

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2016

**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, 2016

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City of Lawrence

FINANCE

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CITY MANAGER

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CITY COMMISSION

MAYOR
LESLIE SODEN

COMMISSIONERS
STUART BOLEY
MIKE AMYX
MATTHEW J. HERBERT
LISA LARSEN

May 19, 2017

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2016 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, 2016 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 unmodified opinion that the City of Lawrence's financial statements for the year ended December 31, 2016, 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 2016 of 97,948.

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, Lawrence Memorial Hospital, and eXplore Lawrence 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 in the year, each department submitted 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 2016, 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.

In 2016, the first opportunity for public comment on the budget was in June. The City Manager then prepared a recommended budget that was reviewed and revised by the Commissioners. A summary was published in the Lawrence Journal-World and the recommended budget is available on the City's website.

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

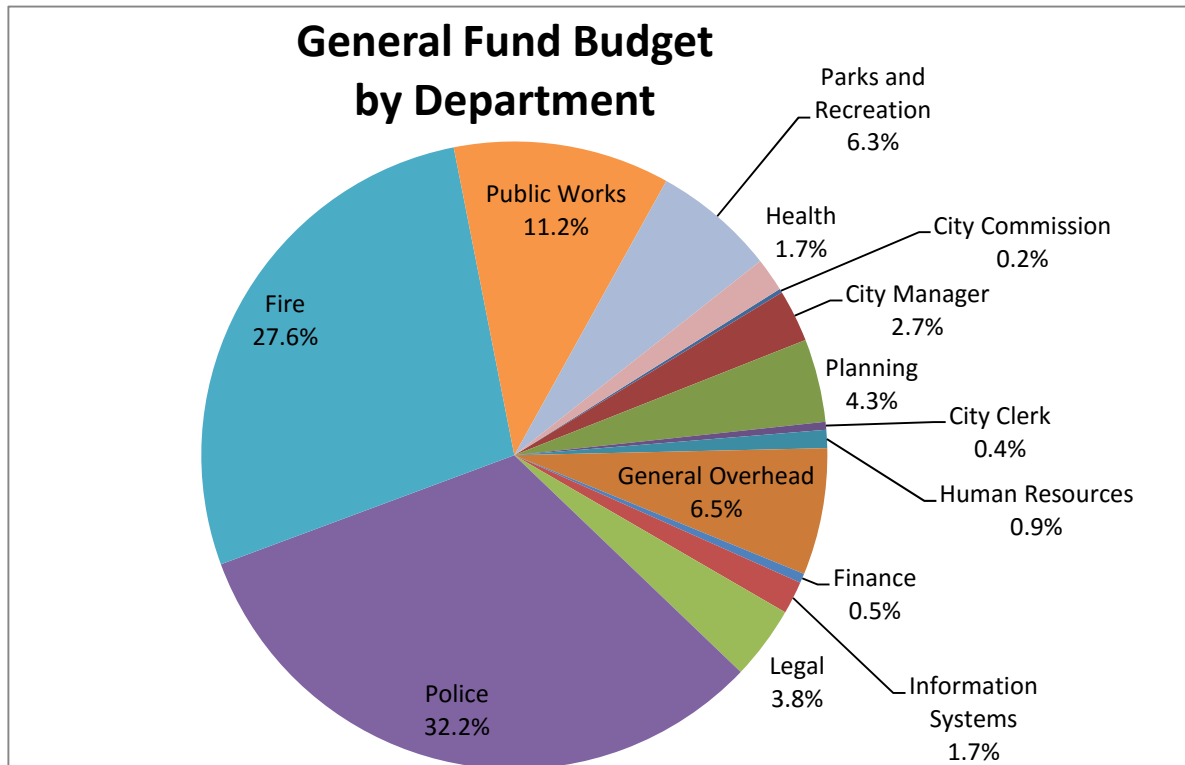
The budget is posted on the City's website and made available for the public. In addition to dollar amounts, this document contains narrative information on the purpose and mission, the accomplishments, goals and objectives, and performance indicators of each department and division.

In 2017, the budget process has changed. Early in the year departments submit Capital Improvement Plans (CIP) for the next five years. These plans are then measured against the City's critical success factors. In 2017, the critical success factors are:

- Effective Governance and Professional Administration
- Safe, Healthy and Welcoming Neighborhoods
- Innovative Infrastructure and Asset Management
- Commitment to Core Services
- Sound Fiscal Stewardship
- Collaborative Solutions
- Economic Growth and Security

The proposed CIP then is balanced to a five-year financial forecast. Each department then sends a requested operational budget to the City Manager in April and May. The City Manager presents a proposed budget along with the balanced CIP. There are several meetings available for public comment and deliberation. The budget is adopted before August 25 of each year.

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, 15.2% in trade, transportation and utilities, 33.6% in service-providing industries, and 31.8% 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 2016 was 3.6%, which is down from 3.7% in 2015. The total civilian labor force was 52,444 in December 2016. The average annual unemployment rate for 2013, 2014 and 2015 was 4.8%, 4.0% and 3.7% respectively. The number of homes sold in Lawrence during 2016 was 1,210 up 2.2% from the 1,184 in 2015. The median selling price for a home was \$178,000 during the year representing a 5.3% increase over the \$169,000 median selling price in 2015.

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.

2016 Major Economic Development Support Programs			
Incentive Program	Description	Location	Map #
Tax Abatements	Amarr	3800 Greenway circle	1
	Screen-It Graphics/Grandstand	3840 Greenway Circle	2
	Rock Chalk Park	6100 Rock Chalk Drive	3
	Sunlite Science & Technology, Inc.	4811 Quail Crest Place	4
Industrial Revenue Bonds (IRB)	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd Street	5
	Rock Chalk Park	6100 Rock Chalk Drive	6
	1101 Indiana Street (HERE Kansas)	1101/1115 Indiana Street	7
	9th & New Hampshire--North Project	100 E 9th Street	8
	Peaslee Technical Training Center-2015 & 2016	2920 Haskell Avenue	9
	Pioneer Ridge	1000 Wakarusa Drive	10
	800 New Hampshire	800 New Hampshire Street	11
	826 Pennsylvania Street	826 Pennsylvania Street	12
Neighborhood Revitalization Areas (NRA)	8th and Pennsylvania Street District	720 E 9th Street	13
	1040 Vermont (Treanor Headquarters)	1040 Vermont Street	14
	810/812 Pennsylvania (Cider Building)	810/812 Pennsylvania Street	15
	1106 Rhode Island Street (Hernly Associates)	1106 Rhode Island Street	16
	1101 Indiana Street (HERE Kansas)	1101/1115 Indiana Street	17
	900 Delaware Street (9 Del Lofts)	900 Delaware Street	18
	826 Pennsylvania Street	826 Pennsylvania Street	19
	Downtown 2000 District	9th & New Hampshire area	20
Tax Increment Financing (TIF)	901 New Hampshire (TIF Refund)	901 New Hampshire	21
	Oread Project	1200 Oread Avenue	22
	9th & New Hampshire TIF District	900 New Hampshire, 888 New Hampshire	23
	Free State (Bauer Farm)	NEC 6th & Wakarusa	24
Transportation Development Districts (TDD)	Oread Project	1200 Oread Avenue	25
	9th & New Hampshire TDD District	900 New Hampshire, 888 New Hampshire	26
2016 Other Support Programs			
Support Program	Description	Location	Map #
Economic Development Services	BTBC	2029 Becker & 4950 Research Pkwy	27
Economic Development Services	Chamber and KU-SBDC	718 New Hampshire	28
Shared Infrastructure	Rock Chalk Park	6100 Rock Chalk Drive	29
Development Grant	1106 Rhode Island Street Improvements	1106 Rhode Island Street	30
Relocation Assistance	Integrated Animal Health	2029 Becker Drive	31
Workforce Training	Peaslee Technical Training Center	2920 Haskell Avenue	32
Affordable Housing	Cedarwood Sr. Cottages	2575 Cedarwood Avenue	33

All the companies receiving a property tax abatement in 2016 met employment compliance as per their performance agreement. Amarr Garage Doors exceeded projected employment by 458% and Grandstand exceeded projected employment by 220%. Sunlite achieved 56% of their projected employment for the 2016 abatement year.

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 continued in 2016 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. Unemployment has slightly decreased, and remains below both the state and national averages.

On September 29th, 2010, the City acquired the former Farmland Industries Nitrogen Plant and as a result became responsible for completing its environmental remediation. The City received \$8.5 million from the Farmland Trust with the acquisition of the property and must use the funds primarily for the remediation of nitrate impacted groundwater. The end goal is repurpose the property as a future business park. The projects listed below give a brief overview of the progress to date for the site. The City spent \$647,514 on demolition and clean-up related costs in 2013. The City Commission approved the formation of a special benefit district in 2012 that included 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. These included the interceptor trench and the RCRA Site remediation. The calendar year 2016 saw the completion of the regional stormwater detention basin for a total cost of \$911,218.

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.

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, 2015. This was the twenty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement,

the City 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.

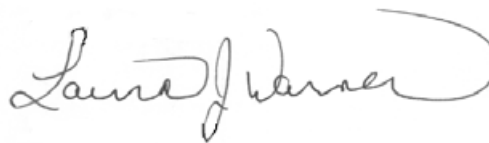
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2017 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial 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, Jennifer Werth and Nate Blum. 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,

A handwritten signature in dark ink, appearing to read "Bryan Kidney".

Bryan Kidney
Finance Director

A handwritten signature in dark ink, appearing to read "Laura Warner".

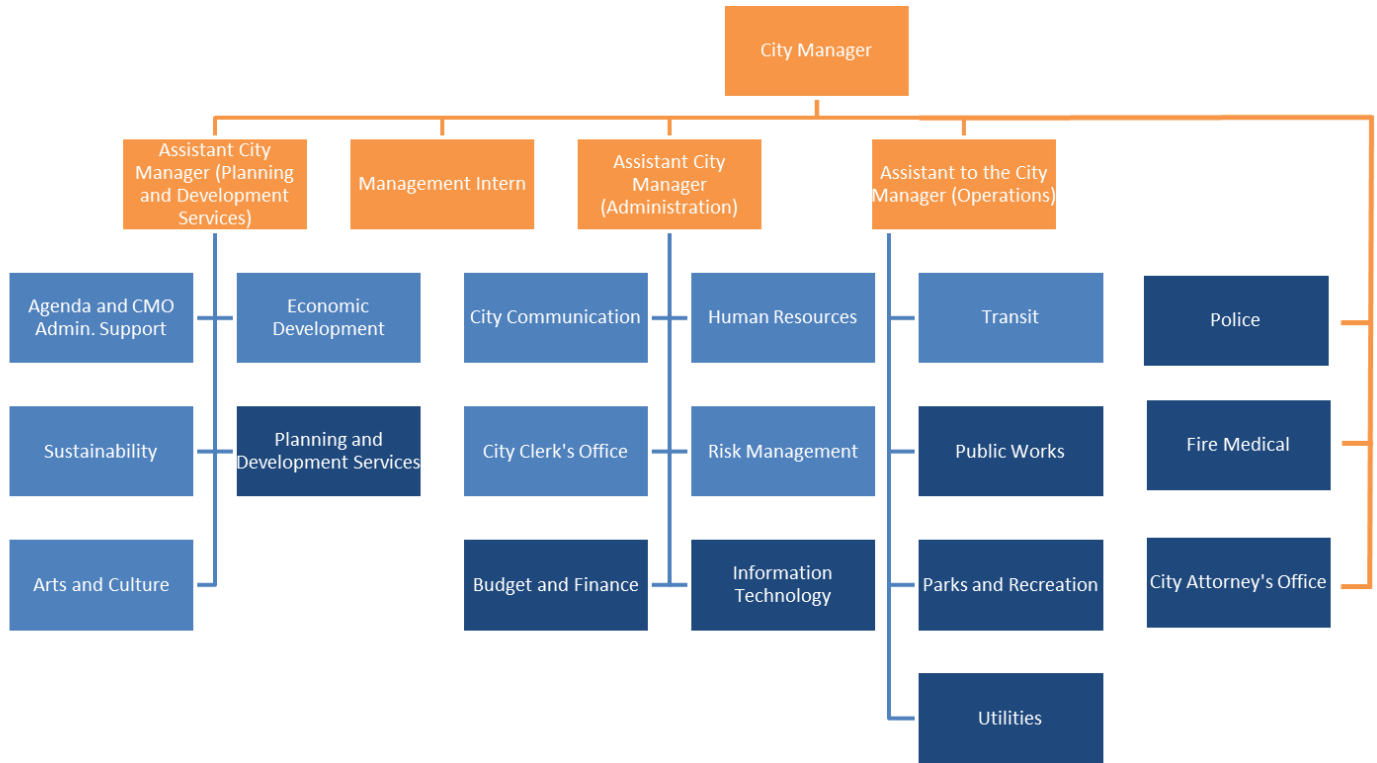
Laura Warner
Accountant

CITY OF LAWRENCE, KANSAS

List of Principal Officials
December 31, 2016

TITLE	NAME
Mayor	Mike Amyx
Vice Mayor	Leslie Soden
Commission Member	Stuart Boley
Commission Member	Matthew Herbert
Commission Member	Lisa Larsen
City Manager	Thomas Markus
Assistant City Manager	Diane Stoddard
Assistant City Manager	Casey Toomay
Assistant to the City Manager	Brandon McGuire
City Clerk	Sherri Riedemann
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

City of Lawrence Organizational Chart





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, 2015

Executive Director/CEO

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets and deferred outflows of resources of \$262,106,264 as of December 31, 2016 and total expenses of \$210,414,639 for the year then ended, the Lawrence-Douglas County Housing Authority which statements reflect total assets and deferred outflows of resources of \$19,955,413 as of December 31, 2016 and total expenses of \$8,715,830 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.

