>	<u>\$ 87,584</u>	<u>\$ 4,234</u>	<u>\$ 102,761</u>	<u>\$ 266,051</u>	<u>\$ 160,572</u>

Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transporation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
\$ 169,677	\$ -	\$ 1,479	\$ -	\$ 525	\$ 124	\$ 88,915	\$ 27,727,778
-	-	-	-	-	-	-	3,090,416
-	-	167,619	-	122,410	28,069	-	583,792
-	-	3,770	-	-	-	-	174,816
-	-	506,574	-	-	-	-	506,574
21	-	-	-	-	-	12	3,402
-	-	-	-	-	-	-	5,649,627
<u>\$ 169,698</u>	<u>\$ -</u>	<u>\$ 679,442</u>	<u>\$ -</u>	<u>\$ 122,935</u>	<u>\$ 28,193</u>	<u>\$ 88,927</u>	<u>\$ 37,736,405</u>

\$ -	\$ -	\$ 97,328	\$ -	\$ 1,365	\$ 545	\$ -	\$ 1,618,101
159	-	3,376	-	519	2,244	-	85,532
-	-	220,000	-	70,000	33,000	-	629,000
<u>159</u>	<u>-</u>	<u>320,704</u>	<u>-</u>	<u>71,884</u>	<u>35,789</u>	<u>-</u>	<u>2,332,633</u>

-	-	5,240	-	-	-	-	3,504,788
-	-	5,240	-	-	-	-	3,504,788

<u>159</u>	<u>-</u>	<u>325,944</u>	<u>-</u>	<u>71,884</u>	<u>35,789</u>	<u>-</u>	<u>5,837,421</u>
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-	-	539,959	-	-	-	-	562,959
-	-	-	-	-	-	-	5,567,374
169,539	-	-	-	51,051	[7,596]	88,927	25,955,112
-	-	[186,461]	-	-	-	-	[186,461]
<u>169,539</u>	<u>-</u>	<u>353,498</u>	<u>-</u>	<u>51,051</u>	<u>[7,596]</u>	<u>88,927</u>	<u>31,898,984</u>

<u>\$ 169,698</u>	<u>\$ -</u>	<u>\$ 679,442</u>	<u>\$ -</u>	<u>\$ 122,935</u>	<u>\$ 28,193</u>	<u>\$ 88,927</u>	<u>\$ 37,736,405</u>
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See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

COMBINING STATEMENTS OF REVENUE,  
EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	<u>Guest Tax</u>	<u>Library</u>	<u>Transportation</u>	<u>Recreation</u>	<u>Special Alcohol</u>	<u>Special Gas Tax</u>
Revenues:						
Taxes	\$ -	\$ 3,586,223	\$ 3,316,596	\$ 2,230,361	\$ -	\$ -
Charges for services	-	-	406,241	2,411,492	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-
Interest	648	512	4,492	876	88	1,153
Intergovernmental	1,609,898	-	-	-	720,387	2,653,942
Reimbursements	-	-	8,319	-	-	-
Miscellaneous	-	-	430	338,880	-	14,527
Total revenues	<u>1,610,546</u>	<u>3,586,735</u>	<u>3,736,078</u>	<u>4,981,609</u>	<u>720,475</u>	<u>2,669,622</u>
Expenditures:						
General government	-	3,550,000	2,695,957	-	-	-
Public safety	-	-	-	-	710,623	-
Public works	-	-	-	-	-	2,226,715
Health	-	-	-	-	-	-
Social service	-	-	-	-	-	-
Culture and recreation	-	-	-	5,067,166	-	-
Tourism	960,559	-	-	-	-	-
Capital outlay	-	-	-	25,895	-	292,857
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>960,559</u>	<u>3,550,000</u>	<u>2,695,957</u>	<u>5,093,061</u>	<u>710,623</u>	<u>2,519,572</u>
Excess [deficiency] of revenues over [under] expenditures	<u>649,987</u>	<u>36,735</u>	<u>1,040,121</u>	<u>[111,452]</u>	<u>9,852</u>	<u>150,050</u>
Other financing sources [uses]:						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	649,987	36,735	1,040,121	[111,452]	9,852	150,050
Fund balance, beginning of year	<u>370,577</u>	<u>168,857</u>	<u>4,492,507</u>	<u>926,354</u>	<u>134,920</u>	<u>1,050,168</u>
Fund balance, end of year	<u>\$ 1,020,564</u>	<u>\$ 205,592</u>	<u>\$ 5,532,628</u>	<u>\$ 814,902</u>	<u>\$ 144,772</u>	<u>\$ 1,200,218</u>

<u>Special Recreation</u>	<u>Airport Improvement</u>	<u>Capital Improvement Reserve</u>	<u>Equipment Reserve</u>	<u>Guest Tax Reserve</u>	<u>Sales Tax Reserve</u>	<u>City Parks Memorial</u>
\$ -	\$ -	\$ 4,904,043	\$ 1,000,000	\$ -	\$ 2,897,446	\$ -
-	552	-	-	-	-	-
-	-	-	91,980	-	-	-
238	155	10,229	6,096	-	4,580	71
720,387	-	76,298	-	-	49,113	-
-	-	1,505,588	-	-	-	-
-	13,700	-	6,000	-	-	24,962
<u>720,625</u>	<u>14,407</u>	<u>6,496,158</u>	<u>1,104,076</u>	<u>-</u>	<u>2,951,139</u>	<u>25,033</u>
-	-	-	97,308	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
434,868	-	-	-	-	717,214	8,019
-	-	-	-	605,544	-	-
208,126	138,633	10,456,211	891,796	-	179,270	-
-	-	-	-	-	1,980,153	-
-	-	-	-	-	769,664	-
<u>642,994</u>	<u>138,633</u>	<u>10,456,211</u>	<u>989,104</u>	<u>605,544</u>	<u>3,646,301</u>	<u>8,019</u>
<u>77,631</u>	<u>[124,226]</u>	<u>[3,960,053]</u>	<u>114,972</u>	<u>[605,544]</u>	<u>[695,162]</u>	<u>17,014</u>
-	-	200,000	-	-	-	-
-	-	-	-	-	-	-
-	-	200,000	-	-	-	-
77,631	[124,226]	[3,760,053]	114,972	[605,544]	[695,162]	17,014
<u>225,493</u>	<u>208,371</u>	<u>10,380,832</u>	<u>5,255,747</u>	<u>754,878</u>	<u>4,473,460</u>	<u>75,028</u>
<u>\$ 303,124</u>	<u>\$ 84,145</u>	<u>\$ 6,620,779</u>	<u>\$ 5,370,719</u>	<u>\$ 149,334</u>	<u>\$ 3,778,298</u>	<u>\$ 92,042</u>

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

COMBINING STATEMENTS OF REVENUE,  
EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest	4,749	57	4	89	-	153	156
Intergovernmental	-	-	-	-	4,203,339	-	-
Reimbursements	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	33,265	-
Total revenues	<u>4,749</u>	<u>57</u>	<u>4</u>	<u>89</u>	<u>4,203,339</u>	<u>33,418</u>	<u>156</u>
Expenditures:							
General government	-	-	-	-	2,541,156	-	-
Public safety	-	-	-	-	215,749	-	-
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	166,162	-	-
Social service	-	-	-	-	-	-	24,492
Culture and recreation	-	3,254	-	-	10,732	29,531	-
Tourism	-	-	-	-	-	-	-
Capital outlay	1,341,422	-	-	-	1,312,016	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>1,341,422</u>	<u>3,254</u>	<u>-</u>	<u>-</u>	<u>4,245,815</u>	<u>29,531</u>	<u>24,492</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[1,336,673]</u>	<u>[3,197]</u>	<u>4</u>	<u>89</u>	<u>[42,476]</u>	<u>3,887</u>	<u>[24,336]</u>
Other financing sources [uses]:							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	[1,336,673]	[3,197]	4	89	[42,476]	3,887	[24,336]
Fund balance, beginning of year	<u>6,904,047</u>	<u>90,781</u>	<u>4,230</u>	<u>102,672</u>	<u>46,399</u>	<u>156,685</u>	<u>193,875</u>
Fund balance, end of year	<u>\$ 5,567,374</u>	<u>\$ 87,584</u>	<u>\$ 4,234</u>	<u>\$ 102,761</u>	<u>\$ 3,923</u>	<u>\$ 160,572</u>	<u>\$ 169,539</u>

<u>CDBG Recovery</u>	<u>Community Development</u>	<u>Rehabilitation Escrow</u>	<u>Home Program</u>	<u>Transportation Planning</u>	<u>Law Enforcement Trust</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,934,669
-	-	-	-	-	-	2,818,285
-	-	-	-	-	-	91,980
-	-	-	-	-	61	34,407
-	526,115	-	379,387	173,841	-	11,112,707
-	-	-	-	-	-	1,513,907
-	178,954	-	-	-	42,542	653,260
-	705,069	-	379,387	173,841	42,603	34,159,215
-	-	-	-	209,259	-	9,093,680
-	-	-	-	-	106,813	1,033,185
-	-	-	-	-	-	2,226,715
-	-	-	-	-	-	166,162
-	826,688	-	385,147	-	-	1,236,327
-	-	-	-	-	-	6,270,784
-	-	-	-	-	-	1,566,103
-	-	-	-	-	-	14,846,226
-	-	-	-	-	-	1,980,153
-	-	-	-	-	-	769,664
-	826,688	-	385,147	209,259	106,813	39,188,999
-	[121,619]	-	[5,760]	[35,418]	[64,210]	[5,029,784]
-	-	-	-	-	-	200,000
[51]	-	[2]	-	-	-	[53]
[51]	-	[2]	-	-	-	199,947
[51]	[121,619]	[2]	[5,760]	[35,418]	[64,210]	[4,829,837]
51	475,117	2	56,811	27,822	153,137	36,728,821
\$ -	\$ 353,498	\$ -	\$ 51,051	\$ [7,596]	\$ 88,927	\$ 31,898,984

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Debt Service Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Taxes	\$ 8,314,719	\$ -	\$ 8,314,719	\$ 7,989,501	\$ 7,989,501	\$ 325,218
Special assessments	2,411,557	-	2,411,557	2,145,000	2,145,000	266,557
Interest	10,095	-	10,095	30,000	30,000	[19,905]
Miscellaneous	218,770	-	218,770	127,500	127,500	91,270
Total Revenues	<u>10,955,141</u>	<u>-</u>	<u>10,955,141</u>	<u>10,292,001</u>	<u>10,292,001</u>	<u>663,140</u>
Expenditures						
Principal retirement	8,575,568	-	8,575,568	11,130,721	11,130,721	2,555,153
Interest and fiscal charges	2,289,466	-	2,289,466	4,481,822	4,481,822	2,192,356
Total Expenditures	<u>10,865,034</u>	<u>-</u>	<u>10,865,034</u>	<u>15,612,543</u>	<u>15,612,543</u>	<u>4,747,509</u>
Excess [deficiency] of revenues over [under] expenditures	<u>90,107</u>	<u>-</u>	<u>90,107</u>	<u>\$ [5,320,542]</u>	<u>\$ [5,320,542]</u>	<u>5,410,649</u>
Fund balance, January 1	10,674,909	-	10,674,909			
Restatement to fund balance	<u>136,606</u>	<u>-</u>	<u>136,606</u>			
Fund balance, January 1, restated	<u>10,811,515</u>	<u>-</u>	<u>10,811,515</u>			
Fund balance, December 31	<u>\$ 10,901,622</u>	<u>\$ -</u>	<u>\$ 10,901,622</u>			

See independent auditor's report on the financial statements.



## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - ACTUAL AND BUDGET  
 Guest Tax Special Revenue Fund  
 For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Intergovernmental	\$ 1,609,898	\$ -	\$ 1,609,898	\$ 975,000	\$ 975,000	\$ 634,898
Interest	648	-	648	-	-	648
Total Revenues	<u>1,610,546</u>	<u>-</u>	<u>1,610,546</u>	<u>975,000</u>	<u>975,000</u>	<u>635,546</u>
Expenditures						
Tourism- contractual services	<u>960,559</u>	<u>[11,400]</u>	<u>949,159</u>	<u>997,980</u>	<u>997,980</u>	<u>48,821</u>
Total Expenditures	<u>960,559</u>	<u>[11,400]</u>	<u>949,159</u>	<u>997,980</u>	<u>997,980</u>	<u>48,821</u>
Excess [deficiency] of revenues over [under] expenditures	649,987	11,400	661,387	<u>\$ [22,980]</u>	<u>\$ [22,980]</u>	<u>\$ 684,367</u>
Fund balance, January 1	<u>370,577</u>	<u>[11,400]</u>	<u>359,177</u>			
Fund balance, December 31	<u>\$ 1,020,564</u>	<u>\$ -</u>	<u>\$ 1,020,564</u>			

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Library Special Revenue Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Taxes	\$ 3,586,223	\$ -	\$ 3,586,223	\$ 3,511,009	\$ 3,511,009	\$ 75,214
Interest	<u>512</u>	-	<u>512</u>	-	-	<u>512</u>
Total Revenues	<u>3,586,735</u>	-	<u>3,586,735</u>	<u>3,511,009</u>	<u>3,511,009</u>	<u>75,726</u>
Expenditures						
General government- contractual services	<u>3,550,000</u>	-	<u>3,550,000</u>	<u>3,550,000</u>	<u>3,550,000</u>	-
Total Expenditures	<u>3,550,000</u>	-	<u>3,550,000</u>	<u>3,550,000</u>	<u>3,550,000</u>	-
Excess [deficiency] of revenues over [under] expenditures	36,735	-	36,735	<u>\$ [38,991]</u>	<u>\$ [38,991]</u>	<u>\$ 75,726</u>
Fund balance, January 1	<u>168,857</u>	-	<u>168,857</u>			
Fund balance, December 31	<u>\$ 205,592</u>	<u>\$ -</u>	<u>\$ 205,592</u>			

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Transportation Special Reserve Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Taxes	\$ 3,316,596	\$ [3,316,596]	\$ -	\$ -	\$ -	\$ -
Charges for services	406,241	-	406,241	335,676	335,676	70,565
Reimbursements	8,319	-	8,319	-	-	8,319
Miscellaneous	430	-	430	-	-	430
Interest	4,492	-	4,492	-	-	4,492
Total Revenues	<u>3,736,078</u>	<u>[3,316,596]</u>	<u>419,482</u>	<u>335,676</u>	<u>335,676</u>	<u>83,806</u>
Expenditures						
General government						
Personal services	82,024	-	82,024	4,706,009	4,706,009	4,623,985
Contractual services	2,099,565	[28,090]	2,071,475	500,000	500,000	[1,571,475]
Commodities	514,368	113,104	627,472	-	-	[627,472]
Total Expenditures	<u>2,695,957</u>	<u>85,014</u>	<u>2,780,971</u>	<u>5,206,009</u>	<u>5,206,009</u>	<u>2,425,038</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,040,121</u>	<u>[3,401,610]</u>	<u>[2,361,489]</u>	<u>[4,870,333]</u>	<u>[4,870,333]</u>	<u>2,508,844</u>
Other financing sources [uses]						
Transfers in	-	3,316,596	3,316,596	3,628,294	3,628,294	[311,698]
Total other financing sources [uses]	-	3,316,596	3,316,596	3,628,294	3,628,294	[311,698]
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	1,040,121	[85,014]	955,107	\$ [1,242,039]	\$ [1,242,039]	\$ 2,197,146
Fund balance, January 1	<u>4,492,507</u>	<u>[418,192]</u>	<u>4,074,315</u>			
Fund balance, December 31	<u>\$ 5,532,628</u>	<u>\$ [503,206]</u>	<u>\$ 5,029,422</u>			

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Recreation Special Revenue Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary <u>Basis</u>	Budgetary <u>Basis</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Taxes	\$ 2,230,361	\$ [2,230,157]	\$ 204	\$ -	\$ -	\$ 204
Charges for services	2,411,492	-	2,411,492	2,882,300	2,882,300	[470,808]
Interest	876	-	876	-	-	876
Miscellaneous	338,880	-	338,880	-	-	338,880
Total Revenues	<u>4,981,609</u>	<u>[2,230,157]</u>	<u>2,751,452</u>	<u>2,882,300</u>	<u>2,882,300</u>	<u>[130,848]</u>
Expenditures						
Culture and recreation:						
Personal services	3,986,360	-	3,986,360	5,465,861	5,465,861	1,479,501
Contractual services	717,118	4,730	721,848	-	-	[721,848]
Commodities	363,688	3,309	366,997	-	-	[366,997]
Capital outlay	25,895	[7,274]	18,621	-	-	[18,621]
Total Expenditures	<u>5,093,061</u>	<u>765</u>	<u>5,093,826</u>	<u>5,465,861</u>	<u>5,465,861</u>	<u>372,035</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[111,452]</u>	<u>[2,230,922]</u>	<u>[2,342,374]</u>	<u>[2,583,561]</u>	<u>[2,583,561]</u>	<u>241,187</u>
Other financing sources [uses]						
Transfers in	-	2,230,157	2,230,157	2,230,157	2,230,157	-
Total other financing sources [uses]	<u>-</u>	<u>2,230,157</u>	<u>2,230,157</u>	<u>2,230,157</u>	<u>2,230,157</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[111,452]</u>	<u>[765]</u>	<u>[112,217]</u>	<u>\$ [353,404]</u>	<u>\$ [353,404]</u>	<u>\$ 241,187</u>
Fund balance, January 1	<u>926,354</u>	<u>[32,769]</u>	<u>893,585</u>			
Fund balance, December 31	<u>\$ 814,902</u>	<u>\$ [33,534]</u>	<u>\$ 781,368</u>			

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Special Alcohol Special Revenue Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary <u>Basis</u>	Budgetary <u>Basis</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Intergovernmental	\$ 720,387	\$ -	\$ 720,387	\$ 690,000	\$ 690,000	\$ 30,387
Interest	88	-	88	-	-	88
Total Revenues	<u>720,475</u>	<u>-</u>	<u>720,475</u>	<u>690,000</u>	<u>690,000</u>	<u>30,475</u>
Expenditures						
Health						
Personal services	294,212	-	294,212	831,052	831,052	536,840
Contractual services	414,472	-	414,472	-	-	[414,472]
Commodities	1,939	-	1,939	-	-	[1,939]
Total Expenditures	<u>710,623</u>	<u>-</u>	<u>710,623</u>	<u>831,052</u>	<u>831,052</u>	<u>120,429</u>
Excess [deficiency] of revenues over [under] expenditures	9,852	-	9,852	<u>\$ [141,052]</u>	<u>\$ [141,052]</u>	<u>\$ 150,904</u>
Fund balance, January 1	<u>134,920</u>	<u>-</u>	<u>134,920</u>			
Fund balance, December 31	<u>\$ 144,772</u>	<u>\$ -</u>	<u>\$ 144,772</u>			

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
Special Gas Tax Special Revenue Fund  
For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Intergovernmental	\$ 2,653,942	\$ -	\$ 2,653,942	\$ 2,519,620	\$ 2,519,620	\$ 134,322
Interest	1,153	-	1,153	-	-	1,153
Miscellaneous	<u>14,527</u>	-	<u>14,527</u>	-	-	<u>14,527</u>
Total Revenues	<u>2,669,622</u>	-	<u>2,669,622</u>	<u>2,519,620</u>	<u>2,519,620</u>	<u>150,002</u>
Expenditures						
Public works						
Personal services	1,827,422	-	1,827,422	3,198,465	3,198,465	1,371,043
Contractual services	1,196	-	1,196	-	-	[1,196]
Commodities	398,097	[70,036]	328,061	-	-	[328,061]
Capital outlay	<u>292,857</u>	<u>[1,788]</u>	<u>291,069</u>	-	-	<u>[291,069]</u>
Total Expenditures	<u>2,519,572</u>	<u>[71,824]</u>	<u>2,447,748</u>	<u>3,198,465</u>	<u>3,198,465</u>	<u>750,717</u>
Excess [deficiency] of revenues over [under] expenditures	150,050	71,824	221,874	\$ <u>[678,845]</u>	\$ <u>[678,845]</u>	<u>900,719</u>
Fund balance, January 1	<u>1,050,168</u>	<u>[128,060]</u>	<u>922,108</u>			
Fund balance, December 31	<u>\$ 1,200,218</u>	<u>\$ [56,236]</u>	<u>\$ 1,143,982</u>			

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - ACTUAL AND BUDGET  
 Special Recreation Special Revenue Fund  
 For the Year Ended December 31, 2015

	GAAP Basis <u>Actual</u>	Adjustments to Budgetary Basis	Budgetary Basis	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
				<u>Original</u>	<u>Final</u>	
Revenues						
Intergovernmental	\$ 720,387	\$ -	\$ 720,387	\$ 689,864	\$ 689,864	\$ 30,523
Interest	238	-	238	-	-	238
Total Revenues	<u>720,625</u>	<u>-</u>	<u>720,625</u>	<u>689,864</u>	<u>689,864</u>	<u>30,761</u>
Expenditures						
Culture and recreation						
Personal services	25,285	-	25,285	764,715	764,715	739,430
Contractual services	309,322	27,965	337,287	-	-	[337,287]
Commodities	100,261	320	100,581	-	-	[100,581]
Capital outlay	<u>208,126</u>	<u>[5,306]</u>	<u>202,820</u>	<u>-</u>	<u>-</u>	<u>[202,820]</u>
Total Expenditures	<u>642,994</u>	<u>22,979</u>	<u>665,973</u>	<u>764,715</u>	<u>764,715</u>	<u>98,742</u>
Excess [deficiency] of revenues over [under] expenditures	77,631	[22,979]	54,652	<u>\$ [74,851]</u>	<u>\$ [74,851]</u>	<u>\$ 129,503</u>
Fund balance, January 1	<u>225,493</u>	<u>[51,923]</u>	<u>173,570</u>			
Fund balance, December 31	<u>\$ 303,124</u>	<u>\$ [74,902]</u>	<u>\$ 228,222</u>			

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS

NONMAJOR PROPRIETARY FUNDS  
ENTERPRISE FUNDS

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

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

Golf Course Fund – This fund is used to record the activities of Eagle Bend Golf Course, a publicly owned facility.



CITY OF LAWRENCE, KANSAS  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 December 31, 2015

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Current assets:			
Cash	\$ 315,317	\$ 226,683	\$ 542,000
Receivables (net of allowance for uncollectibles)			
Accounts	4,774	464	5,238
Accrued interest	33	32	65
Inventories	-	2,514	2,514
Total current assets	<u>320,124</u>	<u>229,693</u>	<u>549,817</u>
Capital assets:			
Land	479,055	-	479,055
Building and improvements	4,094,602	3,634,714	7,729,316
Equipment	416,350	233,847	650,197
Less: accumulated depreciation	<u>[3,904,623]</u>	<u>[3,241,431]</u>	<u>[7,146,054]</u>
Total capital assets	<u>1,085,384</u>	<u>627,130</u>	<u>1,712,514</u>
Total assets	<u>1,405,508</u>	<u>856,823</u>	<u>2,262,331</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	51,844	14,003	65,847
Pension - differences between expected and actual experience	3,165	-	3,165
Pension - changes in proportion	<u>17,077</u>	<u>6,489</u>	<u>23,566</u>
Total deferred outflows of resources	<u>72,086</u>	<u>20,492</u>	<u>92,578</u>
Total assets and deferred outflows of resources	<u>\$ 1,477,594</u>	<u>\$ 877,315</u>	<u>\$ 2,354,909</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Current liabilities			
Accounts payable	\$ 12,316	\$ 14,618	\$ 26,934
Accrued payroll	13,184	4,708	17,892
Compensated absences payable	<u>45,339</u>	<u>24,428</u>	<u>69,767</u>
Total current liabilities	<u>70,839</u>	<u>43,754</u>	<u>114,593</u>
Noncurrent liabilities:			
Compensated absences payable	50,236	33,246	83,482
Net OPEB obligation	134,262	4,865	139,127
Net pension liability	<u>751,640</u>	<u>212,608</u>	<u>964,248</u>
Total noncurrent liabilities	<u>936,138</u>	<u>250,719</u>	<u>1,186,857</u>
Total liabilities	<u>1,006,977</u>	<u>294,473</u>	<u>1,301,450</u>
Deferred inflows of resources			
Pension - differences between expected and actual experience	17,266	6,018	23,284
Pension - net differences between expected and actual earnings	26,773	8,276	35,049
Pension - changes of assumptions	<u>9,125</u>	<u>2,972</u>	<u>12,097</u>
Total deferred inflows of resources	<u>53,164</u>	<u>17,266</u>	<u>70,430</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,060,141</u>	<u>\$ 311,739</u>	<u>\$ 1,371,880</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 1,085,384	\$ 627,130	\$ 1,712,514
Unrestricted	<u>[667,931]</u>	<u>[61,554]</u>	<u>[729,485]</u>
Total net position	<u>\$ 417,453</u>	<u>565,576</u>	<u>983,029</u>

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating revenues:			
Charges for services	\$ 1,340,528	\$ 733,798	\$ 2,074,326
Total operating revenues	<u>1,340,528</u>	<u>733,798</u>	<u>2,074,326</u>
Operating expenses:			
Continuing operations	1,242,802	751,804	1,994,606
Depreciation and amortization	<u>147,312</u>	<u>204,100</u>	<u>351,412</u>
Total operating expenses	<u>1,390,114</u>	<u>955,904</u>	<u>2,346,018</u>
Operating income [loss]	<u>[49,586]</u>	<u>[222,106]</u>	<u>[271,692]</u>
Nonoperating revenues [expenses]			
Interest income	230	208	438
Miscellaneous	<u>221</u>	<u>8</u>	<u>229</u>
Total nonoperating revenues [expenses]	<u>451</u>	<u>216</u>	<u>667</u>
Change in net position	<u>[49,135]</u>	<u>[221,890]</u>	<u>[271,025]</u>
Net position, January 1	1,235,591	1,007,546	2,243,137
Restatement to net position	<u>[769,003]</u>	<u>[220,080]</u>	<u>[989,083]</u>
Net position, January 1, restated	<u>466,588</u>	<u>787,466</u>	<u>1,254,054</u>
Net position, December 31	<u>\$ 417,453</u>	<u>565,576</u>	<u>983,029</u>