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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, 2016, 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

Prior Period Adjustment

As discussed in Note 15 to the financial statements, a City policy change and certain errors resulting in amounts previously reported as deferred revenue as of December 31, 2015, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2016, 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 56, the schedule of the City's proportionate share of the net pension liability on page 57, and the schedule of City contributions on page 57 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 19, 2017, 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 19, 2017

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, 2016. 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 2016 by \$354.4 million. This is our total net position. Of this amount, \$23.1 million is not specifically assigned for restricted purposes and may be used to meet the government's ongoing obligations.
- The City's net position of governmental activities increased by \$12.8 million in 2016. Of that portion, \$3.4 was due to a prior period adjustment due to changing the sales tax receivable policy from one month accrual to two month accrual.
- The City's net position of our business-type activities increased by \$6.4 million.
- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$50.7 million, an increase of \$3.2 million in comparison with the prior year.
- The City's total long term liabilities increased by \$45.8 million during the year primarily due to the issuance of revenue bonds of \$60.3 million. Of this, \$27.1 million was for the purpose of refunding existing debt.
- eXplore Lawrence, a private non-profit, was added as a special revenue fund for the audited financial statements. The financial and oversight arrangement between the City and eXplore Lawrence requires reporting the organization as a new blended component unit.

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. Based on this criteria the City's financial position continues to improve.

The statement of activities presents information showing how the City's net position changed during the 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 component units of the City. Component units of a city are those that are fiscally dependent on the City or the significance of their

relationship with the City should be disclosed. The City has four component units. The Lawrence Public Library, Lawrence Housing Authority and Lawrence Memorial Hospital are considered discretely presented and are shown separately on the face of the financial statements. eXplore Lawrence is considered a blended component unit and is therefore combined within the City's primary governing statements as a Special Revenue Fund. This means that the City is actually showing total intergovernmental revenue twice in the combining statements that begin on page 61, once in the Guest Tax Fund and again in the eXplore Lawrence Fund.

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 two categories: governmental and proprietary.

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 35 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, debt service fund and the capital projects 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.

Budgets were adopted by the governing body for 2016 operations for the general fund plus eight additional governmental funds. A budgetary comparison statement has been provided for the budgeted governmental funds to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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.

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

Notes to the financial statements. The notes 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 Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 106,887	\$ 104,931	\$ 108,882	\$ 90,291	\$ 215,769	\$ 195,222
Non-current Assets	266,892	264,112	286,456	254,041	553,348	518,153
Deferred outflows of resources	<u>14,133</u>	<u>4,522</u>	<u>2,672</u>	<u>1,111</u>	<u>16,805</u>	<u>5,633</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 387,912</u>	<u>\$ 373,565</u>	<u>\$ 398,010</u>	<u>\$ 345,443</u>	<u>\$ 785,922</u>	<u>\$ 719,008</u>
Current Liabilities	\$ 29,098	\$ 31,270	\$ 20,235	\$ 16,507	\$ 49,333	\$ 47,777
Non-current Liabilities	138,936	136,084	210,990	167,993	349,926	304,077
Deferred Inflows	<u>31,839</u>	<u>30,968</u>	<u>419</u>	<u>928</u>	<u>32,258</u>	<u>31,896</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 199,873</u>	<u>\$ 198,322</u>	<u>\$ 231,644</u>	<u>\$ 185,428</u>	<u>\$ 431,517</u>	<u>\$ 383,750</u>
Net Position:						
Net Investment in Capital Assets	\$ 176,378	\$ 165,283	\$ 136,698	\$ 138,095	\$ 313,076	\$ 303,378
Restricted	16,177	17,032	2,008	-	18,185	17,032
Unrestricted	<u>[4,516]</u>	<u>[7,072]</u>	<u>27,660</u>	<u>21,920</u>	<u>23,144</u>	<u>14,848</u>
Total Net Position	<u>\$ 188,039</u>	<u>\$ 175,243</u>	<u>\$ 166,366</u>	<u>\$ 160,015</u>	<u>\$ 354,405</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 2016, the City continues to have a negative balance in unrestricted net position for governmental activities. This is due to the implementation of GASB 68 in 2015 for net pension obligations. 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 an increase in net position for the governmental type funds due to recognizing an additional month of tax receivable as well as an increase in construction of infrastructure. The City's pension plan also recognized a deferred outflow of resources due to the net differences between projected and actual earnings on investments.

There was also an increase of \$6.4 million in net position reported in connection with the business-type activities. Capital assets increased primarily due to continuing work on the Wakarusa River Wastewater Treatment Plant and other water and wastewater improvements.

The City's overall net position increased by \$19.1 million during 2016. This is due to citywide revenues exceeding expenditures in both government and business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 16,935	\$ 12,605	\$ 57,284	\$ 53,264	\$ 74,219	\$ 53,264
Operating Grants	10,649	11,137	-	-	10,649	11,137
Capital Grants	1,055	390	-	-	1,055	390
General Revenues:						
Property Taxes	31,871	30,163	-	-	31,871	30,163
Sales Taxes	38,936	25,563	-	-	38,936	25,563
Franchise Fees	7,448	7,128	-	-	7,448	7,128
Unrestricted Grants	765	11,231	-	-	765	11,231
Other	<u>3,775</u>	<u>2,681</u>	<u>1,066</u>	<u>1,000</u>	<u>4,841</u>	<u>3,681</u>
Total Revenues	<u>111,434</u>	<u>100,898</u>	<u>58,350</u>	<u>54,264</u>	<u>169,784</u>	<u>155,162</u>
Expenses						
General Government	28,734	31,176	-	-	28,734	31,176
Public Safety	36,497	33,067	-	-	36,497	33,067
Public Works	18,222	20,263	-	-	18,222	20,263
Health	1,245	775	-	-	1,245	775
Social Services	2,105	9,914	-	-	2,105	9,914
Culture and Recreation	10,765	1,098	-	-	10,765	1,098
Tourism	2,747	2,804	-	-	2,747	2,804
Airport	145	-	-	-	145	-
Economic Development	765	-	-	-	765	-
Interest on Long-term Debt	3,092	-	-	-	3,092	-
Water and Sewer	-	-	34,619	32,175	34,619	32,175
Sanitation	-	-	11,092	10,943	11,092	10,943
Public Parking	-	-	1,821	1,405	1,821	1,405
Storm Water	-	-	1,231	1,787	1,231	1,787
Golf	-	-	978	962	978	962
Total Expenses	<u>104,317</u>	<u>99,097</u>	<u>49,741</u>	<u>47,272</u>	<u>154,058</u>	<u>146,369</u>
Excess [Deficiency]	7,117	1,801	8,609	6,992	15,726	8,793
Transfers	<u>2,258</u>	<u>3,653</u>	<u>[2,258]</u>	<u>[3,653]</u>	<u>-</u>	<u>-</u>
Change in Net Position	9,375	5,454	6,351	3,339	15,726	8,793
Beginning Net Position	175,243	217,876	160,015	168,273	335,258	386,149
Prior Period Adjustment	<u>3,421</u>	<u>[48,087]</u>	<u>-</u>	<u>[11,597]</u>	<u>3,421</u>	<u>[59,684]</u>
Ending Net Position	<u>\$ 188,039</u>	<u>\$ 175,243</u>	<u>\$ 166,366</u>	<u>\$ 160,015</u>	<u>\$ 354,405</u>	<u>\$ 335,258</u>

Key elements of governmental activities during the year are as follows:

Total governmental revenues increased by \$10.6 million in 2016. 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 EMS charges to Douglas County as well as the addition of eXplore Lawrence as a blended component unit of the City.

Expenditures for governmental purposes increased 5.3%. The increases are largely attributable to salary and pension increases, as well as increased expenditures due to a change in capitalization policy from \$5,000 to \$20,000 for equipment. In addition, eXplore Lawrence added \$1.0 million in expenditures.

Business-type activities

The Water and Sewer Fund, Sanitation Fund, Storm Water Fund and Public Parking Fund experienced positive changes in net position while 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 \$2.5 million due to increases in water and sewer rates for 2016.
- Positive net income in the Sanitation Fund equaling \$3.3 million due in part to the transfer of construction funds from a reserve account.
- Positive net income in the Storm Water Fund equaling \$0.9 million due to an increase in revenues. Storm water fee rates were not changed in 2016.

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, 2016, the City of Lawrence's governmental funds reported combined ending fund balances of \$50.7 million, an increase of \$3.2 million from the prior year. The City has three 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 2016, unassigned general fund balance totaled \$20.0 million, while total general fund balance was \$20.6 million. Unassigned general fund balance represents 31.7% of total general fund expenditures, exceeding 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 2016 adopted General Fund budget was not amended by the City Commission during the year. However, the City revises projections as part of the preparation of the next fiscal budget. On the revenue side, overall revenues were under the legally adopted budgeted amount by \$8.2 million, but exceeded the revised projected revenue by \$1.3 million.

General fund budget basis expenditures increased 2.4%. This is primarily due to public safety expenditures. These increased 5.7% 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 6.0% in sales tax revenues
- An increase of 2.8% in property tax revenues due to increased assessed valuation.
- An increase of 2.4% in general fund expenditures, driven by compensation increases and increased pension contributions.

The debt service fund has a total fund balance of \$10.9 million, 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 \$11.1 million. 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. The City subsequently issued General Obligation financing to take out a portion of the bond anticipation notes on May 2, 2017.

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 \$40.0 million at the end of 2016. The unrestricted net position of the Sanitation Fund amounted to \$3 million at the end of 2016. The change in net position for the Water and Sewer Fund was \$2.5 million. The Sanitation Fund had an increase in net position of \$3.3 million.

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, 2016, amounts to \$553.3 million (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 6.8%. For governmental activities, this was primarily normal equipment replacement and infrastructure with the addition of a new large pump station in north Lawrence. The business-type activity additions of \$32.4 million were primarily due to the new wastewater treatment plant and related water and wastewater improvements. (For additional information on the city's capital assets refer to Note 6).

The major capital asset addition during the year was the increase in the Wakarusa River Wastewater Treatment Plant CIP of \$23.4 million resulting in total CIP for the plant of \$49.1 million.

City of Lawrence's Capital Assets (net of depreciation) (000's)						
	Governmental		Business-type		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 16,435	\$ 16,423	\$ 6,977	\$ 6,893	\$ 23,412	\$ 23,316
Buildings	50,818	52,994	60,954	62,950	111,772	115,944
Improvements	15,775	16,676	142,070	125,129	157,845	141,805
Equipment	12,702	14,084	5,758	6,010	18,460	20,094
Infrastructure	157,212	154,501	-	-	157,212	154,501
Construction in Progress	<u>13,951</u>	<u>9,433</u>	<u>70,696</u>	<u>53,059</u>	<u>84,647</u>	<u>62,492</u>
Total	<u>\$ 266,893</u>	<u>\$ 264,111</u>	<u>\$ 286,455</u>	<u>\$ 254,041</u>	<u>\$ 553,348</u>	<u>\$ 518,152</u>

Long-term debt

At the end of 2016, the City of Lawrence had total bonded debt outstanding of \$265.0 million. Of this amount, \$98.0 million 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). (For additional information on the city's debt refer to Note 5).

The City's total outstanding bonded debt increased \$37.5 million during the year. In governmental activities, \$10.6 million in general obligation bonds was retired. In business-type activities, \$60.3 million in revenue bonds were issued to finance the Wakarusa River Wastewater Treatment Plant, other water and sewer improvements and refunding of 2007 and 2009 revenue bonds. The 2009 revenues bonds are an advanced refunding so that debt is still included at 12/31. It is offset by \$8.4 million cash in an irrevocable escrow fund. Additionally, \$13.4 million dollars in general obligation debt was issued to refund the Kansas Public Wastewater Loan. \$7.4 million in debt was retired with storm water revenue, sanitation revenue and water and sewer revenue.

City of Lawrence 2016 Bonded Debt Outstanding
(000's)

	<u>Total</u>	<u>Due in One Year</u>
General obligation bonds	\$ 97,970	\$ 12,395
Revenue bonds	167,045	5,085
Cash with fiscal agent 2009-A Bonds	<u>8,394</u>	<u>335</u>
Net Revenue Bonds Outstanding	<u>158,651</u>	<u>4,750</u>
Net primary government	<u>\$ 256,621</u>	<u>\$ 17,145</u>

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, 2016 the debt limitation for the City of Lawrence was \$298.8 million. The City's general obligation debt as of December 31, 2016 was \$79 million. This is only 26.5% of the maximum allowed under statutes. More information on debt may be found in the statistical section of this CAFR beginning with table 10 and on the City's Investor Relations Site <http://lawrenceksbonds.com>.