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities			
Cash received from customers and users	\$ 1,340,025	\$ 733,798	\$ 2,073,823
Cash paid to suppliers of goods and services	[251,265]	[387,770]	[639,035]
Cash paid to employees	[1,043,305]	[381,866]	[1,425,171]
Net cash provided by [used in] operating activities	<u>45,455</u>	<u>[35,838]</u>	<u>9,617</u>
Cash flows from capital and related financing activities			
Proceeds from other activities	221	8	229
Acquisition and construction of capital assets	<u>-</u>	<u>[14,988]</u>	<u>[14,988]</u>
Net cash provided by [used in] capital and related financing activities	<u>221</u>	<u>[14,980]</u>	<u>[14,759]</u>
Cash flows from investing activities			
Interest received	<u>198</u>	<u>176</u>	<u>374</u>
Net cash provided by [used in] investing activities	<u>198</u>	<u>176</u>	<u>374</u>
Net increase [decrease] in cash and cash equivalents	45,874	[50,642]	[4,768]
Cash and cash equivalents, beginning	<u>269,443</u>	<u>277,325</u>	<u>546,768</u>
Cash and cash equivalents, ending	<u>\$ 315,317</u>	<u>\$ 226,683</u>	<u>\$ 542,000</u>

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF CASH FLOWS - CONTINUED  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities			
Operating income [loss]	\$ [49,586]	\$ [222,106]	\$ [271,692]
Net cash provided by [used in] operating activities			
Depreciation expense	147,312	204,100	351,412
[Increase] decrease in accounts receivable	[502]	-	[502]
[Increase] decrease in inventory	-	[1,071]	[1,071]
[Increase] decrease in deferred outflows	[20,240]	[7,520]	[27,760]
Increase [decrease] in accounts payable	[2,421]	[742]	[3,163]
Increase [decrease] in deferred inflows	[90,723]	[22,931]	[113,654]
Increase [decrease] in net pension liability	74,678	19,753	94,431
Increase [decrease] in compensated absences	[3,626]	4,289	663
Increase [decrease] in net opeb obligation	16,514	624	17,138
Increase [decrease] in accrued payroll	[25,951]	[10,234]	[36,185]
Net cash provided by [used in] operating activities	<u>\$ 45,455</u>	<u>\$ [35,838]</u>	<u>\$ 9,617</u>

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

### INTERNAL SERVICE FUNDS

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

General Liability Fund – This fund accounts for payments for auto and general liability claims.

Workers' Comp Liability Fund - This fund accounts for payments for workers' compensation claims.

Central Maintenance Fund – This fund accounts for the repairs and maintenance expenses of the City's fleet of vehicles and equipment.

Stores Fund – This fund accounts for the purchase of office supplies.

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

## CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
December 31, 2015

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>						
Current assets:						
Cash	\$ 1,262,162	\$ 1,543,163	\$ 842	\$ 25,871	\$ 8,306,563	\$ 11,138,601
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	-	-	157,424	157,424
Accrued interest	-	-	-	-	1,009	1,009
Inventory	-	-	309,094	4,372	-	313,466
Total current assets	<u>1,262,162</u>	<u>1,543,163</u>	<u>309,936</u>	<u>30,243</u>	<u>8,464,996</u>	<u>11,610,500</u>
Capital assets:						
Building and improvements	-	-	762,567	-	-	762,567
Equipment	-	-	476,472	-	-	476,472
Less: accumulated depreciation	-	-	[864,179]	-	-	[864,179]
Total capital assets	<u>-</u>	<u>-</u>	<u>374,860</u>	<u>-</u>	<u>-</u>	<u>374,860</u>
Total assets	<u>1,262,162</u>	<u>1,543,163</u>	<u>684,796</u>	<u>30,243</u>	<u>8,464,996</u>	<u>11,985,360</u>
Deferred outflows of resources						
Pension - contributions subsequent to the measurement date	-	-	44,728	-	-	44,728
Pension - changes in proportion	-	-	20,726	-	-	20,726
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>65,454</u>	<u>-</u>	<u>-</u>	<u>65,454</u>
Total assets and deferred outflows of resources	<u>\$ 1,262,162</u>	<u>\$ 1,543,163</u>	<u>\$ 750,250</u>	<u>\$ 30,243</u>	<u>\$ 8,464,996</u>	<u>\$ 12,050,814</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>						
Liabilities:						
Current liabilities						
Accounts payable	\$ 4,331	\$ 85,647	\$ 69,934	\$ 500	\$ 298,166	\$ 458,578
Claims payable	-	54,055	-	-	456,133	510,188
Accrued payroll	-	-	14,527	-	-	14,527
Compensated absences	-	-	65,721	-	-	65,721
Due to other funds	-	-	122,000	-	-	122,000
Total current liabilities	<u>4,331</u>	<u>139,702</u>	<u>272,182</u>	<u>500</u>	<u>754,299</u>	<u>1,171,014</u>
Noncurrent liabilities:						
Compensated absences	-	-	85,752	-	-	85,752
Net pension liability	-	-	679,113	-	-	679,113
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>764,865</u>	<u>-</u>	<u>-</u>	<u>764,865</u>
Total liabilities	<u>4,331</u>	<u>139,702</u>	<u>1,037,047</u>	<u>500</u>	<u>754,299</u>	<u>1,935,879</u>
Deferred inflows of resources						
Pension - differences between expected and actual experience	-	-	19,224	-	-	19,224
Pension - net difference between projected and actual earnings on pension plan investments	-	-	26,436	-	-	26,436
Pension - changes of assumptions	-	-	9,491	-	-	9,491
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>55,151</u>	<u>-</u>	<u>-</u>	<u>55,151</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,331</u>	<u>\$ 139,702</u>	<u>\$ 1,092,198</u>	<u>\$ 500</u>	<u>\$ 754,299</u>	<u>\$ 1,991,030</u>
<b>NET POSITION:</b>						
Net investment in capital assets	\$ -	\$ -	\$ 374,860	\$ -	\$ -	\$ 374,860
Unrestricted	<u>1,257,831</u>	<u>1,403,461</u>	<u>[716,808]</u>	<u>29,743</u>	<u>7,710,697</u>	<u>9,684,924</u>
Total net position	<u>\$ 1,257,831</u>	<u>\$ 1,403,461</u>	<u>\$ [341,948]</u>	<u>\$ 29,743</u>	<u>\$ 7,710,697</u>	<u>\$ 10,059,784</u>

CITY OF LAWRENCE, KANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 For the Year Ended December 31, 2015

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Operating revenue						
Charges for services	\$ 60,000	\$ 621,780	\$ 3,105,880	\$ 648	\$ 10,210,219	\$ 13,998,527
Total operating revenues	<u>60,000</u>	<u>621,780</u>	<u>3,105,880</u>	<u>648</u>	<u>10,210,219</u>	<u>13,998,527</u>
Operating expenses						
Continuing operations	114,221	560,286	3,265,892	-	-	3,940,399
General administration	-	-	-	-	1,836,779	1,836,779
Health insurance claims	-	-	-	-	9,291,662	9,291,662
Depreciation and amortization	-	-	42,157	-	-	42,157
Total operating expense	<u>114,221</u>	<u>560,286</u>	<u>3,308,049</u>	<u>-</u>	<u>11,128,441</u>	<u>15,110,997</u>
Operating income [loss]	<u>[54,221]</u>	<u>61,494</u>	<u>[202,169]</u>	<u>648</u>	<u>[918,222]</u>	<u>[1,112,470]</u>
Nonoperating revenues [expenses]						
Interest income	690	629	-	-	7,843	9,162
Gain [loss] on sale of capital assets	-	-	1,851	-	-	1,851
Total nonoperating revenues [expenses]	<u>690</u>	<u>629</u>	<u>1,851</u>	<u>-</u>	<u>7,843</u>	<u>11,013</u>
Income [loss] before transfers	<u>[53,531]</u>	<u>62,123</u>	<u>[200,318]</u>	<u>648</u>	<u>[910,379]</u>	<u>[1,101,457]</u>
Transfers [out]	<u>-</u>	<u>-</u>	<u>[7,000]</u>	<u>-</u>	<u>-</u>	<u>[7,000]</u>
Change in net position	<u>[53,531]</u>	<u>62,123</u>	<u>[207,318]</u>	<u>648</u>	<u>[910,379]</u>	<u>[1,108,457]</u>
Net position, January 1	1,311,362	1,341,338	568,350	29,095	8,621,076	11,871,221
Restatement to net position	<u>-</u>	<u>-</u>	<u>[702,980]</u>	<u>-</u>	<u>-</u>	<u>[702,980]</u>
Net position, January 1, restated	<u>1,311,362</u>	<u>1,341,338</u>	<u>[134,630]</u>	<u>29,095</u>	<u>8,621,076</u>	<u>11,168,241</u>
Net position, December 31	<u>\$ 1,257,831</u>	<u>\$ 1,403,461</u>	<u>\$ [341,948]</u>	<u>\$ 29,743</u>	<u>\$ 7,710,697</u>	<u>\$ 10,059,784</u>

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

CITY OF LAWRENCE, KANSAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2015

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:						
Cash received from customers and users	\$ 60,000	\$ 621,780	\$ 3,441,140	\$ 648	\$ 10,091,481	\$ 14,215,049
Cash paid to suppliers of goods and services	[110,133]	[511,971]	[2,232,315]	[1,521]	[11,023,143]	[13,879,083]
Cash paid to employees	-	-	[1,170,516]	-	-	[1,170,516]
Net cash provided by [used in] operating activities	[50,133]	109,809	38,309	[873]	[931,662]	[834,550]
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets	-	-	[16,040]	-	-	[16,040]
Proceeds from sale of capital assets	-	-	1,851	-	-	1,851
Net cash provided by [used in] capital and related financing activities	-	-	[14,189]	-	-	[14,189]
Cash flows from noncapital financing activities:						
Interfund loan	-	-	[17,000]	-	-	[17,000]
Transfers [out]	-	-	[7,000]	-	-	[7,000]
Net cash provided by [used in] noncapital financing activities	-	-	[24,000]	-	-	[24,000]
Cash flows from investing activities:						
Interest received	857	2,440	-	-	11,936	15,233
Sale of investments	500,000	1,000,000	-	-	3,499,072	4,999,072
Net cash provided by [used in] investing activities	500,857	1,002,440	-	-	3,511,008	5,014,305
Net increase [decrease] in cash and cash equivalent	450,724	1,112,249	120	[873]	2,579,346	4,141,566
Cash and cash equivalents, beginning	811,438	430,914	722	26,744	5,727,217	6,997,035
Cash and cash equivalents, ending	\$ 1,262,162	\$ 1,543,163	\$ 842	\$ 25,871	\$ 8,306,563	\$ 11,138,601

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



CITY OF LAWRENCE, KANSAS  
COMBINING STATEMENT OF CASH FLOWS - CONTINUED  
INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2015

	<u>General Liability</u>	<u>Workers Comp Liability</u>	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ [54,221]	\$ 61,494	\$ [202,169]	\$ 648	\$ [918,222]	\$ [1,112,470]
Net cash provided by [used in] operating activities						
Depreciation expense	-	-	42,157	-	-	42,157
[Increase] decrease in accounts receivable	-	-	335,260	-	[118,738]	216,522
[Increase] decrease in inventory	-	-	[30,285]	[183]	-	[30,468]
[Increase] decrease in deferred outflows	-	-	[24,020]	-	-	[24,020]
Increase [decrease] in accounts payable	4,088	48,315	[35,886]	[1,338]	69,664	84,843
Increase [decrease] in claims payable	-	-	-	-	35,634	35,634
Increase [decrease] in accrued payroll	-	-	[34,995]	-	-	[34,995]
Increase [decrease] in deferred inflows	-	-	[73,247]	-	-	[73,247]
Increase [decrease] in net pension liability	-	-	63,097	-	-	63,097
Increase [decrease] in accrued compensated absences	-	-	[1,603]	-	-	[1,603]
Net cash provided by [used in] operating activities	<u>\$ [50,133]</u>	<u>\$ 109,809</u>	<u>\$ 38,309</u>	<u>\$ [873]</u>	<u>\$ [931,662]</u>	<u>\$ [834,550]</u>

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

## CITY OF LAWRENCE, KANSAS

### AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Clearing Fund – This fund is used to account for withholdings from payroll pending payment to outside agencies.

Municipal Court Fund – This fund is used to account for cash bonds paid by defendants.

Fire Insurance Proceeds Fund – This fund accounts for insurance proceeds received and held by the City until the affected property is demolished.

Economic Development Escrow Fund – This fund accounts for proceeds from our tax-increment financing districts that are paid to developers to reimburse them for public improvements.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 December 31, 2015

	Payroll <u>Clearing</u>	Municipal <u>Court</u>	Fire Insurance <u>Proceeds</u>	Economic Development <u>Escrow</u>	Total Agency <u>Funds</u>
ASSETS					
Cash	\$ 538,526	\$ 417,983	\$ -	\$ 220,176	\$ 1,176,685
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,375</u>	<u>21,375</u>
Total assets	<u>\$ 538,526</u>	<u>\$ 417,983</u>	<u>\$ -</u>	<u>\$ 241,551</u>	<u>\$ 1,198,060</u>
LIABILITIES					
Accounts payable	\$ 538,526	\$ 417,983	\$ -	\$ 220,176	\$ 1,176,685
Due to others	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,375</u>	<u>21,375</u>
Total liabilities	<u>\$ 538,526</u>	<u>\$ 417,983</u>	<u>\$ -</u>	<u>\$ 241,551</u>	<u>\$ 1,198,060</u>

See independent auditor's report on the financial statements.

## CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 December 31, 2015

		Balance			Balance
		January 1			December 31
		2015	Additions	Deductions	2015
<b>ASSETS</b>					
	<u>Payroll Clearing</u>				
Cash		\$ 169	\$ 27,191,222	\$ 26,652,865	\$ 538,526
Accounts receivable		<u>853,831</u>	<u>-</u>	<u>853,831</u>	<u>-</u>
Total assets		<u>\$ 854,000</u>	<u>\$ 27,191,222</u>	<u>\$ 27,506,696</u>	<u>\$ 538,526</u>
<b>LIABILITIES</b>					
Accounts payable		\$ -	\$ 27,191,391	\$ 26,652,865	\$ 538,526
Due to other funds		<u>854,000</u>	<u>-</u>	<u>854,000</u>	<u>-</u>
Total liabilities		<u>\$ 854,000</u>	<u>\$ 27,191,391</u>	<u>\$ 27,506,865</u>	<u>\$ 538,526</u>
<b>ASSETS</b>					
	<u>Municipal Court</u>				
Cash		\$ 689,452	\$ 788,368	\$ 1,059,837	\$ 417,983
Accounts receivable		<u>131,401</u>	<u>-</u>	<u>131,401</u>	<u>-</u>
Total assets		<u>\$ 820,853</u>	<u>\$ 788,368</u>	<u>\$ 1,191,238</u>	<u>\$ 417,983</u>
<b>LIABILITIES</b>					
Accounts Payable		\$ 689,452	\$ 788,368	\$ 1,059,837	\$ 417,983
Payable from restricted assets		<u>131,401</u>	<u>-</u>	<u>131,401</u>	<u>-</u>
Total liabilities		<u>\$ 820,853</u>	<u>\$ 788,368</u>	<u>\$ 1,191,238</u>	<u>\$ 417,983</u>

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED  
 AGENCY FUNDS  
 December 31, 2015

ASSETS	<u>Fire Insurance Proceeds</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2015</u>
Cash		\$ 28,095	\$ -	\$ 28,095	\$ -
Total assets		<u>\$ 28,095</u>	<u>\$ -</u>	<u>\$ 28,095</u>	<u>\$ -</u>
LIABILITIES					
Accounts Payable		\$ 28,095	\$ -	\$ 28,095	\$ -
Total liabilities		<u>\$ 28,095</u>	<u>\$ -</u>	<u>\$ 28,095</u>	<u>\$ -</u>
ASSETS	<u>Economic Development Escrow</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2015</u>
Cash		\$ 109	\$ 1,066,798	\$ 846,731	\$ 220,176
Accounts receivable		<u>27,000</u>	<u>25,302</u>	<u>30,927</u>	<u>21,375</u>
Total assets		<u>\$ 27,109</u>	<u>\$ 1,092,100</u>	<u>\$ 877,658</u>	<u>\$ 241,551</u>
LIABILITIES					
Accounts Payable		\$ 109	\$ 1,066,798	\$ 846,731	\$ 220,176
Due to others		<u>27,000</u>	<u>25,302</u>	<u>30,927</u>	<u>21,375</u>
Total liabilities		<u>\$ 27,109</u>	<u>\$ 1,092,100</u>	<u>\$ 877,658</u>	<u>\$ 241,551</u>

See independent auditor's report on the financial statements.

## **STATISTICAL SECTION**

Statistical Section  
(Unaudited)

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

Contents

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Economic and Demographic Information**

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

**Operating Information**

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

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

Table 1

## CITY OF LAWRENCE, KANSAS

## Net Position by Component

Last Ten Fiscal Years  
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 93,600,687	\$ 94,219,394	\$ 98,756,330	\$ 102,317,087	\$ 120,684,461	\$ 129,183,408	\$ 138,239,587	\$ 142,465,788	\$ 153,650,856	\$ 165,282,595
Restricted	17,954,391	22,969,523	31,135,946	30,181,056	31,067,667	29,677,058	30,071,225	27,610,575	24,514,918	17,031,955
Unrestricted	<u>36,620,613</u>	<u>38,700,080</u>	<u>30,196,881</u>	<u>31,166,420</u>	<u>30,723,645</u>	<u>33,582,269</u>	<u>34,040,332</u>	<u>34,979,766</u>	<u>39,710,437</u>	<u>[7,071,563]</u>
Total governmental activities net position	<u>\$ 148,175,691</u>	<u>\$ 155,888,997</u>	<u>\$ 160,089,157</u>	<u>\$ 163,664,563</u>	<u>\$ 182,475,773</u>	<u>\$ 192,442,735</u>	<u>\$ 202,351,144</u>	<u>\$ 205,056,129</u>	<u>\$ 217,876,211</u>	<u>\$ 175,242,987</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 91,982,752	\$ 100,856,193	\$ 130,121,705	\$ 131,255,940	\$ 131,412,998	\$ 130,911,335	\$ 132,286,325	\$ 135,412,622	\$ 142,129,630	\$ 138,094,523
Restricted	16,877,071	27,230,548	19,865,967	-	-	-	-	-	-	-
Unrestricted	<u>42,242,043</u>	<u>26,203,996</u>	<u>4,813,863</u>	<u>24,874,340</u>	<u>26,602,323</u>	<u>29,737,496</u>	<u>31,931,406</u>	<u>30,899,856</u>	<u>26,144,324</u>	<u>21,920,645</u>
Total business-type activities net position	<u>\$ 151,101,866</u>	<u>\$ 154,290,737</u>	<u>\$ 154,801,535</u>	<u>\$ 156,130,280</u>	<u>\$ 158,015,321</u>	<u>\$ 160,648,831</u>	<u>\$ 164,217,731</u>	<u>\$ 166,312,478</u>	<u>\$ 168,273,954</u>	<u>\$ 160,015,168</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 185,583,439	\$ 195,075,587	\$ 228,878,035	\$ 233,573,027	\$ 252,097,459	\$ 260,094,743	\$ 270,525,912	\$ 277,878,410	\$ 295,780,486	\$ 303,377,118
Restricted	34,831,462	50,200,071	51,001,913	30,181,056	31,067,667	29,677,058	30,071,225	27,610,575	24,514,918	17,031,955
Unrestricted	<u>78,862,656</u>	<u>64,904,076</u>	<u>35,010,744</u>	<u>56,040,760</u>	<u>57,325,968</u>	<u>63,319,765</u>	<u>65,971,738</u>	<u>65,879,622</u>	<u>65,854,761</u>	<u>14,849,082</u>
Total primary government net position	<u>\$ 299,277,557</u>	<u>\$ 310,179,734</u>	<u>\$ 314,890,692</u>	<u>\$ 319,794,843</u>	<u>\$ 340,491,094</u>	<u>\$ 353,091,566</u>	<u>\$ 366,568,875</u>	<u>\$ 371,368,607</u>	<u>\$ 386,150,165</u>	<u>\$ 335,258,155</u>



Table 2

## CITY OF LAWRENCE, KANSAS

## Changes in Net Position

Last Ten Fiscal Years  
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 17,850,454	\$ 19,365,613	\$ 19,330,700	\$ 20,602,910	\$ 23,127,748	\$ 22,477,809	\$ 25,726,334	\$ 24,459,731	\$ 26,010,819	\$ 29,469,833
Public safety	26,850,570	28,091,852	28,450,607	29,739,788	28,650,139	29,036,287	30,675,333	31,660,850	33,175,448	33,066,853
Public works	16,608,613	14,467,570	15,402,053	17,343,296	16,549,924	15,679,396	15,939,222	21,791,694	14,560,490	20,010,423
Health	976,258	992,789	1,039,965	1,075,320	1,919,306	1,438,414	1,379,859	1,215,155	1,308,714	1,098,022
Social services	2,651,489	1,917,240	1,841,798	2,448,630	1,915,284	2,264,240	2,198,039	2,130,316	1,319,214	774,782
Culture and recreation	8,205,079	7,834,774	8,058,955	8,080,566	8,125,600	8,106,806	8,473,244	8,463,663	9,746,664	9,914,279
Tourism	675,797	779,687	818,561	771,534	885,555	1,052,713	969,229	1,009,528	1,266,137	1,706,788
Airport	201,034	212,253	248,014	242,517	318,403	494,077	226,568	251,419	229,161	252,735
Interest on long-term debt	3,175,178	2,655,108	3,232,294	3,231,513	2,813,274	2,634,868	2,312,471	1,493,818	3,860,258	2,803,653
Total governmental activities expenses	<u>77,194,472</u>	<u>76,316,886</u>	<u>78,422,947</u>	<u>83,536,074</u>	<u>84,305,233</u>	<u>83,184,610</u>	<u>87,900,299</u>	<u>92,476,174</u>	<u>91,476,905</u>	<u>99,097,368</u>
Business-type activities:										
Water and sewer	21,182,353	23,578,051	25,644,004	25,862,716	26,269,408	26,971,544	28,610,906	28,303,397	29,021,550	32,175,287
Sanitation	9,146,491	9,593,230	10,048,229	9,689,799	9,202,456	9,945,012	9,762,916	9,797,103	12,174,577	10,943,115
Parking	934,309	1,110,029	1,259,311	1,299,618	1,329,347	1,330,036	1,340,421	1,399,151	1,498,150	1,405,290
Stormwater	1,710,016	1,778,006	1,776,832	1,867,219	1,695,136	1,822,001	2,151,249	1,785,144	1,864,838	1,787,179
Golf course	817,710	925,676	999,551	1,016,011	998,557	917,860	944,149	930,730	973,740	961,517
Total business-type activities expenses	<u>33,790,879</u>	<u>36,984,992</u>	<u>39,727,927</u>	<u>39,735,363</u>	<u>39,494,904</u>	<u>40,986,453</u>	<u>42,809,641</u>	<u>42,215,525</u>	<u>45,532,855</u>	<u>47,272,388</u>
Total primary government expenses	<u>\$ 110,985,351</u>	<u>\$ 113,301,878</u>	<u>\$ 118,150,874</u>	<u>\$ 123,271,437</u>	<u>\$ 123,800,137</u>	<u>\$ 124,171,063</u>	<u>\$ 130,709,940</u>	<u>\$ 134,691,699</u>	<u>\$ 137,009,760</u>	<u>\$ 146,369,756</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,151,175	\$ 1,213,241	\$ 1,244,723	\$ 1,457,934	\$ 8,518,656	\$ 8,293,905	\$ 8,745,433	\$ 9,008,294	\$ 8,990,118	\$ 8,769,512
Public safety	6,745,201	6,390,357	7,371,902	6,746,080	398,548	453,968	403,121	503,123	563,446	427,146
Culture and recreation	1,642,377	1,764,266	1,911,786	1,952,858	2,379,992	1,955,406	2,278,274	2,259,932	2,590,218	2,946,433
Other activities	693,927	550,054	382,777	442,116	547,979	471,492	370,832	440,872	571,777	461,508
Operating grants and contributions	8,296,784	8,107,569	7,049,610	8,614,974	10,417,284	11,609,950	11,525,865	9,632,212	10,229,250	11,137,540
Capital grants and contributions	7,464,153	6,982,954	3,502,047	3,912,656	14,676,844	3,235,965	3,295,028	412,940	5,433,051	389,639
Total governmental activities program revenues	<u>25,993,617</u>	<u>25,008,441</u>	<u>21,462,845</u>	<u>23,126,618</u>	<u>36,939,303</u>	<u>26,020,686</u>	<u>26,618,553</u>	<u>22,257,373</u>	<u>28,377,860</u>	<u>24,131,778</u>
Business-type activities:										
Charges for services:										
Water and sewer	27,625,934	27,702,909	27,953,735	29,099,969	30,362,409	31,089,678	34,345,233	32,259,758	34,130,975	35,608,968
Sanitation	8,738,585	8,980,990	9,281,014	9,658,845	10,002,337	10,546,148	10,749,061	10,768,380	11,325,772	12,565,494
Parking	954,766	876,578	1,018,472	1,013,596	1,162,143	1,264,390	1,225,464	1,197,212	1,287,303	1,340,528
Stormwater	2,794,985	2,836,484	2,890,385	2,919,032	2,948,627	2,952,788	2,970,639	2,972,683	3,036,886	3,015,164
Golf course	971,712	923,375	916,239	919,416	780,840	718,419	820,444	753,198	772,843	733,798
Operating grants and contributions	-	16,844	-	-	-	-	-	-	-	-
Capital grants and contributions	85,160	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>41,171,142</u>	<u>41,337,180</u>	<u>42,059,845</u>	<u>43,610,858</u>	<u>45,256,356</u>	<u>46,571,423</u>	<u>50,110,841</u>	<u>47,951,231</u>	<u>50,553,779</u>	<u>53,263,952</u>
Total primary government program revenues	<u>\$ 67,164,759</u>	<u>\$ 66,345,621</u>	<u>\$ 63,522,690</u>	<u>\$ 66,737,476</u>	<u>\$ 82,195,659</u>	<u>\$ 72,592,109</u>	<u>\$ 76,729,394</u>	<u>\$ 70,208,604</u>	<u>\$ 78,931,639</u>	<u>\$ 77,395,730</u>

Table 2, cont.