Economic Factors and 2016 Budget

The average unemployment rate for Lawrence MSA in 2016 was 3.6%, a decrease of 0.1% from the previous year. This is below the 2016 State average of 4.2%. The City experienced an increase of 4.0% in its assessed valuation in 2016. The 2016 property tax based on the assessed valuation is used to fund the 2017 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.

CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Cash and investments	\$ 67,904,372	\$ 99,236,743	\$ 167,141,115	\$ 112,267,448
Receivables (net of allowance for uncollectibles)				
Accounts	1,954,527	3,246,376	5,200,903	34,432,015
Taxes	29,419,152	-	29,419,152	-
Special assessments	3,615,400	-	3,615,400	-
Intergovernmental	5,764,922	-	5,764,922	-
Franchise fees	765,984	-	765,984	-
Loans	411,460	-	411,460	-
Accrued interest	117,644	138,485	256,129	-
Internal balances	[3,368,814]	3,368,814	-	-
Inventory	301,858	2,453,669	2,755,527	4,133,419
Due from other entities	-	-	-	172,982
Prepays	-	438,045	438,045	7,558,148
Other assets	-	-	-	713,378
Total current assets	106,886,505	108,882,132	215,768,637	159,277,390
Noncurrent assets:				
Capital assets, nondepreciable				
Land	16,434,736	6,976,914	23,411,650	7,646,320
Construction in progress	13,950,652	70,695,959	84,646,611	775,403
Capital assets, depreciable	405,008,427	335,369,101	740,377,528	262,489,423
Less: Accumulated depreciation	[168,501,517]	[126,586,422]	[295,087,939]	[144,544,865]
Total noncurrent assets	266,892,298	286,455,552	553,347,850	126,366,281
Total assets	373,778,803	395,337,684	769,116,487	285,643,671
Deferred outflows of resources				
Deferred amount on refunding	-	-	-	111,870
Pension - contributions subsequent to the measurement date	3,375,821	772,928	4,148,749	196,372
Pension - net difference between projected and actual earnings on pension plan investments	7,602,214	1,498,771	9,100,985	434,884
Pension - differences between expected and actual experience	2,484,087	95,597	2,579,684	21,367
Pension - changes in proportion	671,060	305,077	976,137	211,463
Total deferred outflows of resources	14,133,182	2,672,373	16,805,555	975,956
Total assets and deferred outflows of resources	\$ 387,911,985	\$ 398,010,057	\$ 785,922,042	\$ 286,619,627
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current liabilities:				
Accounts payable	\$ 4,100,666	\$ 7,524,809	\$ 11,625,475	\$ 7,052,147
Accrued payroll	971,058	313,698	1,284,756	12,035,385
Interest payable	939,966	1,250,583	2,190,549	127,858
Retirement obligation payable	-	-	-	452,520
Meter deposits payable	-	1,172,862	1,172,862	-
Due to other entities	-	-	-	932,323
Unearned revenue	-	-	-	182,717
Other liabilities	-	-	-	180,407
Current portion of temporary notes payable	10,876,070	-	10,876,070	-
Current portion of compensated absences payable	3,314,114	894,377	4,208,491	85,949
Current portion of revenue bonds payable	-	5,085,000	5,085,000	1,825,000
Current portion of general obligation bonds payable	8,781,357	3,993,367	12,774,724	-
Current portion of capital lease payable	114,747	-	114,747	-
Total current liabilities	29,097,978	20,234,696	49,332,674	22,874,306
Noncurrent liabilities:				
Compensated absences payable	4,094,202	984,454	5,078,656	225,226
Net OPEB obligation	4,643,832	1,680,333	6,324,165	2,506
Net pension liability	58,565,846	13,490,101	72,055,947	3,681,404
Claims payable	600,864	-	600,864	-
General obligation bonds payable	70,859,288	16,381,828	87,241,116	-
Revenue bonds payable	-	178,453,349	178,453,349	9,640,000
Capital lease payable	171,882	-	171,882	-
Total non-current liabilities	138,935,914	210,990,065	349,925,979	13,549,136
Total liabilities	168,033,892	231,224,761	399,258,653	36,423,442
Deferred inflows of resources				
Unavailable revenue - property taxes	30,077,485	-	30,077,485	-
Advanced revenues	-	-	-	144,416
Pension - differences between expected and actual experience	693,247	251,649	944,896	66,445
Pension - changes in proportion	700,872	7,409	708,281	126,274
Pension - changes of assumptions	367,660	159,628	527,288	34,438
Total deferred inflows of resources	31,839,264	418,686	32,257,950	371,573
Total liabilities and deferred inflows of resources	\$ 199,873,156	\$ 231,643,447	\$ 431,516,603	\$ 36,795,015
Net Position				
Net investment in capital assets	\$ 176,377,845	\$ 136,698,033	\$ 313,075,878	\$ 114,340,687
Restricted for:				
Debt service	10,930,190	1,934,684	12,864,874	912,568
Improvements	4,812,126	73,071	4,885,197	-
Other purposes	434,460	-	434,460	12,366
Unrestricted	[4,515,792]	27,660,822	23,145,030	134,558,991
Total net position	\$ 188,038,829	\$ 166,366,610	\$ 354,405,439	\$ 249,824,612

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, 2016

Net [Expenses] Revenue and Changes in Net Position								
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total	Component Units
Governmental activities:								
General government	\$ 28,734,221	\$ 5,857,934	\$ 3,305,911	\$ 257,687	\$ [19,312,689]	\$ -	\$ [19,312,689]	\$ -
Public safety	36,496,705	5,773,962	110,560	46,899	[30,565,284]	-	[30,565,284]	-
Public works	18,222,484	1,045,289	2,862,545	686,431	[13,628,219]	-	[13,628,219]	-
Health	1,244,979	189,993	-	-	[1,054,986]	-	[1,054,986]	-
Social services	2,105,177	147,461	1,843,755	-	[113,961]	-	[113,961]	-
Culture and recreation	10,765,374	3,703,700	-	64,523	[6,997,151]	-	[6,997,151]	-
Tourism	2,746,841	188,654	2,526,279	-	[31,908]	-	[31,908]	-
Airport	145,227	28,588	-	-	[116,639]	-	[116,639]	-
Economic development	765,183	-	-	-	[765,183]	-	[765,183]	-
Interest on long-term debt	3,091,844	-	-	-	[3,091,844]	-	[3,091,844]	-
Total governmental activities	104,318,035	16,935,581	10,649,050	1,055,540	[75,677,864]	-	[75,677,864]	-
Business-type activities:								
Water and sewer	34,618,665	39,233,985	-	-	-	4,615,320	4,615,320	-
Sanitation	11,091,519	12,775,928	-	-	-	1,684,409	1,684,409	-
Stormwater	1,820,913	3,082,304	-	-	-	1,261,391	1,261,391	-
Public parking	1,231,070	1,444,710	-	-	-	213,640	213,640	-
Golf course	978,457	747,031	-	-	-	[231,426]	[231,426]	-
Total business-type activities	49,740,624	57,283,958	-	-	-	7,543,334	7,543,334	-
Total primary government	\$ 154,058,659	\$ 74,219,539	\$ 10,649,050	\$ 1,055,540	[75,677,864]	7,543,334	[68,134,530]	-
Component units:								
Lawrence Housing Authority	\$ 8,715,830	\$ 1,696,962	\$ 4,924,386	\$ 462,029	-	-	-	[1,632,453]
Lawrence Memorial Hospital	211,591,473	224,108,279	-	1,856,597	-	-	-	14,373,403
Lawrence Public Library	4,238,057	183,119	3,997,817	-	-	-	-	[57,121]
Total component units	\$ 224,545,360	\$ 225,988,360	\$ 8,922,203	\$ 2,318,626	-	-	-	12,683,829
General Revenues:								
Property tax					31,870,781	-	31,870,781	-
Sales tax					38,935,957	-	38,935,957	-
Franchise tax					7,448,325	-	7,448,325	-
Unrestricted grants and contributions					764,798	-	764,798	-
Use of money or property					390,171	500,878	891,049	4,100,982
Miscellaneous					3,385,152	564,790	3,949,942	20,833
Transfers, net					2,257,560	[2,257,560]	-	-
Subtotal general revenues					85,052,744	[1,191,892]	83,860,852	4,121,815
Change in net position					9,374,880	6,351,442	15,726,322	16,805,644
Net position - January 1					175,242,987	160,015,168	335,258,155	233,018,968
Prior period adjustment					3,420,962	-	3,420,962	-
Net position - January 1, restated					178,663,949	160,015,168	338,679,117	233,018,968
Net position - December 31					\$ 188,038,829	\$ 166,366,610	\$ 354,405,439	\$ 249,824,612

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

CITY OF LAWRENCE, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 16,682,240	\$ 11,530,072	\$ 412	\$ 24,599,991	\$ 52,812,715
Receivables:					
Taxes	16,826,565	7,349,742	-	5,242,845	29,419,152
Special assessments	-	3,615,400	-	-	3,615,400
Intergovernmental	5,137,312	-	-	627,610	5,764,922
Accounts (net allowance for uncollectibles)	1,845,421	7,986	-	49,225	1,902,632
Franchise fees	765,984	-	-	-	765,984
Loans	-	-	-	411,460	411,460
Accrued interest	38,301	23,556	1,870	41,627	105,354
Due from other funds	1,037,635	-	-	-	1,037,635
Restricted assets:					
Cash	-	-	-	4,705,873	4,705,873
Total assets	<u>\$ 42,333,458</u>	<u>\$ 22,526,756</u>	<u>\$ 2,282</u>	<u>\$ 35,678,631</u>	<u>\$ 100,541,127</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,544,769	\$ -	\$ -	\$ 951,135	\$ 3,495,904
Accrued payroll	836,236	430	-	115,887	952,553
Due to other funds	-	-	359,000	582,000	941,000
Temporary notes payable	-	-	10,795,000	-	10,795,000
Total liabilities	<u>3,381,005</u>	<u>430</u>	<u>11,154,000</u>	<u>1,649,022</u>	<u>16,184,457</u>
Deferred inflows of resources:					
Unavailable revenue	18,316,801	11,596,136	-	3,793,259	33,706,196
Total liabilities and deferred inflows of resources	<u>21,697,806</u>	<u>11,596,566</u>	<u>11,154,000</u>	<u>5,442,281</u>	<u>49,890,653</u>
Fund balance:					
Nonspendable	-	-	-	434,460	434,460
Restricted	-	10,930,190	-	4,812,126	15,742,316
Assigned	626,605	-	-	25,103,256	25,729,861
Unassigned	20,009,047	-	[11,151,718]	[113,492]	8,743,837
Total fund balances	<u>20,635,652</u>	<u>10,930,190</u>	<u>[11,151,718]</u>	<u>30,236,350</u>	<u>50,650,474</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,333,458</u>	<u>\$ 22,526,756</u>	<u>\$ 2,282</u>	<u>\$ 35,678,631</u>	<u>\$ 100,541,127</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, 2016

Total Governmental Fund Balances		\$ 50,650,474
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	434,154,776	
Accumulated depreciation is	<u>[167,592,451]</u>	266,562,325
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.		
		5,719,092
Pension contributions are reported as an expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position.		
		13,975,559
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.		
		[1,737,943]
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		3,628,711
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[7,262,353]	
Net OPEB obligation	[4,643,832]	
Net pension liability	[57,770,219]	
Claims and judgements payable	[134,675]	
General obligation bonds payable	[79,640,645]	
Temporary note premium	[81,070]	
Capital lease payable	[286,629]	
Accrued interest on the bonds	<u>[939,966]</u>	<u>[150,759,389]</u>
Net Position of Governmental Activities		\$ <u>188,038,829</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, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 50,000,451	\$ 8,492,741	\$ -	\$ 19,761,871	\$ 78,255,063
Special assessments	-	2,014,736	3,664	-	2,018,400
Licenses and permits	1,873,080	-	-	-	1,873,080
Charges for services	6,337,010	-	-	3,769,669	10,106,679
Fines, forfeitures, and penalties	2,382,974	-	-	68,724	2,451,698
Interest	98,627	66,858	7,181	194,029	366,695
Intergovernmental	923,673	-	400,000	11,276,269	12,599,942
Reimbursements	46,289	-	909,625	3,174,746	4,130,660
Miscellaneous	181,900	268,201	35,074	1,085,207	1,570,382
Total revenues	<u>61,844,004</u>	<u>10,842,536</u>	<u>1,355,544</u>	<u>39,330,515</u>	<u>113,372,599</u>
EXPENDITURES					
Current expenditures:					
General government	17,254,928	-	-	10,119,252	27,374,180
Public safety	34,414,104	-	-	1,014,855	35,428,959
Public works	6,167,397	-	-	2,692,494	8,859,891
Health	1,009,010	-	-	236,422	1,245,432
Social services	-	-	-	1,211,398	1,211,398
Culture and recreation	3,560,249	-	-	6,720,700	10,280,949
Tourism	-	-	-	2,739,874	2,739,874
Airport	134,866	-	-	-	134,866
Economic development	-	-	-	765,183	765,183
Capital outlay	671,697	-	3,841,346	9,701,714	14,214,757
Debt service:					
Principal retirement	-	8,521,013	-	2,144,734	10,665,747
Interest and fiscal charges	-	2,292,955	135,687	770,643	3,199,285
Total expenditures	<u>63,212,251</u>	<u>10,813,968</u>	<u>3,977,033</u>	<u>38,117,269</u>	<u>116,120,521</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[1,368,247]</u>	<u>28,568</u>	<u>[2,621,489]</u>	<u>1,213,246</u>	<u>[2,747,922]</u>
Other financing sources [uses]					
Transfers in	5,868,480	-	-	6,267,092	12,135,572
Transfers [out]	[500,000]	-	-	[9,374,995]	[9,874,995]
Capital lease proceeds	-	-	-	244,260	244,260
Total other financing sources [uses]	<u>5,368,480</u>	<u>-</u>	<u>-</u>	<u>[2,863,643]</u>	<u>2,504,837</u>
Net change in fund balance	<u>4,000,233</u>	<u>28,568</u>	<u>[2,621,489]</u>	<u>[1,650,397]</u>	<u>[243,085]</u>
Fund balance - January 1	13,202,220	10,901,622	[8,530,229]	31,898,984	47,472,597
Restatement to fund balance	<u>3,433,199</u>	<u>-</u>	<u>-</u>	<u>[12,237]</u>	<u>3,420,962</u>
Fund balance - January 1, restated	<u>16,635,419</u>	<u>10,901,622</u>	<u>[8,530,229]</u>	<u>31,886,747</u>	<u>50,893,559</u>
Fund balance - December 31	<u>\$ 20,635,652</u>	<u>\$ 10,930,190</u>	<u>\$ [11,151,718]</u>	<u>\$ 30,236,350</u>	<u>\$ 50,650,474</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, 2016