## CITY OF LAWRENCE, KANSAS

## Changes in Net Position, Continued

Last Ten Fiscal Years  
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net [expense]/revenue										
Governmental activities	\$ [51,200,855]	\$ [51,308,445]	\$ [56,960,102]	\$ [60,409,456]	\$ [47,365,930]	\$ [57,163,924]	\$ [61,281,746]	\$ [70,218,801]	\$ [63,099,045]	\$ [74,965,590]
Business-type activities	7,380,263	4,352,188	2,331,918	3,875,495	5,761,452	5,584,970	7,301,200	5,735,706	5,020,924	5,991,564
Total primary government net expense	<u>\$ [43,820,592]</u>	<u>\$ [46,956,257]</u>	<u>\$ [54,628,184]</u>	<u>\$ [56,533,961]</u>	<u>\$ [41,604,478]</u>	<u>\$ [51,578,954]</u>	<u>\$ [53,980,546]</u>	<u>\$ [64,483,095]</u>	<u>\$ [58,078,121]</u>	<u>\$ [68,974,026]</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 22,525,407	\$ 23,768,769	\$ 24,836,509	\$ 24,673,704	\$ 24,689,288	\$ 25,240,210	\$ 26,479,032	\$ 27,775,692	\$ 28,388,241	\$ 30,163,532
Franchise taxes	3,986,982	4,784,605	5,543,194	5,872,925	6,300,184	6,408,974	6,482,183	6,822,828	7,645,920	7,127,746
Sales taxes	21,733,540	22,172,560	23,133,235	27,025,710	29,499,359	30,835,166	32,409,308	32,644,826	34,791,050	25,563,595
Unrestricted grants and contributions	543,415	548,596	740,882	760,511	723,125	645,080	691,768	689,082	732,100	11,230,708
Investment earnings	3,144,551	3,290,116	2,890,086	1,177,409	337,284	134,306	210,102	202,023	223,756	100,697
Miscellaneous	140,358	187,713	125,372	31,107	6,512	185,909	425,033	136,700	255,075	2,580,346
Transfers	2,102,194	4,269,392	3,890,984	4,297,080	4,621,388	4,671,294	4,492,729	4,652,635	3,882,985	3,653,030
Total governmental activities	<u>54,176,447</u>	<u>59,021,751</u>	<u>61,160,262</u>	<u>63,838,446</u>	<u>66,177,140</u>	<u>68,120,939</u>	<u>71,190,155</u>	<u>72,923,786</u>	<u>75,919,127</u>	<u>80,419,654</u>
Business-type activities:										
Unrestricted grants and contributions	-	-	-	6,325	5,148	3,303	-	-	-	-
Investment earnings	2,666,000	2,464,859	1,489,597	206,643	44,953	105,578	121,636	105,283	26,824	233,589
Miscellaneous	268,427	641,216	580,267	399,962	509,320	620,900	638,793	906,393	796,713	767,015
Transfers	<u>[2,102,194]</u>	<u>[4,269,392]</u>	<u>[3,890,984]</u>	<u>[4,297,080]</u>	<u>[4,621,388]</u>	<u>[4,671,294]</u>	<u>[4,492,729]</u>	<u>[4,652,635]</u>	<u>[3,882,985]</u>	<u>[3,653,030]</u>
Total business-type activities	<u>832,233</u>	<u>[1,163,317]</u>	<u>[1,821,120]</u>	<u>[3,684,150]</u>	<u>[4,061,967]</u>	<u>[3,941,513]</u>	<u>[3,732,300]</u>	<u>[3,640,959]</u>	<u>[3,059,448]</u>	<u>[2,652,426]</u>
Total primary government	<u>\$ 55,008,680</u>	<u>\$ 57,858,434</u>	<u>\$ 59,339,142</u>	<u>\$ 60,154,296</u>	<u>\$ 62,115,173</u>	<u>\$ 64,179,426</u>	<u>\$ 67,457,855</u>	<u>\$ 69,282,827</u>	<u>\$ 72,859,679</u>	<u>\$ 77,767,228</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,975,592	\$ 7,713,306	\$ 4,200,160	\$ 3,428,990	\$ 18,811,210	\$ 10,957,015	\$ 9,908,409	\$ 2,704,985	\$ 12,820,082	\$ 5,454,064
Business-type activities	<u>8,212,496</u>	<u>3,188,871</u>	<u>510,798</u>	<u>191,345</u>	<u>1,699,485</u>	<u>1,643,457</u>	<u>3,568,900</u>	<u>2,094,747</u>	<u>1,961,476</u>	<u>3,339,138</u>
Total primary government	<u>\$ 11,188,088</u>	<u>\$ 10,902,177</u>	<u>\$ 4,710,958</u>	<u>\$ 3,620,335</u>	<u>\$ 20,510,695</u>	<u>\$ 12,600,472</u>	<u>\$ 13,477,309</u>	<u>\$ 4,799,732</u>	<u>\$ 14,781,558</u>	<u>\$ 8,793,202</u>

**Table 3****CITY OF LAWRENCE, KANSAS**

## General Government Tax Revenues by Source

Last Ten Fiscal Years  
(modified accrual basis of accounting)

<b>Year</b>	<b>Property Tax</b>	<b>Sales Tax (1)</b>	<b>Franchise Tax</b>	<b>Motor Vehicle Tax</b>	<b>Payment- in-lieu</b>	<b>Total</b>	<b>Total Taxable Retail Sales</b>
2006	\$ 20,342,054	\$ 13,146,914	\$ 3,986,982	\$ 2,029,017	\$ 154,334	\$ 39,659,301	\$ 1,226,043,745
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387	1,245,379,100
2008	22,790,512	14,027,094	5,543,194	1,943,132	102,866	44,406,798	1,289,814,300
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008	1,257,214,500
2010	22,656,849	20,863,865	6,300,184	1,936,585	95,855	51,853,338	1,236,094,700
2011	23,204,001	21,953,262	6,408,974	1,944,512	91,697	53,602,446	1,291,735,200
2012	24,417,039	23,007,680	6,482,183	1,965,745	96,247	55,968,894	1,359,399,600
2013	25,470,800	23,360,472	6,822,828	2,206,347	98,546	57,958,993	1,388,082,800
2014	25,844,497	24,635,194	7,645,920	2,447,054	96,690	60,669,355	1,445,408,100
2015	27,672,476	25,563,595	7,127,746	2,562,534	96,085	63,022,436	1,512,719,800

(1) - Excludes City's share of county-wide sales tax which is reported as intergovernmental revenue

Table 4

## CITY OF LAWRENCE, KANSAS

## Fund Balances of Governmental Funds

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	489,385	458,016	444,230	418,924	483,882
Unassigned	-	-	-	-	-	12,764,449	12,807,728	12,987,191	13,203,510	12,718,338
Reserved	850,300	807,314	919,854	266,473	556,401	-	-	-	-	-
Unreserved	<u>11,083,748</u>	<u>11,449,526</u>	<u>12,224,367</u>	<u>12,564,947</u>	<u>12,747,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$ 11,934,048</u>	<u>\$ 12,256,840</u>	<u>\$ 13,144,221</u>	<u>\$ 12,831,420</u>	<u>\$ 13,304,155</u>	<u>\$ 13,253,834</u>	<u>\$ 13,265,744</u>	<u>\$ 13,431,421</u>	<u>\$ 13,622,434</u>	<u>\$ 13,202,220</u>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 463,176	\$ 461,146	\$ 424,304	\$ 562,959	\$ 562,959
Restricted	-	-	-	-	-	16,727,528	17,198,370	16,924,753	17,578,956	16,468,996
Assigned	-	-	-	-	-	20,498,354	22,307,990	28,407,656	29,326,657	25,955,112
Unassigned	-	-	-	-	-	[1,820,366]	[1,706,921]	[15,039,302]	[14,022,677]	[8,716,690]
Reserved	7,858,766	8,366,671	17,918,096	17,239,307	17,615,379	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	15,959,348	15,389,830	16,938,468	18,602,507	18,002,435	-	-	-	-	-
Capital projects funds	<u>[6,221,334]</u>	<u>[745,650]</u>	<u>[2,938,975]</u>	<u>[9,271,901]</u>	<u>[1,871,354]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 17,596,780</u>	<u>\$ 23,010,851</u>	<u>\$ 31,917,589</u>	<u>\$ 26,569,913</u>	<u>\$ 33,746,460</u>	<u>\$ 35,868,692</u>	<u>\$ 38,260,585</u>	<u>\$ 30,717,411</u>	<u>\$ 33,445,895</u>	<u>\$ 34,270,377</u>

Table 5

## CITY OF LAWRENCE, KANSAS

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 39,659,301	\$ 42,028,387	\$ 44,406,798	\$ 48,963,008	\$ 51,853,338	\$ 53,602,446	\$ 55,968,894	\$ 57,958,993	\$ 60,669,355	\$ 63,022,436
Special assessments	1,623,980	1,955,841	3,172,277	2,856,257	2,736,562	3,763,111	3,195,006	2,762,369	2,735,676	2,411,557
Licenses and permits	1,128,747	928,922	1,018,198	810,916	871,264	944,702	968,947	1,028,880	974,690	1,525,191
Charges for services	5,922,240	5,762,447	6,601,944	6,276,057	6,506,432	6,402,873	6,668,879	6,676,694	6,984,748	8,091,858
Fines, forfeitures and penalties	2,610,627	2,650,819	2,632,493	2,613,613	3,101,898	2,942,454	2,823,509	3,083,596	3,277,102	2,987,550
Interest	2,965,144	3,083,321	1,775,604	316,185	322,758	145,314	193,727	188,012	266,269	95,043
Intergovernmental	19,796,516	17,396,256	19,757,194	19,522,422	22,662,507	22,013,251	22,164,027	20,230,592	21,868,227	22,501,383
Reimbursements	1,321,000	70,834	196,262	375,161	138,393	449,094	335,350	472,548	675,165	1,577,236
Miscellaneous	1,465,378	640,488	1,054,806	1,018,877	9,514,236	1,190,375	1,399,018	811,405	2,408,160	1,072,924
Total Revenues	<u>76,492,933</u>	<u>74,517,315</u>	<u>80,615,576</u>	<u>82,752,496</u>	<u>97,707,388</u>	<u>91,453,620</u>	<u>93,717,357</u>	<u>93,213,089</u>	<u>99,859,392</u>	<u>103,285,178</u>
<b>Expenditures</b>										
General government	18,676,882	19,512,299	18,968,987	19,891,053	22,358,619	22,353,342	24,950,523	23,865,832	25,347,630	26,670,792
Public safety	26,134,660	27,193,045	27,816,793	29,187,921	28,074,410	28,487,747	30,336,181	31,178,696	32,508,249	33,745,323
Public works	8,360,862	7,969,457	8,258,922	8,778,751	8,648,070	9,648,859	9,124,553	12,095,488	8,410,527	8,734,449
Health	974,790	990,668	1,037,952	1,074,666	1,917,525	1,436,649	1,379,104	1,214,877	1,309,031	1,170,849
Social services	2,238,416	1,519,399	1,452,893	2,089,963	1,533,790	1,777,310	1,530,158	1,486,561	681,297	1,236,327
Culture and recreation	7,694,559	7,289,612	7,465,092	7,534,689	7,658,288	7,688,245	8,041,351	7,993,784	9,178,546	9,566,611
Tourism	674,777	779,687	818,561	771,534	885,555	1,051,345	967,620	1,007,438	1,263,707	1,566,103
Airport	85,290	96,545	132,237	126,740	201,889	377,900	110,908	134,849	194,405	134,062
Capital outlay	18,680,282	7,734,897	8,650,245	14,155,573	15,486,693	10,889,382	13,454,338	31,999,515	41,565,540	19,594,898
Debt service:										
Principal retirement	7,942,194	8,602,024	8,729,882	9,064,166	16,923,114	8,719,010	14,927,625	9,793,066	9,273,481	10,555,721
Interest and fiscal charges	3,283,518	2,710,971	3,274,481	3,288,693	2,890,327	2,622,226	2,582,033	2,313,042	2,253,624	3,373,345
Total expenditures	<u>94,746,230</u>	<u>84,398,604</u>	<u>86,606,045</u>	<u>95,963,749</u>	<u>106,578,280</u>	<u>95,052,015</u>	<u>107,404,394</u>	<u>123,083,148</u>	<u>131,986,037</u>	<u>116,348,480</u>
Excess of revenues over/(under) expenditures	<u>[18,253,297]</u>	<u>[9,881,289]</u>	<u>[5,990,469]</u>	<u>[13,211,253]</u>	<u>[8,870,892]</u>	<u>[3,598,395]</u>	<u>[13,687,037]</u>	<u>[29,870,059]</u>	<u>[32,126,645]</u>	<u>[13,063,302]</u>
<b>Other financing sources [uses]</b>										
Transfers in	7,926,774	9,608,664	10,959,158	13,469,563	17,113,409	5,265,393	4,961,707	5,764,700	4,336,262	3,856,194
Transfers out	[5,821,112]	[5,335,512]	[7,064,570]	[9,168,787]	[12,488,235]	[590,519]	[465,500]	[1,108,559]	[450,000]	[200,053]
Proceeds of general obligation bonds	16,920,234	11,345,000	11,890,000	3,250,000	11,895,000	3,895,000	11,190,000	4,405,000	41,455,000	9,450,000
Premiums on general obligation bonds	-	-	-	-	-	-	404,633	-	3,136,301	426,956
Total other financing sources [uses]	<u>19,025,896</u>	<u>15,618,152</u>	<u>15,784,588</u>	<u>7,550,776</u>	<u>16,520,174</u>	<u>8,569,874</u>	<u>16,090,840</u>	<u>9,061,141</u>	<u>48,477,563</u>	<u>13,533,097</u>
Net change in fund balances	<u>\$ 772,599</u>	<u>\$ 5,736,863</u>	<u>\$ 9,794,119</u>	<u>\$ [5,660,477]</u>	<u>\$ 7,649,282</u>	<u>\$ 4,971,479</u>	<u>\$ 2,403,803</u>	<u>\$ [20,808,918]</u>	<u>\$ 16,350,918</u>	<u>\$ 469,795</u>
Debt service as a percentage of noncapital expenditures	14.2%	14.6%	15.2%	14.7%	21.4%	14.0%	18.6%	12.9%	13.0%	14.0%

Table 6

## CITY OF LAWRENCE, KANSAS

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Estimated Actual Value	Total Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value		
2006	\$ 750,379,180	\$ 5,389,492,978	\$ 53,579,845	\$ 214,319,380	\$ 20,406,899	\$ 20,406,899	\$ 824,365,924	\$ 5,624,219,257	14.7%	26.36
2007	783,604,390	5,628,128,379	48,783,695	195,134,780	21,163,388	21,163,388	853,551,473	5,844,426,547	14.6%	26.79
2008	804,814,245	5,780,465,181	38,094,360	152,377,440	19,128,981	19,128,981	862,037,586	5,951,971,602	14.5%	26.65
2009	802,842,525	5,766,303,579	33,097,400	132,389,600	17,736,945	17,736,945	853,676,870	5,916,430,124	14.4%	26.69
2010	805,513,584	5,785,488,085	29,111,051	116,444,204	17,962,282	17,962,282	852,586,917	5,919,894,571	14.4%	26.37
2011	811,352,189	7,057,515,250	26,179,943	112,965,148	19,078,875	19,078,875	856,611,007	7,189,559,273	11.9%	28.61
2012	807,364,770	7,065,536,665	23,044,106	100,766,596	21,914,351	21,914,351	852,323,227	7,188,217,612	11.9%	29.53
2013	810,265,700	7,056,749,570	21,615,031	94,744,293	24,426,177	24,426,177	856,306,908	7,175,920,040	11.9%	30.04
2014	831,174,881	7,272,780,209	18,432,625	80,794,981	25,511,114	25,511,114	875,118,620	7,379,086,304	11.9%	31.47
2015	850,079,403	7,438,194,776	16,950,709	74,299,359	27,914,590	27,914,590	894,944,702	7,540,408,725	11.9%	31.49

(1) - Excludes motor vehicles

Source: Douglas County Clerk Budget Office

Table 7

## CITY OF LAWRENCE, KANSAS

## Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Year	City of Lawrence			Overlapping Rates							Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Douglas County			School District			State of Kansas	
				Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School Millage		
2006	19.36	7.00	26.36	29.96	0.05	30.10	47.01	10.79	57.80	1.50	115.76
2007	19.78	7.01	26.79	29.95	0.05	30.00	48.36	9.20	57.56	1.50	115.85
2008	19.56	7.09	26.65	32.77	0.05	32.82	47.59	9.81	57.40	1.50	118.37
2009	19.69	7.00	26.69	32.80	0.00	32.80	46.17	11.72	57.89	1.50	118.89
2010	19.37	7.00	26.37	35.75	0.00	35.75	47.50	12.15	59.65	1.50	123.26
2011	20.10	8.51	28.61	35.77	0.00	35.77	47.74	11.70	59.44	1.50	125.32
2012	21.02	8.51	29.53	35.77	0.00	35.77	47.43	10.58	58.01	1.50	124.81
2013	21.53	8.51	30.04	37.15	0.00	37.15	47.25	10.54	57.79	1.50	126.48
2014	22.97	8.50	31.47	40.95	0.06	41.01	45.54	10.21	55.75	1.50	129.73
2015	22.98	8.50	31.49	40.59	0.51	41.10	46.83	10.07	56.91	1.50	130.99

Source: Douglas County Budget Office

Table 8

## CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2015

Taxpayer	Type of Business	2015	Percent of		2006	Percent of	
		Assessed Valuation	Rank	Total Assessed Valuation	Assessed Valuation	Rank	Total Assessed Valuation
Westar Energy	Electric Utility	\$ 18,806,415	1	2.10%	\$ 9,143,860	1	1.18%
Walmart	Retail Outlet	5,567,532	2	0.62%	-	-	-
Black Hills	Gas Utility	4,012,654	3	0.45%	-	-	-
ARC PRLAWS001 LLC	Real Estate Management	4,005,350	4	0.45%	-	-	-
Diamond URS	Retail Center	3,468,204	5	0.39%	-	-	-
North Creek Investors	Retail Center	3,307,115	6	0.37%	-	-	-
900 New Hampshire LLC	Real Estate Management	3,124,886	7	0.35%	-	-	-
Kadish	District Warehouse	2,995,151	8	0.33%	-	-	-
Garber Enterprises Inc	Real Estate Management	2,942,186	9	0.33%	-	-	-
Hallmark Cards	Card Manufacturer	2,885,707	10	0.32%	5,079,780	5	0.65%
Southwestern Bell	Telephone Utility	-	-	-	7,383,913	2	0.95%
Inland Western Lawrence	Retail Center	-	-	-	5,752,470	3	0.74%
Celliance	Biotechnology	-	-	-	5,280,095	4	0.68%
Lawrence Paper Company	Paper Manufacturer	-	-	-	4,742,080	6	0.61%
Packerware Corp	Plastics Manufacturer	-	-	-	4,524,525	7	0.58%
World Company	Media	-	-	-	3,477,000	8	0.45%
NCS Pearson	Computer Services	-	-	-	3,097,545	9	0.40%
Kresge	District Warehouse	-	-	-	2,933,800	10	0.38%
Total		<u>\$ 51,115,200</u>		<u>5.71%</u>	<u>\$ 51,415,068</u>		<u>6.62%</u>

Source: Douglas County Clerk, Budget Office



Table 9

## CITY OF LAWRENCE, KANSAS

## Property Tax Levies and Collections

Last Ten Fiscal Years

Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2006	\$ 20,523,463	\$ 19,996,080	97.43	\$ 345,973	\$ 20,342,053	99.12	\$ 447,153	2.18
2007	21,763,984	21,381,266	98.24	300,356	21,681,622	99.62	529,515	2.43
2008	22,970,715	22,478,666	97.86	311,846	22,790,512	99.22	709,718	3.09
2009	22,999,657	22,389,667	97.35	226,552	22,616,219	98.33	1,093,156	4.75
2010	22,816,080	22,254,534	97.54	402,315	22,656,849	99.30	1,252,387	5.49
2011	22,786,706	22,666,750	99.47	537,251	23,204,001	101.83	835,092	3.66
2012	24,406,107	24,011,362	98.38	405,677	24,417,039	100.04	824,160	3.38
2013	25,205,016	25,085,728	99.53	385,072	25,470,800	101.05	558,376	2.22
2014	25,756,589	25,326,475	98.33	336,580	25,663,055	99.64	651,910	2.53
2015	27,539,983	27,032,669	98.16	339,460	27,372,129	99.39	819,764	2.98

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

## CITY OF LAWRENCE, KANSAS

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
2006	\$ 75,118,846	\$ 23,125	\$ -	\$ 24,860,000	\$ 9,951,154	\$ 44,542,451	\$ -	\$ 154,495,576	4.71%	\$ 1,710
2007	80,240,451	4,496	-	43,465,000	6,534,549	42,447,047	-	172,691,543	4.97%	1,912
2008	83,405,065	-	-	46,290,000	5,504,935	40,144,404	-	175,344,404	4.75%	1,930
2009	77,590,899	-	-	54,990,000	4,839,101	37,758,506	-	175,178,506	4.69%	1,922
2010	72,562,785	-	-	53,025,000	12,582,215	26,957,125	-	165,127,125	4.35%	1,781
2011	67,738,775	-	-	50,880,000	11,406,225	24,902,681	-	154,927,681	3.91%	1,649
2012	64,001,150	-	-	48,670,000	10,213,850	22,776,957	-	145,661,957	3.55%	1,551
2013	58,613,083	-	-	46,390,000	8,996,917	20,577,479	-	134,577,479	3.27%	1,423
2014	90,794,602	-	-	44,030,000	9,800,398	18,301,688	-	162,926,688	3.81%	1,692
2015	89,688,881	-	131,544	129,535,000	8,251,119	15,946,937	-	243,553,481	5.69%	2,506

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

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

## CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less: Debt Service Fund Balance	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
2006	90,335	\$ 824,366	\$ 85,070,000	\$ 7,289,502	\$ 77,780,498	9.44	\$ 861
2007	90,311	853,551	86,775,000	7,736,675	79,038,325	9.26	875
2008	90,866	862,036	88,910,000	17,270,832	71,639,168	8.31	788
2009	91,156	853,677	82,430,000	16,428,662	66,001,338	7.73	724
2010	92,727	852,587	85,145,000	7,907,864	77,237,136	9.06	833
2011	93,927	856,611	79,145,000	8,491,589	70,653,411	8.25	752
2012	93,944	852,323	74,215,000	9,303,767	64,911,233	7.62	691
2013	94,586	856,307	67,610,000	9,659,399	57,950,601	6.77	613
2014	96,292	875,119	100,595,000	10,674,909	89,920,091	10.28	934
2015	97,193	894,945	97,940,000	10,901,622	87,038,378	9.73	896

(1) City of Lawrence, Kansas Planning Department estimates

(2) Amounts expressed in thousands.

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

## CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –  
General Obligation Bonds

December 31, 2015

<b>Jurisdiction</b>	<b>Bond Issues Outstanding</b>	<b>Amount Available in Debt Service Fund</b>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Percentage Applicable to City</b>	<b>Amount Applicable to City</b>
Direct: City of Lawrence	\$ 97,940,000	\$ 10,901,622	\$ 87,038,378	100%	\$ 87,038,378
Overlapping:					
Douglas County	22,830,000	1,292,548	21,537,452	74%	15,940,634
Unified School District No. 497	107,225,000	6,209,051	101,015,949	87%	87,472,465
	<u>130,055,000</u>	<u>7,501,599</u>	<u>122,553,401</u>		<u>103,413,099</u>
	<u>\$ 227,995,000</u>	<u>\$ 18,403,221</u>	<u>\$ 209,591,779</u>		<u>\$ 190,451,477</u>

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

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

Sources: Douglas County Budget Office and USD 497 Finance Office

Table 13

## CITY OF LAWRENCE, KANSAS

## Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Assessed Valuation of Taxable Property	\$ 897,731,218	\$ 927,782,509	\$ 935,616,472	\$ 926,499,469	\$ 924,998,982	\$ 928,635,604	\$ 924,953,742	\$ 932,601,818	\$ 951,413,530	\$ 958,124,464
Debt Limit Percent of Assessed Value	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Debt Limit	269,319,365	278,334,753	280,684,942	277,949,841	277,499,695	278,590,681	277,486,123	279,780,545	285,424,059	287,437,339
Total net debt applicable to limit (includes temporary notes)	<u>101,415,000</u>	<u>97,000,000</u>	<u>99,545,000</u>	<u>96,550,000</u>	<u>92,610,000</u>	<u>93,520,000</u>	<u>98,430,000</u>	<u>123,085,000</u>	<u>119,625,000</u>	<u>108,735,000</u>
Legal Debt Margin	<u>\$ 167,904,365</u>	<u>\$ 181,334,753</u>	<u>\$ 181,139,942</u>	<u>\$ 181,399,841</u>	<u>\$ 184,889,695</u>	<u>\$ 185,070,681</u>	<u>\$ 179,056,123</u>	<u>\$ 156,695,545</u>	<u>\$ 165,799,059</u>	<u>\$ 178,702,339</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	37.66%	34.85%	35.47%	34.74%	33.37%	33.57%	35.47%	43.99%	41.91%	37.83%