Total Net Change In Fund Balances - Governmental Funds \$ [243,085]

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

Capital outlays to purchase or build assets are reported in governmental funds
as expenditures. However, for governmental activities those costs are shown
in the statement of net position and allocated over their estimated useful lives
as annual depreciation expenses in the statement of activities. This is the
amount by which capital outlays exceeds depreciation in the period.

Capital outlays	14,186,153	
Depreciation expense	<u>[11,360,358]</u>	2,825,795

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.

107,441

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.

[689,291]

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

[2,018,400]

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.

[866,587]

Pension payments are reported as expenditures in the governmental funds and
do not affect the statement of activities.

[398,829]

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	10,255,883
Claims and judgements payable	115,324
Capital leases	<u>286,629</u>

Changes In Net Position of Governmental Activities

\$ 9,374,880

CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2016

	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	\$ 50,000,451	\$ 5,076,731	\$ 55,077,182	\$ 64,432,113	\$ 54,898,082	\$ 179,100
Licenses and permits	1,873,080	[14,286]	1,858,794	1,294,819	1,200,000	658,794
Charges for services	6,337,010	[511,162]	5,825,848	351,900	5,370,000	455,848
Fines, forfeitures, and penalties	2,382,974	-	2,382,974	2,986,807	2,950,000	[567,026]
Interest	98,627	-	98,627	100,642	88,000	10,627
Intergovernmental	923,673	207,908	1,131,581	5,757,143	909,000	222,581
Reimbursements	46,289	[9,922]	36,367	-	-	36,367
Miscellaneous	181,900	356,961	538,861	272,000	262,000	276,861
Total revenues	<u>61,844,004</u>	<u>5,106,230</u>	<u>66,950,234</u>	<u>75,195,424</u>	<u>65,677,082</u>	<u>1,273,152</u>
Expenditures						
General government	17,254,928	[20,159]	17,234,769	19,076,653	17,710,111	475,342
Public safety	34,414,104	488,636	34,902,740	34,027,375	34,027,375	[875,365]
Public works	6,167,397	223,008	6,390,405	7,062,915	7,062,945	672,540
Health	1,009,010	[1,350]	1,007,660	1,043,678	1,043,678	36,018
Culture and recreation	3,560,249	128,706	3,688,955	3,582,765	3,582,765	[106,190]
Airport	134,866	-	134,866	147,404	147,404	12,538
Capital outlay	671,697	[671,697]	-	-	-	-
Total expenditures	<u>63,212,251</u>	<u>147,144</u>	<u>63,359,395</u>	<u>64,940,790</u>	<u>63,574,278</u>	<u>214,883</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[1,368,247]</u>	<u>4,959,086</u>	<u>3,590,839</u>	<u>10,254,634</u>	<u>2,102,804</u>	<u>1,488,035</u>
Other financing sources [uses]						
Transfer in	5,868,480	-	5,868,480	3,656,751	3,657,000	2,211,480
Transfer out	<u>[500,000]</u>	<u>[5,101,809]</u>	<u>[5,601,809]</u>	<u>[22,159,259]</u>	<u>[5,501,000]</u>	<u>[100,809]</u>
Total other financing sources [uses]	<u>5,368,480</u>	<u>[5,101,809]</u>	<u>266,671</u>	<u>[18,502,508]</u>	<u>[1,844,000]</u>	<u>2,110,671</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>4,000,233</u>	<u>[142,723]</u>	<u>3,857,510</u>	<u>\$ [8,247,874]</u>	<u>\$ 258,804</u>	<u>\$ 3,598,706</u>
Fund balance, January 1	13,202,220	[483,882]	12,718,338			
Restatement to fund balance	<u>3,433,199</u>	<u>-</u>	<u>3,433,199</u>			
Fund balance, January 1, restated	<u>16,635,419</u>	<u>[483,882]</u>	<u>16,151,537</u>			
Fund balance, December 31	<u>\$ 20,635,652</u>	<u>\$ [626,605]</u>	<u>\$ 20,009,047</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, 2016

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Current assets:						
Cash	\$ 27,771,134	\$ 7,288,604	\$ 2,954,658	\$ 808,460	\$ 38,822,856	\$ 10,385,784
Receivables (net of allowances for uncollectibles):						
Accounts	2,215,909	850,147	174,239	6,081	3,246,376	51,895
Accrued interest	123,704	9,086	4,686	1,009	138,485	12,290
Inventory	2,449,794	-	-	3,875	2,453,669	301,858
Prepays	438,045	-	-	-	438,045	-
Restricted Cash:						
Customer deposits	1,151,394	21,468	-	-	1,172,862	-
Bond proceeds	21,014,815	-	-	-	21,014,815	-
Current portion of revenue bonds	5,085,000	-	-	-	5,085,000	-
Total current assets	60,249,795	8,169,305	3,133,583	819,425	72,372,108	10,751,827
Noncurrent assets:						
Restricted cash and investments	33,141,210	-	-	-	33,141,210	-
Total restricted assets	33,141,210	-	-	-	33,141,210	-
Capital assets:						
Land	4,652,576	-	1,845,283	479,055	6,976,914	-
Building and improvements	292,710,886	1,555,872	13,108,941	7,729,316	315,105,015	762,567
Construction in progress	69,237,623	1,458,336	-	-	70,695,959	-
Equipment	7,796,441	8,948,988	2,862,274	656,383	20,264,086	476,472
Less: accumulated depreciation	[105,922,137]	[7,746,212]	[5,446,412]	[7,471,661]	[126,586,422]	[909,066]
Total capital assets	268,475,389	4,216,984	12,370,086	1,393,093	286,455,552	329,973
Total noncurrent assets	301,616,599	4,216,984	12,370,086	1,393,093	319,596,762	329,973
Total assets	361,866,394	12,386,289	15,503,669	2,212,518	391,968,870	11,081,800
Deferred outflows of resources:						
Pension - contributions subsequent to the measurement date	438,578	239,002	28,925	66,423	772,928	45,447
Pension - net difference between projected and actual earnings on pension plan investments	858,622	451,923	53,529	134,697	1,498,771	89,523
Pension - differences between expected and actual experience	42,186	22,205	2,630	28,576	95,597	4,399
Pension - changes in proportion	176,339	96,594	11,726	20,418	305,077	18,254
Total deferred outflows of resources	1,515,725	809,724	96,810	250,114	2,672,373	157,623
Total assets and deferred outflows of resources	\$ 363,382,119	\$ 13,196,013	\$ 15,600,479	\$ 2,462,632	\$ 394,641,243	\$ 11,239,423
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:						
Liabilities:						
Current liabilities						
Accounts payable	\$ 7,321,704	\$ 162,706	\$ 8,693	\$ 31,706	\$ 7,524,809	\$ 604,762
Interest payable	1,224,848	19,050	6,685	-	1,250,583	-
Claims payable	-	-	-	-	-	466,189
Accrued payroll	180,427	100,176	11,621	21,474	313,698	18,505
Compensated absences	549,020	311,126	10,149	24,082	894,377	65,942
Due to other funds	-	-	-	-	-	96,635
Current portion of general obligation bonds payable	3,202,946	280,000	510,421	-	3,993,367	-
Total unrestricted current liabilities	12,478,945	873,058	547,569	77,262	13,976,834	1,252,033
Current Liabilities payable from restricted assets:						
Customer deposits	1,151,394	21,468	-	-	1,172,862	-
Current portion of revenue bonds	5,085,000	-	-	-	5,085,000	-
Total current liabilities payable from restricted assets	6,236,394	21,468	-	-	6,257,862	-
Total current liabilities	18,715,339	894,526	547,569	77,262	20,234,696	1,252,033
Noncurrent liabilities:						
Compensated absences	586,562	349,996	13,054	34,842	984,454	80,021
General obligation bonds payable	15,125,311	1,235,000	21,517	-	16,381,828	-
Revenue bonds payable	178,453,349	-	-	-	178,453,349	-
Net pension liability	7,671,916	4,161,930	502,313	1,153,942	13,490,101	795,627
Net OPEB obligation	813,711	655,184	62,819	148,619	1,680,333	-
Total noncurrent liabilities	202,650,849	6,402,110	599,703	1,337,403	210,990,065	875,648
Total liabilities	221,366,188	7,296,636	1,147,272	1,414,665	231,224,761	2,127,681
Deferred inflows of resources:						
Pension - differences between expected and actual experience	142,609	78,569	12,247	18,224	251,649	14,748
Pension - changes in proportion	-	-	-	7,409	7,409	-
Pension - changes of assumptions	89,336	53,577	4,164	12,551	159,628	9,088
Total deferred inflows of resources	231,945	132,146	16,411	38,184	418,686	23,836
Total liabilities and deferred inflows of resources	\$ 221,598,133	\$ 7,428,782	\$ 1,163,683	\$ 1,452,849	\$ 231,643,447	\$ 2,151,517
NET POSITION:						
Net investment in capital assets	\$ 120,764,808	\$ 2,701,984	\$ 11,838,148	\$ 1,393,093	\$ 136,698,033	\$ 329,973
Restricted for:						
Debt service	1,934,684	-	-	-	1,934,684	-
Capital outlay	73,071	-	-	-	73,071	-
Unrestricted	19,011,423	3,065,247	2,598,648	[383,310]	24,292,008	8,757,933
Total net position	\$ 141,783,986	\$ 5,767,231	\$ 14,436,796	\$ 1,009,783	162,997,796	\$ 9,087,906
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						
					3,368,814	
Net position of business-type activities					\$ 166,366,610	

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, 2016

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue						
Charges for services	\$ 39,023,143	\$ 12,775,928	\$ 3,082,304	\$ 2,191,741	\$ 57,073,116	\$ 14,721,770
Other sales	<u>210,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,842</u>	<u>-</u>
Total operating revenues	<u>39,233,985</u>	<u>12,775,928</u>	<u>3,082,304</u>	<u>2,191,741</u>	<u>57,283,958</u>	<u>14,721,770</u>
Operating expenses						
Continuing operations	-	10,257,945	1,274,598	1,839,860	13,372,403	3,835,283
Transmission and distribution	16,845,348	-	-	-	16,845,348	-
General administration	4,652,769	-	-	-	4,652,769	2,003,549
Health insurance claims	-	-	-	-	-	9,838,298
Depreciation and amortization	<u>7,096,578</u>	<u>677,021</u>	<u>501,569</u>	<u>349,311</u>	<u>8,624,479</u>	<u>44,887</u>
Total operating expense	<u>28,594,695</u>	<u>10,934,966</u>	<u>1,776,167</u>	<u>2,189,171</u>	<u>43,494,999</u>	<u>15,722,017</u>
Operating income [loss]	<u>10,639,290</u>	<u>1,840,962</u>	<u>1,306,137</u>	<u>2,570</u>	<u>13,788,959</u>	<u>[1,000,247]</u>
Nonoperating revenues [expenses]						
Interest income	452,399	23,585	12,620	2,484	491,088	33,275
Interest expense	[5,859,380]	[59,783]	[36,878]	-	[5,956,041]	-
Gain [loss] on sale of capital assets	50,135	7,986	-	-	58,121	2,094
Miscellaneous	<u>263,610</u>	<u>220,168</u>	<u>-</u>	<u>21,700</u>	<u>505,478</u>	<u>-</u>
Total nonoperating revenues [expenses]	<u>[5,093,236]</u>	<u>191,956</u>	<u>[24,258]</u>	<u>24,184</u>	<u>[4,901,354]</u>	<u>35,369</u>
Income [loss] before transfers	<u>5,546,054</u>	<u>2,032,918</u>	<u>1,281,879</u>	<u>26,754</u>	<u>8,887,605</u>	<u>[964,878]</u>
Transfers from [to] other funds						
Transfers [to]	<u>[3,084,896]</u>	<u>1,231,319</u>	<u>[400,000]</u>	<u>-</u>	<u>[2,253,577]</u>	<u>[7,000]</u>
Total transfers	<u>[3,084,896]</u>	<u>1,231,319</u>	<u>[400,000]</u>	<u>-</u>	<u>[2,253,577]</u>	<u>[7,000]</u>
Change in net position	2,461,158	3,264,237	881,879	26,754	6,634,028	[971,878]
Net position, January 1	<u>139,322,828</u>	<u>2,502,994</u>	<u>13,554,917</u>	<u>983,029</u>		<u>10,059,784</u>
Net position, December 31	<u>\$ 141,783,986</u>	<u>\$ 5,767,231</u>	<u>\$ 14,436,796</u>	<u>\$ 1,009,783</u>		<u>\$ 9,087,906</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>[282,586]</u>	
Change in net position of business-type activities					<u>\$ 6,351,442</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, 2016