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

## CITY OF LAWRENCE, KANSAS

## Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Year	Operating Revenue	Operating Expenses Less Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2006	\$ 27,625,934	\$ 13,730,867	\$ 13,895,067	\$ 1,050,000	\$ 1,329,563	\$ 2,379,563	5.84
2007	27,702,909	15,361,516	12,341,393	1,195,000	1,357,400	2,552,400	4.84
2008	27,953,735	17,089,024	10,864,711	1,445,000	1,862,600	3,307,600	3.28
2009	29,099,969	16,445,509	12,654,460	1,685,000	1,987,298	3,672,298	3.45
2010	30,362,409	17,435,950	12,926,459	1,965,000	2,586,534	4,551,534	2.84
2011	31,089,678	18,102,807	12,986,871	2,145,000	2,382,795	4,527,795	2.87
2012	34,345,233	19,624,118	14,721,115	2,210,000	2,304,105	4,514,105	3.26
2013	32,259,758	18,925,425	13,334,333	2,280,000	2,985,423	5,265,423	2.53
2014	34,130,975	19,635,194	14,495,781	2,360,000	2,132,685	4,492,685	3.23
2015	35,608,968	19,637,989	15,970,979	13,355,000	3,799,618	17,154,618	0.93

## CITY OF LAWRENCE, KANSAS

## Demographic Statistics

## Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2006	90,335	\$ 3,279,665,000	\$ 29,137	25.30	10,228	3.3%
2007	90,311	3,472,000,000	30,594	25.30	10,303	3.6%
2008	90,866	3,691,791,296	31,721	25.30	10,700	3.9%
2009	91,156	3,732,401,000	32,070	25.30	11,007	5.5%
2010	92,727	3,791,714,000	34,305	26.70	11,158	6.2%
2011	93,927	3,958,618,000	35,268	26.70	11,250	5.9%
2012	93,944	4,100,447,000	36,331	26.70	11,458	5.4%
2013	94,586	4,116,749,000	35,859	26.70	11,437	4.8%
2014	96,292	4,277,044,000	36,686	26.70	11,840	4.0%
2015	97,193	4,277,044,000	36,686	26.70	12,106	3.7%

## Data Sources:

- (1) City of Lawrence, Kansas Planning Department estimates
- (2) 2006-2014 data from BEA. 2015 information not yet available at the report date.
- (3) From U.S. Census Bureau 2010 census
- (4) Headcount enrollment for USD 497, Kansas Department of Education
- (5) Bureau of Labor Statistics

Table 16

## CITY OF LAWRENCE, KANSAS

## Principal Employers

Current Year and Nine Years Ago

Employer	2015			2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
The University of Kansas	10,089	1	15.64%	9,396	1	15.47%
Lawrence Public Schools	1,856	2	2.88%	1,710	3	2.82%
City of Lawrence	1,455	3	2.26%	1,250	4	2.06%
Lawrence Memorial Hospital	1,403	4	2.18%	1,200	5	1.98%
Berry Plastics	750	5	1.16%	-	-	-
Amarr Garage Doors	750	6	1.16%	588	8	0.97%
Hallmark Cards	700	7	1.09%	760	6	1.25%
HyVee	540	8	0.84%	-	-	-
Dillons	465	9	0.72%	-	-	-
Boston Financial Data Services	405	10	0.63%	-	-	-
Pearson Governmental Solutions	-	-	-	1,800	2	2.96%
The World Company	-	-	-	600	7	0.99%
K-Mart Distribution	-	-	-	452	9	0.74%
DCCA Center	-	-	-	425	10	0.70%
Total	<u>18,413</u>		<u>28.55%</u>	<u>18,181</u>		<u>29.93%</u>

Sources: Lawrence Chamber of Commerce



Table 17

## CITY OF LAWRENCE, KANSAS

## Full Time Equivalent Employees by Function

## Last Ten Fiscal Years

<b><u>Function/Program</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
General Government	82.71	88.38	98.50	89.83	77.59	76.59	77.10	78.10	88.80	84.50
Public Safety	341.00	342.25	321.00	321.00	319.00	319.00	324.00	327.00	328.00	328.00
Public Works	181.00	188.00	173.75	172.75	172.75	165.75	166.75	167.75	170.50	170.50
Culture & Recreation	75.28	75.28	76.28	71.78	70.78	68.78	68.78	68.78	79.28	79.28
Health	1.00	1.00	1.00	1.00	1.00	1.00	-	-	1.00	1.00
Water & Sewer	<u>120.26</u>	<u>133.76</u>	<u>135.26</u>	<u>135.26</u>	<u>128.26</u>	<u>128.26</u>	<u>128.26</u>	<u>130.26</u>	<u>140.26</u>	<u>140.26</u>
Total	<u>801.25</u>	<u>828.67</u>	<u>805.79</u>	<u>791.62</u>	<u>769.38</u>	<u>759.38</u>	<u>764.89</u>	<u>771.89</u>	<u>807.84</u>	<u>803.54</u>

Source: City of Lawrence Budget Document

## CITY OF LAWRENCE, KANSAS

## Operating Indicators by Function

## Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Fire Protection</b>										
Number of Firefighters and Officers	138	138	139.5	134.5	139.5	139.5	141	141	141	131
Number of Fire Calls Answered	2,154	2,005	2,045	1,864	1,982	1,958	1,970	1,970	1,979	2,200
Number of Medical Calls Answered	6,810	6,858	7,592	7,539	7,763	7,743	8,211	8,734	9,001	9,438
Number of Medical Transports	4,434	4,649	4,789	4,587	4,726	4,808	5,139	7,686	5,320	5,775
Number of Inspections Conducted	5,963	7,065	7,260	6,662	4,643	3,537	5,522	3,728	4,326	6,392
<b>Police Protection</b>										
Number of Commissioned Police Officers	142	142	142	142	142	147	150	154	154	155
Number of Full Time Civilians	34	34	34	35	33	33	33	33	33	33
Number of Calls for Service	121,576	126,874	115,404	107,314	115,383	112,647	112,464	121,599	115,398	107,478
Arrests Processed through County Jail	3,233	2,661	2,775	3,191	4,563	3,409	3,847	4,661	3,668	3,219
Officer Issued Traffic Violations	39,348	40,572	35,543	34,681	39,699	13,277	13,150	4,657	15,631	12,811
Officer Issued Parking Violations	96,739	94,890	92,355	99,091	85,958	29,680	11,882	12,986	37,292	10,988
<b>Sewerage System</b>										
Number of Service Connections	29,539	30,892	31,596	31,728	31,741	31,854	32,075	32,239	32,345	32,395
Actual Daily Average of Treatment in Million Gallons Daily	10.5	10.6	11.5	10.5	10.5	8.7	9.5	9.5	9.1	10
<b>Water System</b>										
Number of Service Connections	30,142	31,522	32,241	32,376	32,389	32,504	32,730	32,897	33,005	33,220
Daily Average Consumption in Million Gallons	12.2	11.4	10.4	9.5	9.9	10.7	12.2	10.5	10.2	10.1
Maximum Daily Capacity of Plant in Million Gallons	32.5	32.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5

Sources: Various City of Lawrence departments

## CITY OF LAWRENCE, KANSAS

## Capital Asset Statistics by Function

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Public Works</b>										
Miles of Streets	318	318.8	319.6	319.6	321.3	323.2	323.2	333.6	339.2	356.9
<b>Culture and Recreation</b>										
Recreation Centers	5	5	5	5	5	4	4	4	7	7
Parks	53	52	52	52	52	54	54	54	56	56
Park Acreage	3,497	3,497	3,535	3,535	3,535	3,535	3,535	3,535	3,800	3,800
Tennis Courts	20	20	19	19	19	11	11	11	16	16
<b>Fire Protection</b>										
Number of Stations	5	5	5	5	5	5	6	6	6	6
<b>Police Protection</b>										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	35	37	35	35	36	30	30	30	32	38
<b>Sewerage System</b>										
Miles of Sanitary Sewers	497	418	425	426	430	433	433	434	443	452
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	35	36	31	33	34	34	34	33	31	31
<b>Water System</b>										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	418	420	440	444	452	455	475	499	516	520
Number of City owned Fire Hydrants	3,008	3,285	3,081	3,146	3,198	3,218	3,257	3,331	3,413	3,480
<b>Libraries</b>										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	320,705	264,966	230,846	227,503	224,781	229,777	229,777	229,777	188,867	201,400
<b>Facilities and Services Not Included in the Reporting Entity:</b>										
<b>Education</b>										
Number of Public Elementary Schools	16	16	16	16	15	14	14	14	14	14
Number of Public Elementary School Instructors	427	452	480	490	487	429	439	457	467	459
Number of Public Secondary Schools	6	6	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	379	374	375	368	362	465	475	485	499	495
Number of Universities	2	2	2	2	2	2	2	2	2	2
<b>Hospitals</b>										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	173	173	191	191	191	173	173	173	173	174

Sources: Various City of Lawrence &amp; other government departments

## CITY OF LAWRENCE, KANSAS

### Continuing Disclosure Information (Unaudited)

#### Recent Development

The largest permitted projects in 2016, as of May 13, 2016, are as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
West End Apartments Complex	\$14,229,107
Bauer Farms Multi-Family Complex	6,000,000
Bethel Estates	5,518,200
800 New Hampshire Multi-Family Addition/Mixed Use Remodel	4,000,000
KU Tennis Facility	3,879,000
Douglas County Fairgrounds Open Pavilion	2,725,000
525 Wakarusa Retail Strip Center Shell Building	2,000,000
Regal Cinema Southwind Stadium Renovations	1,560,000
Clinton Raw Water Pump Station Improvements	1,527,000
Popeye's Restaurant	1,304,804
Mid America Credit Union	1,023,761

The largest permitted projects in 2015 were as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
HERE at Kansas Mixed Use Building	\$45,000,000
100 E 9 <sup>th</sup> – Mixed Use Building	18,756,680
Wakarusa River Wastewater Treatment Plant Complex	13,300,000
Americare Assisted Living Campus	12,538,300
Pioneer Ridge Independent Living	12,000,000
Wakarusa Conveyance Pump Station No. 10	7,500,000
Hutton Farms West No. 2 Residential Development	6,290,534
Lawrence Memorial Hospital 4 <sup>th</sup> Floor Renovation	3,810,549
Deerfield Elementary School Addition/Renovation	3,532,842
116 N. Wilderness Way – Single-Family Dwelling	2,776,000
Phi Delta Theta Renovation	2,600,000
Schwegler Elementary School Addition/Renovation	2,393,251
Phi Gamma Delta Addition	2,025,000
Kansas River Wastewater Treatment Plant Addition	1,900,000
Iowa EPS Foam Renovation	1,500,000
Raising Cane's Restaurant	1,500,000
Double Tree Hotel Renovation	1,450,000
Dwayne Peaslee Technical Career Center Renovation	1,045,000

Additional projects currently under construction include Menards on 31<sup>st</sup> Street, valued at \$5,500,000; and the Apartment at Frontier Road (100 units in five buildings plus a small clubhouse), valued at \$5,286,000. Recently completed projects include the nine Del Lofts at 900 Delaware, valued at \$4,400,000; and the Sprouts Market on Bauer Farms Drive, valued at \$3,750,000.

## Labor Force Data

	Annual Average				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Labor Force:					
City of Lawrence	50,904	50,739	50,774	51,712	52,222
Douglas County	63,758	63,445	63,574	64,754	65,273
State of Kansas	1,491,258	1,484,016	1,486,764	1,500,353	1,499,009
Unemployment Rate:					
City of Lawrence	5.9%	5.4%	4.8%	4.0%	3.7%
Douglas County	5.7	5.2	4.8	4.1	3.7
State of Kansas	6.5	5.8	5.3	4.5	4.2

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

## Permits Issued by the City

<u>Year</u>	New Single Family Residential		New Commercial/Industrial		Total Value* (All Permits)
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2015	161	\$44,921,350	22	\$35,494,368	\$227,899,792
2014	101	26,561,875	18	25,270,632	99,707,903
2013	155	36,875,582	9	49,927,401	171,995,682
2012	123	29,381,806	12	11,839,853	100,656,131
2011	95	22,281,269	15	23,412,046	107,767,956
2010	146	28,462,343	9	13,609,341	85,005,034

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

Source: City of Lawrence.

## Labor Contracts

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

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Lawrence Police Officers Association	121	December 31, 2018
Local 1596 International Association of Firefighters	<u>110</u>	December 31, 2019
Subtotal	231	
Non-unionized employees	<u>600</u>	
Total full-time employees	831	

## THE SYSTEM

### History, Organization, and Operation of the System

The City of Lawrence Utilities Department (the “Department”) has the responsibility of providing water and sewage service to the City and portions of the outlying area. The Department operates through the Director of Utilities, Dave Wagner, under the delegated authority of the City Manager, Mr. Thomas M. Markus.

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

### Description of Existing Facilities of the System

#### The Water Utility

The City’s water system provides exclusive treated water service to approximately 33,221 customers, most of whom are located within the corporate limits of the City. Treated water service is also currently provided on a wholesale basis to six rural water districts (one of which is on an emergency need basis) and the City of Baldwin, Kansas. The water system is capable of drawing on both the Kansas River and the Clinton Reservoir for raw water.