	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	\$ 39,649,701	\$ 12,802,050	\$ 3,111,062	\$ 2,190,898	\$ 57,753,711	\$ 14,827,299
Cash paid to suppliers of goods and services	[13,190,446]	[10,703,600]	[1,272,719]	[1,836,449]	[27,003,214]	[15,563,337]
Cash paid to employees	[4,756,174]	[22,842]	[63,031]	[81,339]	[4,923,386]	[8,502]
Net cash provided by [used in] operating activities	<u>21,703,081</u>	<u>2,075,608</u>	<u>1,775,312</u>	<u>273,110</u>	<u>25,827,111</u>	<u>[744,540]</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[30,814,030]	[721,473]	[358,981]	[29,890]	[31,924,374]	-
Proceeds from sale of capital assets	50,135	7,986	110,010	-	168,131	2,094
Proceeds from other activities	263,610	220,168	-	21,700	505,478	-
Proceeds from issuance of debt	73,695,000	-	-	-	73,695,000	-
Principal payments on general obligation bonds	[1,770,000]	[265,000]	[679,181]	-	[2,714,181]	-
Principal payments on revenue bonds	[22,800,000]	-	-	-	[22,800,000]	-
Principal payments loans payable	[15,946,937]	-	-	-	[15,946,937]	-
Interest payments on debt	[5,815,793]	[70,401]	[45,291]	-	[5,931,485]	-
Net cash provided by [used in] capital and related financing activities	<u>[3,138,015]</u>	<u>[828,720]</u>	<u>[973,443]</u>	<u>[8,190]</u>	<u>[4,948,368]</u>	<u>2,094</u>
Cash flows from noncapital financing activities						
Interfund loan	-	-	-	-	-	[25,365]
Transfers [out]	[3,084,896]	1,231,319	[400,000]	-	[2,253,577]	[7,000]
Net cash provided by [used in] noncapital financing activities	<u>[3,084,896]</u>	<u>1,231,319</u>	<u>[400,000]</u>	<u>-</u>	<u>[2,253,577]</u>	<u>[32,365]</u>
Cash flows from investing activities:						
Interest received	<u>330,566</u>	<u>15,102</u>	<u>8,242</u>	<u>1,540</u>	<u>355,450</u>	<u>21,994</u>
Net cash provided by [used in] investing activities	<u>330,566</u>	<u>15,102</u>	<u>8,242</u>	<u>1,540</u>	<u>355,450</u>	<u>21,994</u>
Net increase [decrease] in cash and cash equivalent	15,810,736	2,493,309	410,111	266,460	18,980,616	[752,817]
Cash and cash equivalents, beginning	<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>
Cash and cash equivalents, ending	<u>\$ 88,163,553</u>	<u>\$ 7,310,072</u>	<u>\$ 2,954,658</u>	<u>\$ 808,460</u>	<u>\$ 99,236,743</u>	<u>\$ 10,385,784</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, 2016

	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]	\$ 10,639,290	\$ 1,840,962	\$ 1,306,137	\$ 2,570	\$ 13,788,959	\$ [1,000,247]
Net cash provided by [used in] operating activities						
Depreciation expense	7,096,578	677,021	501,570	349,311	8,624,480	44,887
[Increase] decrease in accounts receivable	425,774	25,772	28,757	[843]	479,460	105,529
[Increase] decrease in inventory	[237,852]	-	-	[1,361]	[239,213]	11,608
[Increase] decrease in prepaids	2,282	-	-	-	2,282	-
[Increase] decrease in deferred outflows	[883,998]	[465,279]	[55,111]	[157,536]	[1,561,924]	[92,169]
Increase [decrease] in meter deposits payable	[10,058]	350	-	-	[9,708]	-
Increase [decrease] in accounts payable	3,890,472	[445,655]	1,879	4,772	3,451,468	146,184
Increase [decrease] in claims payable	-	-	-	-	-	[43,999]
Increase [decrease] in accrued payroll	35,810	16,431	2,090	3,582	57,913	3,978
Increase [decrease] in deferred inflows	[300,344]	[158,081]	[18,724]	[32,246]	[509,395]	[31,315]
Increase [decrease] in net pension liability	1,117,493	588,175	69,668	189,694	1,965,030	116,514
Increase [decrease] in net OPEB obligation	52,153	41,953	4,038	9,492	107,636	-
Increase [decrease] in accrued compensated absences	[124,519]	[46,041]	[64,992]	[94,325]	[329,877]	[5,510]
Net cash provided by [used in] operating activities	<u>\$ 21,703,081</u>	<u>\$ 2,075,608</u>	<u>\$ 1,775,312</u>	<u>\$ 273,110</u>	<u>\$ 25,827,111</u>	<u>\$ [744,540]</u>
Cash consists of:						
Cash	\$ 27,771,134	\$ 7,288,604	\$ 2,954,658	\$ 808,460	\$ 38,822,856	\$ 10,385,784
Restricted cash - customer deposits	1,151,394	21,468	-	-	1,172,862	-
Restricted cash - bond proceeds	21,014,815	-	-	-	21,014,815	-
Restricted cash - revenue bonds	5,085,000	-	-	-	5,085,000	-
Restricted cash - noncurrent	<u>33,141,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,141,210</u>	<u>-</u>
	<u>\$ 88,163,553</u>	<u>\$ 7,310,072</u>	<u>\$ 2,954,658</u>	<u>\$ 808,460</u>	<u>\$ 99,236,743</u>	<u>\$ 10,385,784</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, 2016

	Agency Funds
Assets	
Cash	<u>\$ 495,635</u>
Total assets	<u><u>\$ 495,635</u></u>
Liabilities	
Accounts payable	<u>\$ 495,635</u>
Total liabilities	<u><u>\$ 495,635</u></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, 2016

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Cash	\$ 5,977,834	\$ 105,171,713	\$ 1,117,901	\$ 112,267,448
Receivables (net of allowances for uncollectibles)				
Accounts	45,837	34,386,178	-	34,432,015
Due from other entities	172,982	-	-	172,982
Inventory	82,907	4,050,512	-	4,133,419
Prepays	79,947	7,478,201	-	7,558,148
Other assets	-	713,378	-	713,378
Total current assets	<u>6,359,507</u>	<u>151,799,882</u>	<u>1,117,901</u>	<u>159,277,390</u>
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	6,517,641	-	7,646,320
Construction in progress	507,039	268,364	-	775,403
Capital assets, depreciable	25,215,205	231,981,753	5,292,465	262,489,423
Less: accumulated depreciation	<u>[13,575,569]</u>	<u>[128,573,346]</u>	<u>[2,395,950]</u>	<u>[144,544,865]</u>
Total capital assets	<u>13,275,354</u>	<u>110,194,412</u>	<u>2,896,515</u>	<u>126,366,281</u>
Total assets	<u>19,634,861</u>	<u>261,994,394</u>	<u>4,014,416</u>	<u>285,643,671</u>
Deferred outflows of resources:				
Deferred amount on refunding	-	111,870	-	111,870
Pension liability - changes in proportion	4,460	-	207,003	211,463
Pension liability - differences between expected and actual experience	10,258	-	11,109	21,367
Pension liability - net differences between projected and actual earnings on pension plan investments	208,780	-	226,104	434,884
Pension liability - contributions subsequent to the measurement date	<u>97,054</u>	<u>-</u>	<u>99,318</u>	<u>196,372</u>
Total deferred outflows of resources	<u>320,552</u>	<u>111,870</u>	<u>543,534</u>	<u>975,956</u>
Total assets and deferred outflows of resources	<u>\$ 19,955,413</u>	<u>\$ 262,106,264</u>	<u>\$ 4,557,950</u>	<u>\$ 286,619,627</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities				
Accounts payable	\$ 34,026	\$ 6,973,889	\$ 44,232	\$ 7,052,147
Interest payable	-	127,858	-	127,858
Accrued payroll	70,782	11,959,931	4,672	12,035,385
Retirement plan obligation	-	452,520	-	452,520
Due to other entities	101,162	831,161	-	932,323
Unearned revenue	182,717	-	-	182,717
Other liabilities	180,407	-	-	180,407
Current portion of compensated absences	10,867	-	75,082	85,949
Current portion of revenue bonds payable	-	1,825,000	-	1,825,000
Total current liabilities	<u>579,961</u>	<u>22,170,359</u>	<u>123,986</u>	<u>22,874,306</u>
Noncurrent liabilities:				
Compensated absences	97,803	-	127,423	225,226
Revenue bonds payable	-	9,640,000	-	9,640,000
Net pension liability	1,767,373	-	1,914,031	3,681,404
Net OPEB obligation	-	-	2,506	2,506
Total noncurrent liabilities	<u>1,865,176</u>	<u>9,640,000</u>	<u>2,043,960</u>	<u>13,549,136</u>
Total liabilities	<u>2,445,137</u>	<u>31,810,359</u>	<u>2,167,946</u>	<u>36,423,442</u>
Deferred inflows of resources				
Advanced revenues	144,416	-	-	144,416
Pension - difference between expected and actual experience	31,899	-	34,546	66,445
Pension - changes in proportion	114,251	-	12,023	126,274
Pension - changes in assumptions	<u>16,533</u>	<u>-</u>	<u>17,905</u>	<u>34,438</u>
Total deferred inflows of resources	<u>307,099</u>	<u>-</u>	<u>64,474</u>	<u>371,573</u>
Total liabilities and deferred inflows of resources	<u>\$ 2,752,236</u>	<u>\$ 31,810,359</u>	<u>\$ 2,232,420</u>	<u>\$ 36,795,015</u>
NET POSITION:				
Net investment in capital assets	\$ 13,275,354	\$ 98,168,818	\$ 2,896,515	\$ 114,340,687
Restricted for:				
Debt service	-	912,568	-	912,568
Housing authority - HUD programs	12,366	-	-	12,366
Unrestricted	<u>3,915,457</u>	<u>131,214,519</u>	<u>[570,985]</u>	<u>134,558,991</u>
Total net position	<u>\$ 17,203,177</u>	<u>\$ 230,295,905</u>	<u>\$ 2,325,530</u>	<u>\$ 249,824,612</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, 2016

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Revenues				
Charges for services	\$ 1,696,962	\$ 224,108,279	\$ 183,119	\$ 225,988,360
Operating grants and contributions	4,924,386	-	3,997,817	8,922,203
Capital grants and contributions	462,029	1,856,597	-	2,318,626
Total revenues	<u>7,083,377</u>	<u>225,964,876</u>	<u>4,180,936</u>	<u>237,229,189</u>
Operating expenses				
Lawrence-Douglas County Housing Authority	8,715,830	-	-	8,715,830
Lawrence Memorial Hospital	-	210,414,639	-	210,414,639
Lawrence Public Library	-	-	4,238,057	4,238,057
Total operating expense	<u>8,715,830</u>	<u>210,414,639</u>	<u>4,238,057</u>	<u>223,368,526</u>
Operating income [loss]	<u>[1,632,453]</u>	<u>15,550,237</u>	<u>[57,121]</u>	<u>13,860,663</u>
Nonoperating revenues [expenses]				
Use of money or property	33,632	4,058,531	8,819	4,100,982
Interest expense	-	[1,176,834]	-	[1,176,834]
Miscellaneous	13,797	-	7,036	20,833
Total nonoperating revenues [expenses]	<u>47,429</u>	<u>2,881,697</u>	<u>15,855</u>	<u>2,944,981</u>
Change in net position	[1,585,024]	18,431,934	[41,266]	16,805,644
Net position, January 1	<u>18,788,201</u>	<u>211,863,971</u>	<u>2,366,796</u>	<u>233,018,968</u>
Net position, December 31	<u>\$ 17,203,177</u>	<u>\$ 230,295,905</u>	<u>\$ 2,325,530</u>	<u>\$ 249,824,612</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, 2016

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, 2016

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, 2016

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	Farmland Remediation Fund
Capital Improvement Reserve Fund	Cemetery Perpetual Care Fund
Equipment Reserve Fund	Cemetery Mausoleum Fund
Guest Tax Reserve Fund	Housing Trust Fund
Sales Tax Reserve Fund	Outside Agency Fund
Free State TDD Fund	Wee Folks Scholarship Fund
Oread TDD/TIF Fund	Fair Housing Assistance Fund
9 NH South TDD/TIF Fund	Community Development Fund
901 NH TIF Fund	Home Program Fund
920 LLC NRA Fund	Transportation Planning Fund
1040 Vermont LLC Fund	eXplore Lawrence Fund
810/812 Penn NRA Fund	Law Enforcement Trust Fund
City Parks Memorial Fund	

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

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

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended December 31, 2016.

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. In addition, projected receipts and expenditures are included. These represent management's projections based on updated data. These projections are not legally adopted.

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, 2016**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	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
GAAP FUND BALANCE December 31, 2016	\$ 20,635,652	\$ 10,930,190	\$ [11,151,718]	\$ 30,236,350	\$ 50,650,474
Adjustments:					
Fund balances not subject to the Kansas Budget Law	-	-	11,151,718	[13,927,545]	[2,775,827]
Encumbrances	[626,605]	-	-	[540,226]	[1,166,831]
Total deductions	[626,605]	-	11,151,718	[14,467,771]	[3,942,658]
BUDGETARY FUND BALANCE December 31, 2016	\$ 20,009,047	\$ 10,930,190	\$ -	\$ 15,768,579	\$ 46,707,816

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 2017. 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, 2016

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 2016.

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, 2016

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, net difference between projected and actual earnings on pension plan investments 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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

1. Summary of Significant Accounting Policies (Continued)

O. Fund Equity (Continued)

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

	Major Governmental Funds			Other	Total
	General	Debt	Capital	Government	Governmental
	Fund	Service	Projects	Funds	Funds
Fund Balances:					
Nonspendable for:					
Donor restrictions	\$ -	\$ -	\$ -	\$ 23,000	\$ 23,000
Loans	-	-	-	411,460	411,460
Restricted for:					
Capital outlay	-	-	-	4,812,126	4,812,126
Debt service	-	10,930,190	-	-	10,930,190
Assigned for:					
General government	123,073	-	-	14,193,322	14,316,395
Public safety	247,890	-	-	273,291	521,181
Public works	89,190	-	-	1,298,676	1,387,866
Health	-	-	-	-	-
Social service	-	-	-	264,032	264,032
Culture and recreation	166,452	-	-	1,895,576	2,062,028
Tourism	-	-	-	1,086,890	1,086,890
Economic developmen	-	-	-	1,137,818	1,137,818
Capital outlay	-	-	-	4,953,651	4,953,651
Unassigned	20,009,047	-	[11,151,718]	[113,492]	8,743,837
	<u>\$ 20,635,652</u>	<u>\$ 10,930,190</u>	<u>\$ [11,151,718]</u>	<u>\$ 30,236,350</u>	<u>\$ 50,650,474</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, 2016

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

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

eXplore Lawrence is a private, not-for-profit organization with the purpose to promote, support, foster and develop programs which endeavor to increase general tourism and visitations to Lawrence. eXplore Lawrence's primary funding is through a contract with the City of Lawrence. eXplore Lawrence is governed by seven voting members appointed by the Mayor with approval by the City Commission. Additionally, the Organization has three ex-officio members: the City Manager or designee from the City Manager's Office; the Director of Downtown Lawrence, Inc. or staff designee; and the Lawrence Chamber of Commerce CEO or staff designee. eXplore Lawrence is considered a blended component unit and is therefore combined within the City's primary governing statements as a Special Revenue Fund. This means that the City is actually showing total intergovernmental revenue twice in the combining statements that begin on page 61, once in the Guest Tax Fund and again in the eXplore Lawrence Fund.

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	eXplore Lawrence 200 W. 9th Street Lawrence, KS 66044

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

3. Deposits and Investments

At December 31, 2016, the City's carrying values of cash and investments are summarized as follows:

Cash and cash equivalents:	
Deposits	\$ 22,445,323
Certificates of deposit	50,000,000
Petty cash	8,595
Guaranteed Investment Contract	<u>64,797,597</u>
Total cash and cash equivalents	<u>137,251,515</u>
Investments:	
Kansas Municipal Investment Pool	12,104
U.S. Treasury Notes	7,727,368
U.S. Federal Agency Issues	<u>22,645,763</u>
Total investments	<u>30,385,235</u>
Total cash and investments	<u>\$ 167,636,750</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on inputs used to measure the fair value level of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the City held the following investments:

<u>Investments by fair value level</u>	Level 1 Fair Value <u>Measurement</u>	<u>Rating</u>	<u>Maturity</u>
Federal Agency Issues:			
Federal Home Loan Bank	\$ 22,645,763	Moody's Aaa	2/15/2017 to 04/24/2017
U.S. Treasury Notes	<u>7,727,368</u>	Moody's Aaa	04/28/2017 to 10/31/2017
Total investments by fair value level	<u>30,373,131</u>		
<u>Investments measured by the net asset value (NAV)</u>			
Kansas Municipal Investment Pool	<u>12,104</u>	S&P AA+/S1+	Current
Total investments measured by the net asset value (NAV)	<u>12,104</u>		
Total	<u>\$ 30,385,235</u>		

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

At December 31, 2016, the City had \$12,104 invested in the State of Kansas's municipal investment pool. The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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, 2016 is as follows:

	Primary Government			
	General	Debt	Other	
	Fund	Service	Governmental	
	Fund	Fund	Funds	Total
Property taxes	\$ 17,174,287	\$ 7,736,370	\$ 4,057,727	\$ 28,968,384
Motor vehicle taxes	1,710,095	756,371	334,118	2,800,584
Payment in lieu of taxes	101,813	-	-	101,813
Utility franchise taxes	7,448,325	-	-	7,448,325
Sales tax	23,565,931	-	15,370,026	38,935,957
Total	<u>\$ 50,000,451</u>	<u>\$ 8,492,741</u>	<u>\$ 19,761,871</u>	<u>\$ 78,255,063</u>

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2016 were as follows:

	Primary Government			
	General	Debt	Library	
	Fund	Service	Fund	
	Fund	Fund	Fund	Total
Lewy	<u>\$ 19.475</u>	<u>\$ 8.504</u>	<u>\$ 4.039</u>	<u>\$ 32.018</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2016:

<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	\$ 89,688,881	\$ -	\$ 10,640,819	\$ 79,048,062	\$ 8,724,579
General obligation bonds premium	730,431	-	137,848	592,583	56,778
General obligation bonds, net	90,419,312	-	10,778,667	79,640,645	8,781,357
Capital Lease	131,544	244,259	89,174	286,629	114,747
Accrued vacation and sick pay	6,844,769	4,360,140	3,796,593	7,408,316	3,314,114
Net OPEB obligation	4,346,302	851,456	553,926	4,643,832	-
Total	<u>\$101,741,927</u>	<u>\$ 5,455,855</u>	<u>\$ 15,218,360</u>	<u>\$ 91,979,422</u>	<u>\$12,210,218</u>
Business-type activities:					
General obligation bonds	\$ 8,251,119	\$ 13,385,000	\$ 2,714,181	\$ 18,921,938	\$ 3,670,421
General obligation bonds premium	-	1,614,730	161,473	1,453,257	322,946
General obligation bonds, net	8,251,119	14,999,730	2,875,654	20,375,195	3,993,367
Revenue bonds	129,535,000	60,310,000	22,800,000	167,045,000	5,085,000
Revenue bonds premium	8,722,416	8,342,940	572,007	16,493,349	-
Revenue bonds, net	138,257,416	68,652,940	23,372,007	183,538,349	5,085,000
Long term notes payable	15,946,937	-	15,946,937	-	-
Accrued vacation and sick pay	2,208,708	728,639	1,058,516	1,878,831	894,377
Net OPEB obligation	1,572,697	308,088	200,452	1,680,333	-
Total	<u>\$166,236,877</u>	<u>\$ 84,689,397</u>	<u>\$ 43,453,566</u>	<u>\$ 207,472,708</u>	<u>\$ 9,972,744</u>

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2016 the debt limitation for the City of Lawrence was \$298.8 million. The City's general obligation debt as of December 31, 2016 was \$79 million. This is only 26.5% of the maximum allowed under statutes. More information on the City's debt limit may be found in table 13 of the statistical section of this CAFR.

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

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, 2016.

The following is a summary of general obligation temporary note transactions for the year ended December 31, 2016:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	\$ 10,795,000	\$ -	\$ -	\$ 10,795,000
Premium	81,070	-	-	81,070
Total	<u>\$10,876,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,876,070</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016**5. Long-Term Debt (Continued)**

Debt payable, other than claims and judgments and compensated absences, at December 31, 2016 is composed of the following:

Type of Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2005	2017	3.2-4.0	\$ 10,600,000	\$ 1,085,000	\$ 1,085,000
Internal improvement	2006	2018	4.0	17,130,000	3,355,000	1,645,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	3,310,000	1,060,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	5,005,000	1,190,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	1,475,000	275,000
Internal improvement	2010A	2034	4.25-5.7	2,975,000	2,755,000	115,000
Internal improvement	2010B	2022	1.25-3.0	8,920,000	4,705,000	740,000
Internal improvement	2010C	2023	1.25-3.0	8,305,000	4,625,000	645,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	2,385,000	320,000
Internal improvement	2012A	2024	2.0-3.0	7,710,000	4,350,000	595,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	3,355,000	355,000
Internal improvement	2014A	2024	2.0-5.0	25,065,000	23,290,000	925,000
Internal improvement	2014B	2024	3.0-4.0	18,440,000	17,105,000	685,000
Internal improvement	2015	2030	2.0-3.0	9,450,000	8,920,000	525,000
Internal improvement	2016	2021	3.0-5.0	13,385,000	<u>12,250,000</u>	<u>2,235,000</u>
					<u>97,970,000</u>	<u>12,395,000</u>
Revenue bonds:						
Water and sewerage improvement	2008	2028	3.0-4.5	4,270,000	2,935,000	195,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	8,410,000	335,000
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	87,660,000	2,285,000
Water and sewerage improvement	2015	2040	2.0-5.0	89,900,000	7,730,000	770,000
Water and sewerage improvement	2016	2036	2.625-5.0	60,310,000	<u>60,310,000</u>	<u>1,500,000</u>
					<u>167,045,000</u>	<u>5,085,000</u>
Total primary government					<u>\$ 265,015,000</u>	<u>\$ 17,480,000</u>

In 2016, the City issued \$60,310,000 in improvement and refunding bonds, revenue bond series 2016-A, for paying the costs of certain water and sewerage system improvements and for refunding a portion of the Series 2007 and Series 2009 bonds. The Revenue Bonds, Series 2016-A are due in annual installments of \$1,500,000 to \$4,005,000 through November 2036, with interest due in semiannual installments at an interest rate ranging between 2.625% and 5.00%. \$19,881,693 of proceeds was used to establish an irrevocable escrow account to pay the outstanding principal of the loan and the interest on the loan. As a result, the loan was considered to be defeased and the liability of the defeased loan has been removed from the City's financial statements. This transaction resulted in an economic gain of \$3,687,107 and a reduction of \$3,298,153 in future debt payments.

Proceeds of \$7,727,368 was used to establish an irrevocable escrow fund and such moneys are expected to be used to redeem a portion of the City's Series 2009-A bonds in 2017. Series 2009 bonds are not legally or financially defeased and remain outstanding at December 31, 2016. However, the deposited funds are expected to be used to redeem a portion of the City's \$8,410,000 outstanding Series 2009 bonds in 2017 and the Series 2009 bonds will be considered defeased and the liability will then be removed from the City's financial statements. This transaction resulted in an economic gain of \$1,890,541 and a reduction of \$1,071,069 in future debt payments.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016**5. Long-Term Debt (Continued)**

	<u>Total</u>	<u>Due in One Year</u>
General obligation bonds	\$ 97,970,000	\$ 12,395,000
Revenue bonds	167,045,000	5,085,000
Cash with fiscal agent 2009-A Bonds	8,394,497	335,000
Net Revenue Bonds Outstanding	158,650,503	4,750,000
Net primary government	\$ 256,620,503	\$ 17,145,000

In 2016, the City also issued \$13,385,000 in general obligation refunding bonds to refund the Kansas Public Wastewater Loan. The general obligation bonds, Series 2016-A, are due in annual installments of \$1,135,000 to \$2,690,000 through November 2021, with interest due in semiannual installments at an interest rate ranging between 3.00% to 5.00%. The net proceeds were used to pay the outstanding principal of the loan and the interest due on the loan. This transaction resulted in an economic gain of \$834,447 and a reduction of \$869,366 in future debt payments.