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

<u>Source</u>	<u>Acre Feet Per Year</u>
Kansas River	25,017.57
Clinton Reservoir	<u>14,598.00</u>
Total	39,615.57

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

The water utility service area is supplied from the Kaw Water Treatment Plant and the Clinton Water Treatment Plant. The Kaw Plant is a 16.0 million gallon per day (mgd) capacity water treatment plant located near the Kansas River at Third and Indiana Streets and has been in operation since 1917. The Clinton Plant is located near the Clinton Reservoir in the southwestern portion of the City and has been in operation since 1980. Subsequent expansions to the Clinton Plant in 2002, 2004, and 2009 have increased that Plant’s original 10.0 mgd capacity to 20.0 mgd. The distribution system includes over 520 miles of water mains and 3,480 fire hydrants. The daily average volume of water treated was 10.1 mgd in 2015. The highest recorded amount of water treated was 24.6 mgd. The City uses conventional water treatment technology including lime softening, coagulation and filtration.

## The Wastewater Utility

The wastewater utility provides exclusive service to virtually the same customers that are served by the water utility. The City's wastewater collection system includes over 452 miles of sewers and includes lines up to 48 inches in diameter. The Department maintains 31 sewage lift stations. Primary and secondary treatment of collected sewage is provided at the 12.5 mgd capacity dry weather and 25.0 mgd wet weather wastewater treatment plant located on the Kansas River near the eastern edge of the City. The plant also has an excess flow treatment facility capable of treating an additional 40.0 mgd during peak wet weather flows. The plant was first placed in service in 1956 and upgraded in 2004 and 2013. The daily average treatment for 2015 was approximately 10.0 mgd.

## **Capital Improvement Plan**

The City's current capital improvement plan for the System includes approximately \$54.3 million of capital improvements through 2017. The City currently expects to finance approximately \$54.1 million of this through the issuance of additional Parity Bonds, and approximately \$3.8 million of this will be paid with operating revenues of the System. The planned improvements are primarily related to the final phase of the Wakarusa Wastewater Treatment Plant improvements and various upgrades to the System.

## **Regulatory Matters**

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

## **Customers**

### Sales

The following table shows System water sales by type of customer for the most recently completed calendar year (2015):

<u>Customer Category</u>	<u>Water Usage (Thousand Gallons)</u>	<u>Amount</u>
Residential	1,668,516	\$ 9,229
Multifamily	332,837	1,470
Commercial	907,480	3,664
Industrial	159,482	566
Wholesale	<u>338,862</u>	<u>1,017</u>
Total	3,407,177	\$15,946

### Historical Customers – Water

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

<u>Year</u>	<u>Average Number of Water Service Connections</u>				<u>Total</u>
	<u>Residential</u>	<u>Multifamily</u>	<u>Other</u>		
2015	29,988	798	2,366		33,152
2014	29,862	807	2,334		33,003
2013	30,028	781	2,088		32,897
2012	29,887	759	2,084		32,730
2011	29,671	755	2,078		32,504

<u>Year</u>	<u>Water Sales Volume (Thousand Gallons)</u>					<u>Total</u>
	<u>Residential</u>	<u>Multifamily</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	
2015	1,668,516	322,837	907,480	159,482	338,862	3,407,177
2014	1,727,411	322,304	614,996	159,250	821,537	3,645,498
2013	1,795,066	332,023	541,871	148,708	877,713	3,695,381
2012	2,173,301	328,180	662,922	175,000	1,063,870	4,403,273
2011	1,935,174	328,522	592,669	153,478	825,658	3,835,501

### Historical Customers – Sewer

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

<u>Year</u>	<u>Service Connections</u>	<u>Actual Daily Average of Treatment (mdg)</u>
2015	32,395	10.0
2014	33,003	10.2
2013	32,239	10.5
2012	32,075	12.2
2011	31,854	10.7

### Largest Customers

The top ten water consumers during 2015 are as follows:

<u>Customer</u>	<u>Water Sales Volume</u>	<u>% of Total</u>	<u>Water Revenues</u>	<u>% of Total</u>
Kansas University	204,063,300	5.82%	\$745,971.99	4.67%
City of Baldwin	165,028,900	4.71	495,336.81	3.10
Rural Water District #5	59,917,400	1.71	179,820.85	1.12
Alvamar Golf Course	51,818,200	1.48	208,819.51	1.31
ICL Performance Products	51,269,800	1.46	187,535.65	1.17
Westar Energy	45,612,200	1.30	184,203.93	1.15
Packer Plastics	40,159,700	1.15	138,253.37	0.86
Rural Water District #4	38,884,000	1.11	116,662.64	0.73
Rural Water District #1	35,143,300	1.00	105,432.14	0.66
Eagle Bend Golf Course*	33,143,000	0.95	-	0.00

\* Eagle Bend Golf Course is owned by the City and, therefore, no revenues are generated from its water usage.



## Wholesale Contracts

The City has entered into wholesale contracts with the City of Baldwin, Kansas, and five other rural water districts in the State of Kansas for the sale of treated water. During 2015, the City of Baldwin, Kansas, comprised approximately 3.10% of the total water revenues and 4.71% of the total water sales volume of the System. The City's agreement with the City of Baldwin terminates in 2052. During 2015, Rural Water District #5 comprised approximately 1.12% of the total water revenues and 1.71% of the total water consumption of the System. The City's agreement with Rural Water District #5 may be terminated by either party at any time with 36 months' notice.

## **Rates and Charges**

### General

All rates and charges related to the System are determined solely by the governing body of the City and are not subject to further regulatory approval. The governing body of the City annually reviews System rates and charges. The City is completing a rate study to evaluate charges related to the System in consultation with Raftelis Financial Consultants. The last rate study was performed by a third-party in 2004, and has since been annually updated by City staff. Most recently, the governing body of the City approved rate increases for years 2016 and 2017, effective November 15, 2015 are shown below.

### Water Service Charges

Monthly volume charges for water service to water service customers, including residential units, institutions, business or industry served by a single water meter, except rural water districts and other municipalities, effective on and after November 15, 2015, are shown below:

Customer Class	Inside City		Outside City	
	Effective as of November 15, 2015	Effective as of November 15, 2016	Effective as of November 15, 2015	Effective as of November 15, 2016
Residential	\$5.23/1,000 gal	\$5.70/1,000 gal	\$5.66/1,000 gal	\$6.17/1,000 gal
Multifamily	\$3.39/1,000 gal	\$3.72/1,000 gal	\$5.42/1,000 gal	\$5.95/1,000 gal
Commercial	\$4.37/1,000 gal	\$4.72/1,000 gal	\$4.40/1,000 gal	\$4.76/1,000 gal
Industrial	\$3.74/1,000 gal	\$4.04/1,000 gal	\$3.98/1,000 gal	\$4.30/1,000 gal

Monthly charges for water service to rural water districts and other municipalities are currently set at \$3.14 / 1,000 gallons effective as of November 15, 2015, at \$3.30 / 1,000 gallons effective as of November 15, 2016 or at such rates as contracted by the City.

Monthly water service charges per water meter, effective on and after November 15, 2015, are shown below:

Meter Size (Inches)	Inside City		Outside City	
	Effective as of November 15, 2015	Effective as of November 15, 2016	Effective as of November 15, 2015	Effective as of November 15, 2016
5/8	\$3.40	\$3.55	\$3.57	\$3.75
1	\$4.05	\$4.25	\$4.05	\$4.05
1 ½	\$4.70	\$4.90	\$4.70	\$4.70
2	\$6.50	\$6.80	\$6.40	\$6.40
3	\$19.50	\$20.50	\$19.00	\$19.00
4	\$24.50	\$25.50	\$24.00	\$24.00
6	\$36.00	\$38.00	\$35.00	\$35.00
8	\$49.00	\$51.00	\$48.00	\$48.00
10	\$64.00	\$67.00	\$62.00	\$62.00
12	\$75.00	\$78.00	\$73.00	\$73.00
15	\$100.00	\$104.00	\$103.41	\$111.95

### Sewer Service Charges

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

Monthly volume charges for sewer service to wastewater customers, effective on and after November 15, 2015, are shown below:

Monthly Water Use	Inside City		Outside City	
	Effective as of November 15, 2015	Effective as of November 15, 2016	Effective as of November 15, 2015	Effective as of November 15, 2016
Volume Charge	\$5.81/1,000 gal	\$6.29/1,000 gal	\$7.65/1,000 gal	\$8.29/1,000 gal

Monthly sewer service charges per water meter, effective on and after November 15, 2015, are shown below:

Meter Size (Inches)	Inside City		Outside City	
	Effective as of November 15, 2015	Effective as of November 15, 2016	Effective as of November 15, 2015	Effective as of November 15, 2016
All Meter Sizes	\$11.65	\$12.10	\$12.43	\$12.91

Surcharges are applied if the biochemical oxygen demand (“BOD”) strength or total suspended solids (“TSS”) strength of wastewater exceeds certain levels. The surcharges, effective on and after November 15, 2015, are shown below:

Surcharge Type	Inside City		Outside City	
	Effective as of November 15, 2015	Effective as of November 15, 2016	Effective as of November 15, 2015	Effective as of November 15, 2016
BOD in dollars per pound - ICBOD	\$0.5639	\$0.6822	\$0.7998	\$0.9675
TSS in dollars per pound - ICTSS	\$0.3245	\$0.3245	\$0.3897	\$0.3897

### Historic Revenues and Expenses

The following table shows the revenues, expenses, and changes in net assets from the Water and Sewer Fund for the last five years. Water and sewage charges have shown steady growth during the period. In 2012, water usage was high due to the dry summer, and a commensurate higher demand for water.

	2011	2012	2013	2014	2015
Revenues:					
Water and Sewer Charges	\$ 30,756,730	\$ 33,994,431	\$ 32,026,001	\$ 33,960,797	\$ 35,342,902
Water Tap Extensions	72,353	100,766	-	-	-
Other Revenues	260,595	250,036	233,757	170,178	266,066
Total Operating Revenues	\$ 31,089,678	\$ 34,345,233	\$ 32,259,758	\$ 34,130,975	\$ 35,608,968
Expenses:					
Administrative	\$ 4,676,578	\$ 4,705,841	\$ 4,486,658	\$ 4,853,111	\$ 5,295,449
Operation & Maintenance	13,426,229	14,918,277	14,438,767	14,782,083	14,342,540
Depreciation & Amortization	5,736,635	6,046,970	6,269,342	6,444,168	6,665,565
Total Operating Expenses	\$ 23,839,442	\$ 25,671,088	\$ 25,194,767	\$ 26,079,362	\$ 26,303,554
Non-Operating Revenues (Expenses):					
Gain (Loss) on sale	\$ -	\$ 24,972	\$ 12,907	\$ 9,625	\$ 600
Interest Income	87,727	93,366	81,544	18,815	219,238
Interest Expense	(3,223,202)	(3,077,997)	(2,985,423)	(2,905,045)	(5,692,257)
Transfers	(3,021,849)	(3,084,896)	(3,084,896)	(3,215,017)	(3,084,896)
Reimbursements	318,530	354,956	608,004	216,330	416,156
Total Non-Operating	\$ (5,838,794)	\$ (5,689,599)	\$ (5,367,864)	\$ (5,875,292)	\$ (8,141,159)
Net income	\$ 1,411,442	\$ 2,984,546	\$ 1,697,127	\$ 2,176,321	\$ 1,164,255
Net Assets January 1	\$ 136,350,773	\$ 137,762,215	\$ 140,746,761	\$ 142,443,888	\$ 144,620,209
Restatement	\$ -	\$ -	\$ -	\$ -	\$ (6,461,636)
Net Assets December 31	\$ 137,762,215	\$ 140,746,761	\$ 142,443,888	\$ 144,620,209	\$ 139,322,828

## **GOVERNMENTAL AUDIT SECTION**

CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$ 27,497
Federal Transit Formula Grant	20.507	2,700,598
Passed Through Kansas Department of Transportation		
Highway Planning and Construction	20.205	976,905
DOT Federal Highway Administration	20.216	296,022
Federal Transit Capital Investment Grants	20.500	1,024,148
State and Community Highway Safety	20.600	<u>33,745</u>
Total U.S. Department of Transportation		<u>5,058,915</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	394,701
HOME Investments Partnership Program	14.239	385,146
Fair Housing Initiatives Program	14.420	24,493
Passed Through Kansas Housing Resource Corp.		
Emergency Solutions Grant Program	14.231	<u>166,162</u>
Total U.S. Department of Housing and Urban Development		<u>970,502</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	11,199
Edward Byrne Memorial Competitive Grant Program	16.738	<u>94,260</u>
Total U.S. Department of Justice		<u>105,459</u>
Total Expenditures of Federal Awards		<u>\$ 6,134,876</u>

CITY OF LAWRENCE, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2015

1. General

The accompanying Schedule of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Lawrence, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)  
20.507

Name of Federal Program or Cluster  
Federal Transit Formula Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
December 31, 2015

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

None Noted

Prior Year Finding

None Noted



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Mayor and City Commissioners  
City of Lawrence, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2016. Our report includes a reference to other auditors who audited the financial statements of the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lawrence Public Library were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas

May 13, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mayor and City Commissioners  
City of Lawrence, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Lawrence, Kansas, (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Kansas Municipal Audit and Accounting Guide. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas

May 13, 2016