The future annual requirements for general obligation bonds outstanding as of December 31, 2016, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total due</u>
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 8,724,579	\$ 2,718,696	\$ 3,670,421	\$ 785,272	\$ 15,898,968
2018	8,388,483	2,404,463	3,301,517	649,779	14,744,243
2019	6,910,000	2,111,486	3,420,000	503,069	12,944,555
2020	5,795,000	1,889,680	3,565,000	358,938	11,608,618
2021	4,595,000	1,709,368	3,715,000	207,388	10,226,755
2022-2026	19,260,000	6,219,120	1,250,000	53,250	26,782,370
2027-2031	16,235,000	3,310,635	-	-	19,545,635
2032-2034	9,140,000	673,925	-	-	9,813,925
Total	\$ 79,048,062	\$ 21,037,373	\$ 18,921,938	\$ 2,557,695	\$ 121,565,068

The future annual requirements for revenue bonds outstanding as of December 31, 2016, are as follows:

<u>Year</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2017	\$ 5,085,000	\$ 6,523,104	\$ 11,608,104
2018	6,260,000	6,629,288	12,889,288
2019	6,535,000	6,358,483	12,893,483
2020	6,810,000	6,075,058	12,885,058
2021	7,120,000	5,752,718	12,872,718
2022-2026	36,935,000	23,997,840	60,932,840
2027-2031	39,690,000	16,043,908	55,733,908
2032-2036	37,905,000	8,266,263	46,171,263
2037-2040	20,705,000	2,111,200	22,816,200
Total	\$ 167,045,000	\$ 81,757,862	\$ 248,802,862

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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, 2016, total outstanding conduit debt was \$112,193,210.

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	\$59,441,246	\$ -	\$47,976,246	\$ 11,465,000	\$ 1,825,000
	<u>\$59,441,246</u>	<u>\$ -</u>	<u>\$47,976,246</u>	<u>\$ 11,465,000</u>	<u>\$ 1,825,000</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 2012	2036	0.03	\$ 10,500,000	\$ 8,745,000	\$ 470,000
Series 2013	2021	0.01	6,865,000	2,720,000	1,355,000
Total Revenue Bonds				<u>\$11,465,000</u>	<u>\$ 1,825,000</u>

Annual debt service requirements for the hospital revenue bonds as of December 31, 2016 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2017	\$ 1,825,000	\$ 247,586	\$ 2,072,586
2018	1,845,000	221,031	2,066,031
2019	495,000	194,114	689,114
2020	510,000	181,464	691,464
2021	525,000	168,345	693,345
2022-2026	6,265,000	155,152	6,420,152
Total	<u>\$ 11,465,000</u>	<u>\$ 1,167,692</u>	<u>\$ 12,632,692</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

6. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 16,423,212	\$ 11,524	\$ -	\$ 16,434,736
Construction in progress	<u>9,433,193</u>	<u>12,953,294</u>	<u>8,435,835</u>	<u>13,950,652</u>
Total capital assets, not being depreciated	<u>25,856,405</u>	<u>12,964,818</u>	<u>8,435,835</u>	<u>30,385,388</u>
Capital assets being depreciated				
Buildings	92,671,140	773,148	-	93,444,288
Improvements other than buildings	34,090,643	387,371	-	34,478,014
Machinery and equipment	39,267,006	1,470,002	386,165	40,350,843
Infrastructure	<u>229,708,634</u>	<u>7,026,648</u>	<u>-</u>	<u>236,735,282</u>
Total capital assets being depreciated	<u>395,737,423</u>	<u>9,657,169</u>	<u>386,165</u>	<u>405,008,427</u>
Less accumulated depreciation for:				
Buildings	39,676,421	2,949,777	-	42,626,198
Improvements other than buildings	17,414,028	1,289,418	-	18,703,446
Machinery and equipment	25,183,365	2,851,145	386,165	27,648,345
Infrastructure	<u>75,208,624</u>	<u>4,314,904</u>	<u>-</u>	<u>79,523,528</u>
Total accumulated depreciation	<u>157,482,438</u>	<u>11,405,244</u>	<u>386,165</u>	<u>168,501,517</u>
Total capital assets, being depreciated, net	<u>238,254,985</u>	<u>\$ [1,748,075]</u>	<u>-</u>	<u>236,506,910</u>
Governmental activities capital assets, net	<u>\$ 264,111,390</u>	<u>\$ 11,216,743</u>	<u>\$ 8,435,835</u>	<u>\$ 266,892,298</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,892,719	\$ 84,195	\$ -	\$ 6,976,914
Construction in progress	<u>53,059,123</u>	<u>36,341,100</u>	<u>18,704,264</u>	<u>70,695,959</u>
Total capital assets, not being depreciated	<u>59,951,842</u>	<u>36,425,295</u>	<u>18,704,264</u>	<u>77,672,873</u>
Capital assets being depreciated				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	204,305,550	22,185,123	-	226,490,673
Machinery and equipment	<u>19,691,318</u>	<u>1,132,400</u>	<u>820,053</u>	<u>20,003,665</u>
Total capital assets being depreciated	<u>312,871,631</u>	<u>23,317,523</u>	<u>820,053</u>	<u>335,369,101</u>
Less accumulated depreciation for:				
Buildings	25,925,079	1,995,644	-	27,920,723
Improvements other than buildings	79,176,432	5,243,754	-	84,420,186
Machinery and equipment	<u>13,680,485</u>	<u>1,385,081</u>	<u>820,053</u>	<u>14,245,513</u>
Total accumulated depreciation	<u>118,781,996</u>	<u>8,624,479</u>	<u>820,053</u>	<u>126,586,422</u>
Total capital assets, being depreciated, net	<u>194,089,635</u>	<u>14,693,044</u>	<u>-</u>	<u>208,782,679</u>
Business-type activities capital assets, net	<u>\$ 254,041,477</u>	<u>\$ 51,118,339</u>	<u>\$ 18,704,264</u>	<u>\$ 286,455,552</u>

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

6. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 35,649
Public safety	552,541
Public works	9,324,065
Social services	891,282
Culture and recreation	540,331
Tourism	6,165
Airport	10,324
	<hr/> 11,360,357
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<hr/> 44,887
Total depreciation expense - governmental activities	<hr/> <hr/> \$ 11,405,244
Business-type activities:	
Water and sewer	\$ 7,096,578
Sanitation	677,021
Parking	146,450
Stormwater	501,569
Golf course	202,861
	<hr/> 8,624,479
Total depreciation expense - business-type activities	<hr/> <hr/> \$ 8,624,479

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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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 1.1% of total payroll for the fiscal year ended June 30, 2016.

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

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local government employees	9.18%	9.18%
Police and Firemen	20.42%	20.42%

Member contribution rates as a percentage of eligible compensation for the fiscal year 2016 are 6.00% for Local employees and 7.15% for Police and Firemen.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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, 2016, 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, 2016.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion for the Local employees group was 1.683%, which was an increase of .005% from its proportion measured at June 30, 2015. At June 30, 2016, the City's proportion for the Police and Firemen group was 4.954%, which was a decrease of .114% from its proportion measured at June 30, 2015.

Net Pension Liability. At December 31, 2016 and 2015, the City reported a liability of \$72,055,947 and \$58,835,707, 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, 2015, which was rolled forward to June 30, 2016, 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 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015, 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, 2016

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, 2016 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%	6.80%
Fixed Income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real Return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	<u>2.00%</u>	-0.25%
	<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	\$ 35,695,450	\$ 26,042,494	\$ 17,857,538
Police & Firemen	63,121,043	46,013,453	31,559,526
Total	<u>\$ 98,816,493</u>	<u>\$ 72,055,947</u>	<u>\$ 49,417,064</u>

Pension Expense. For the year ended December 31, 2016, the City recognized Local pension expense of \$2,487,924 and Police and Firemen pension expense of \$5,447,001, 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, 2016

7. Defined Benefit Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2016, 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		\$ 151,151	\$ 470,041
Net differences between projected and actual earnings on investments		3,076,396	-
Changes in assumptions		-	243,611
Changes in proportion		<u>587,693</u>	<u>-</u>
Total		<u>\$ 3,815,240</u>	<u>\$ 713,652</u>

	<u>Police & Firemen</u>	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience		\$ 2,428,533	\$ 474,855
Net differences between projected and actual earnings on investments		6,024,589	-
Changes in assumptions		-	283,677
Changes in proportion		<u>388,444</u>	<u>708,281</u>
Total		<u>\$ 8,841,566</u>	<u>\$ 1,466,813</u>

\$4,148,749 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, 2017. 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 & Firemen</u>
	Deferred		Deferred
Year ended	[Inflows] Outflows	Year ended	[Inflows] Outflows
<u>December 31,</u>	<u>Amount</u>	<u>December 31,</u>	<u>Amount</u>
2017	\$ 392,650	2017	\$ 1,202,773
2018	392,650	2018	1,202,773
2019	1,342,686	2019	2,947,247
2020	948,366	2020	1,843,312
2021	<u>25,236</u>	2021	<u>178,648</u>
Total	<u>\$ 3,101,588</u>	Total	<u>\$ 7,374,753</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

8. Interfund Transactions

Interfund Receivables and Payables. At December 31, 2016, the following funds had interfund receivables and payables to the following funds:

<u>Due from</u>	Amount due to <u>General Fund</u>
Capital Projects Fund	\$ 359,000
Outside Agency Fund	438,000
Community Development Fund	74,000
Central Maintenance Fund	96,635
Transportation Planning Fund	<u>70,000</u>
	<u>\$ 1,037,635</u>

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

Interfund Transfers. A summary of transfers for the year ended December 31, 2016 follows:

<u>Fund</u>	Transfers <u>Out</u>	Transfers <u>In</u>
General	\$ 500,000	\$ 5,868,480
Capital Improvement Reserve	3,353,275	200,000
Equipment Reserve	3,660,047	100,000
Guest Tax	-	149,334
Guest Tax Reserve	149,334	-
Transportation	-	5,617,758
Sales Tax Reserve	2,212,339	-
Housing Trust	-	200,000
Water and Sewer	3,084,896	-
Sanitation	164,245	1,395,564
Stormwater	400,000	-
Central Maintenance	<u>7,000</u>	-
Total	<u>\$ 13,531,136</u>	<u>\$ 13,531,136</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, 2016, the City had construction contract commitments totaling approximately \$23,642,854. The City expects to receive the contracted services during fiscal year 2016

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

9. Commitments and Contingencies (Continued)

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, 2016, the City had a total of \$1,166,831 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	<u>Assigned</u>
General Fund	\$ 626,605
Nonmajor governmental fund:	<u>540,226</u>
Total	<u>\$ 1,166,831</u>

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,674,649 at December 31, 2016. The primary government's claims liability reported in the Statement of Net Position at December 31, 2016 was \$134,675. The liability reported in the financial statements at December 31, 2016 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.

	<u>2016</u>	<u>2015</u>
Unpaid claims, January 1	\$ 456,133	\$ 420,499
Incurred claims (including IBNR's)	9,838,298	9,378,490
Claim payments	<u>9,882,297</u>	<u>9,342,856</u>
Unpaid claims, December 31	<u>\$ 412,134</u>	<u>\$ 456,133</u>

10. Fund Deficit

The Capital Project Fund has a deficiency of \$11,151,718 due to projects for which permanent financing has not yet been obtained. The Transportation Planning Fund had a deficiency of \$23,035 due to grant revenues which had not yet been received.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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.

12. Net Position

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

	Governmental Activities	Business-type Activities	Total
Total net capital assets	\$ 266,892,298	\$ 286,455,552	\$ 553,347,850
Less:			
Current portion of general obligation bonds	[8,781,357]	[3,993,367]	[12,774,724]
Current portion of temporary notes payable	[10,876,070]	-	[10,876,070]
Current portion of revenue bonds	-	[5,085,000]	[5,085,000]
Noncurrent portion of general obligation bonds	[70,859,288]	[16,381,828]	[87,241,116]
Noncurrent portion of revenue bonds	-	[178,453,349]	[178,453,349]
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	2,262	54,156,025	54,158,287
Net investment in capital assets	<u>\$ 176,377,845</u>	<u>\$ 136,698,033</u>	<u>\$ 313,075,878</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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, 2016, the City contributed \$998,000 to the Plan. (approximately 68% of total contributions). Plan participants contributed \$461,581 to the Plan (approximately 32% of total contributions) through their required contributions of 80% of premiums, ranging from \$460 to \$1,419 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:

Annual required contribution	\$ 1,524,000
Interest on Net OPEB obligation	207,165
Adjustment to annual required contribution	<u>[328,000]</u>
Annual OPEB cost	1,403,165
Contributions Made*	<u>[998,000]</u>
Increase in Net OPEB obligation	405,165
Net OPEB obligation - beginning of year	<u>5,919,000</u>
Net OPEB obligation - end of year	<u><u>\$6,324,165</u></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, 2016 was as follows:

Fiscal Year	Annual	Net	Percentage of
<u>Ended</u>	<u>OPEB</u>	<u>OPEB</u>	<u>Annual OPEB</u>
	<u>Cost</u>	<u>Obligation</u>	<u>Cost</u>
			<u>Contributed</u>
December 31, 2014	\$ 1,070,000	\$ 5,191,000	72.06%
December 31, 2015	1,418,000	5,919,000	48.66%
December 31, 2016	1,403,165	6,324,165	71.12%

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

13. Postemployment Health Care Plan (Continued)

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 23.04%. A Schedule of Funding Progress is shown on page 56 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.

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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

14. Pollution Remediation (Continued)

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 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.

15. Restatement of Equity

During 2016, a change in the sales tax receivable policy from one month accrual to two months accrual resulted in a restatement to the general fund of \$3.4 million. In addition, it was discovered that some deferred revenues were recorded incorrectly in 2015. The effects of the adjustments are as follows:

	General Fund	Library Fund	Airport Improvement Fund
Net position - January 1	\$ 13,202,220	\$ 205,592	\$ 84,145
Period period adjustment	<u>3,433,199</u>	<u>[34,745]</u>	<u>22,508</u>
Net position - January 1, restated	<u>\$ 16,635,419</u>	<u>\$ 170,847</u>	<u>\$ 106,653</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

16. Tax Increment Financing

Property Tax Abatements

In 2016, the City of Lawrence participated in real property tax abatements for four local companies. Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy.

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

The City of Lawrence negotiates property tax abatements on an individual basis. The City had the property tax abatements listed below in 2016 totaling \$553,279:

Company	Commitments	Type & % Abatement in 2016	Amount Abated in 2016
Amarr Garage Doors	Job creation/retention	Personal Property Taxes, 55%	\$26,450
3840 Greenway Circle LLC/Screen-It Graphics (Grandstand)	Business relocation and expansion, job creation and retention	Real Property Taxes, 65%	\$99,407
Sunlite Science & Technology, Inc.	Business relocation and expansion, job creation and retention	Real Property Taxes, 50%	\$21,178
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%	\$406,244

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

16. Tax Increment Financing (Continued)

Neighborhood Revitalization Areas (NRA)

The City of Lawrence has six established neighborhood revitalization areas, five of which received tax rebates in 2016. NRAs are authorized under Kansas state statutes K.S.A. 12-117 and subject to City policy.

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

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2016:

Company	Purpose	Duration-% of Increment Subject to NRA	Rebate Amount in 2016
8th and Pennsylvania District: (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	\$13,537
1040 Vermont (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2016 – Note 2	\$29,568
810/812 Pennsylvania (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	\$26,286
1106 Rhode Island (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%,	\$11,037
1101/1115 Indiana (Mixed-Use, Student Housing)	Redevelopment of underutilized property for mixed-use commercial and residential space	10Y-85%,	n/a: First rebate tax year will be 2017
900 Delaware (9 Del Lofts)	Redevelopment of vacant parcel into multi-family, affordable housing	15Y-95%	\$29,876

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

16. Tax Increment Financing (Continued)

Note 1 – The 8th & Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per agreement with the City, rebates are due until the maximum amount of \$324,673.18 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 to aid in financing projects for substantial public benefit. Public benefits can include creating jobs or retaining existing employment, eliminating blight, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, upgrading older neighborhoods, facilitating economic self-sufficiency, promoting projects that are of community wide importance, or implementing the Comprehensive Plan and economic development goals of the City. The program works by reimbursing a portion of the incremental increase in property taxes resulting from improvements and a portion of local sales tax generated within the district to the property owner. The base value, or what the property was valued at prior to improvements, is shielded from the rebate.

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

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

16. Tax Increment Financing (Continued)

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2016:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2016
Downtown 2000 Redevelopment (Original 9 th and New Hampshire) – Note 1			
City of Lawrence – TIF Property Tax	Aid Construction and funding of multi-level, City public parking garage	2020	\$145,765
901 New Hampshire – TIF Property Tax			\$28,085
The Oread TIF District – Note 2			
The Oread: TIF Sales Tax	Fund public improvements for multi-level hotel project	2028	\$63,493
The Oread: TIF Property Tax			\$283,002
9th & New Hampshire TIF District			
TIF Sales Tax: South Project (900 New Hampshire)	Fund public improvements for development of vacant parcel into mixed-use hotel with on-site, underground parking	2032	\$116,652
TIF Property Tax: South Project (900 New Hampshire)			\$297,330
TIF Sales Tax: North Project (888 New Hampshire)	Fund public improvements for redevelopment of property into mixed-use apartment and banking center with on-site, underground parking.	2034	n/a: Project under construction in 2016
TIF Property Tax: North Project (888 New Hampshire)			n/a: Project under construction in 2016

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 2016, 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 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, 2016

16. 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 2016.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2016
The Oread – Note 1	Aid in funding transportation improvements related to The Oread Hotel TDD district.	2031	\$13,537
Free-State (Bauer Farms)	Aid in funding transportation improvements related to the Free-State TDD development district.	2031	\$29,568
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 2
North Project: 888 New Hampshire St.			n/a: Project under construction in 2016

Note 1 – For 2016, not all distributions collected had been reimbursed due to a contractual dispute.

Note 2 - \$49,394 in TDD revenue was distributed in 2016 on behalf of the South Project. The City retains the first \$850,000 as contribution toward the City parking garage at 10th & New Hampshire. In 2016, the City retained the entire amount of \$49,394.

17. Subsequent Event

On May 2, 2017, the City issued Series 2017-A General Obligation Improvement Bonds in the amount of \$3,160,000 to finance street improvements, water utility improvements and provide long term financing of the Series 2015 Temporary Notes. The interest rates on the bonds range from 1.20% to 2.65% with a final maturity of September 1, 2027. The City also issued Series 2017-B General Obligation Energy Improvement Bonds in the amount of \$11,375,000 to finance a wide variety of energy efficiency and environmental improvement projects for various City facilities. The interest rates on the bonds range from 1.20% to 3.90% with a final maturity of September 1, 2039. Series 2017-C General Obligation Bonds were also issued in the amount of \$654,000 to acquire a firetruck. The interest rates on these bonds range from 1.20% to 2.65% with a final maturity of September 1, 2027. Lastly, the City issued 2017-I General Obligation Temporary Notes to finance the renovation of Fire Station #1 in the amount of \$6,000,000 with an interest rate of 2.00% and a final maturity of May 1, 2020.

CITY OF LAWRENCE, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

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, 2016

KPERS PENSION PLAN

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

	<u>Local</u> <u>12/31/16</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/16</u>	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
City's proportion of the net pension liability	1.683%	4.954%	1.678%	5.068%
City's proportionate share of the net pension liability	\$26,042,494	\$46,013,453	\$22,038,579	\$36,797,128
City's covered-employee payroll	\$29,365,147	\$24,053,146	\$27,253,827	\$22,717,357
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.69%	191.30%	80.86%	161.98%
Plan fiduciary net position as a percentage of the total net pension liability	68.55%	69.30%	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*

	<u>Local</u> <u>12/31/16</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/16</u>	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
Contractually required contribution	\$ 2,687,252	\$ 4,919,631	\$ 2,783,814	\$ 5,137,753
Contributions in relation to the contractually required contribution	<u>2,687,252</u>	<u>4,919,631</u>	<u>2,783,814</u>	<u>5,137,753</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$29,272,898	\$24,092,226	\$29,365,147	\$24,053,146
Contributions as a percentage of covered employee payroll	9.18%	20.42%	9.48%	21.36%

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

CITY OF LAWRENCE, KANSAS
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).

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

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

CITY OF LAWRENCE, KANSAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

NONBUDGETED FUNDS (CONTINUED)

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

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

920 LLC NRA Fund – This fund accounts for property tax rebates issued to property owners within the 920 LLC Neighborhood Revitalization area who make qualifying improvements to their property (K.S.A. 12-17,114).

1040 Vermont LLC Fund – This fund accounts for property tax rebates issued to property owners within the 1040 Vermont LLC Neighborhood Revitalization area who make qualifying improvements to their property (K.S.A. 12-17,114).

810/812 Penn NRA Fund – This fund accounts for property tax rebates issued to property owners within the 810/812 Penn Neighborhood Revitalization area who make qualifying improvements to their property (K.S.A. 12-17,114).

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).

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).

CITY OF LAWRENCE, KANSAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

NONBUDGETED FUNDS (CONTINUED)

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).

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

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, 2016

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation
ASSETS							
Cash	\$ 974,325	\$ 414,605	\$ 11,545,239	\$ 1,148,099	\$ 192,023	\$ 1,346,426	\$ 388,003
Receivables:							
Taxes	-	3,484,995	799,023	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Accounts (net allowance for uncollectibles)	-	-	168	-	-	-	-
Loans	-	-	-	-	-	-	-
Accrued interest	1,988	953	9,921	1,895	346	2,509	557
Restricted assets:							
Cash	-	-	-	-	-	-	-
Total assets	<u>\$ 976,313</u>	<u>\$ 3,900,553</u>	<u>\$ 12,354,351</u>	<u>\$ 1,149,994</u>	<u>\$ 192,369</u>	<u>\$ 1,348,935</u>	<u>\$ 388,560</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,951	\$ -	\$ 3,199	\$ 79,143	\$ -	\$ 20,305	\$ 11,223
Accrued payroll	3,600	-	966	62,025	-	29,954	36
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>7,551</u>	<u>-</u>	<u>4,165</u>	<u>141,168</u>	<u>-</u>	<u>50,259</u>	<u>11,259</u>
Deferred inflows of resources:							
Unavailable revenue	-	3,786,680	168	1,020	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>3,786,680</u>	<u>168</u>	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>7,551</u>	<u>3,786,680</u>	<u>4,333</u>	<u>142,188</u>	<u>-</u>	<u>50,259</u>	<u>11,259</u>
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Assigned	968,762	113,873	12,350,018	1,007,806	192,369	1,298,676	377,301
Unassigned	-	-	-	-	-	-	-
Total fund balance [deficit]	<u>968,762</u>	<u>113,873</u>	<u>12,350,018</u>	<u>1,007,806</u>	<u>192,369</u>	<u>1,298,676</u>	<u>377,301</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 976,313</u>	<u>\$ 3,900,553</u>	<u>\$ 12,354,351</u>	<u>\$ 1,149,994</u>	<u>\$ 192,369</u>	<u>\$ 1,348,935</u>	<u>\$ 388,560</u>

Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Sales Tax Reserve	Free State TDD	Oread TDD/TIF	9 NH South TDD/TIF	901 NH TIF
\$ 145,125	\$ 4,320,989	\$ 1,694,429	\$ -	\$ 268,635	\$ 18,647	\$ 1,008,410	\$ 114,587	\$ -
-	958,827	-	-	-	-	-	-	-
-	39,657	-	-	-	-	-	-	-
1,732	-	26,153	-	-	-	17,513	1,079	-
-	-	-	-	-	-	-	-	-
203	13,409	8,642	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 147,060</u>	<u>\$ 5,332,882</u>	<u>\$ 1,729,224</u>	<u>\$ -</u>	<u>\$ 268,635</u>	<u>\$ 18,647</u>	<u>\$ 1,025,923</u>	<u>\$ 115,666</u>	<u>\$ -</u>

\$ 331	\$ 524,228	\$ 180,296	\$ -	\$ 3,210	\$ 18,647	\$ -	\$ 2,692	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>331</u>	<u>524,228</u>	<u>180,296</u>	<u>-</u>	<u>3,210</u>	<u>18,647</u>	<u>-</u>	<u>2,692</u>	<u>-</u>

1,732	-	-	-	-	-	-	1,079	-
<u>1,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,079</u>	<u>-</u>
<u>2,063</u>	<u>524,228</u>	<u>180,296</u>	<u>-</u>	<u>3,210</u>	<u>18,647</u>	<u>-</u>	<u>3,771</u>	<u>-</u>

-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
144,997	4,808,654	1,548,928	-	265,425	-	1,025,923	111,895	-
-	-	-	-	-	-	-	-	-
<u>144,997</u>	<u>4,808,654</u>	<u>1,548,928</u>	<u>-</u>	<u>265,425</u>	<u>-</u>	<u>1,025,923</u>	<u>111,895</u>	<u>-</u>

<u>\$ 147,060</u>	<u>\$ 5,332,882</u>	<u>\$ 1,729,224</u>	<u>\$ -</u>	<u>\$ 268,635</u>	<u>\$ 18,647</u>	<u>\$ 1,025,923</u>	<u>\$ 115,666</u>	<u>\$ -</u>
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See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
December 31, 2016

	920 LLC NRA	1040 Vermont LLC NRA	810/812 Penn NRA	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ 92,529	\$ 112,403	\$ -	\$ 4,245	\$ 180,250
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Accounts (net allowance for uncollectibles)	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	151	-	45	7	253
Restricted assets:								
Cash	-	-	-	-	4,702,610	3,263	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,680</u>	<u>\$ 4,815,013</u>	<u>\$ 3,308</u>	<u>\$ 4,252</u>	<u>\$ 180,503</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,339	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	1,548	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,887</u>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,887</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:								
Nonspendable	-	-	-	-	-	22,000	1,000	-
Restricted	-	-	-	-	4,812,126	-	-	-
Assigned	-	-	-	92,680	-	-	3,252	180,503
Unassigned	-	-	-	-	-	[18,692]	-	-
Total fund balance [deficit]	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,680</u>	<u>4,812,126</u>	<u>3,308</u>	<u>4,252</u>	<u>180,503</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,680</u>	<u>\$ 4,815,013</u>	<u>\$ 3,308</u>	<u>\$ 4,252</u>	<u>\$ 180,503</u>

Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eXplore Lawrence	Law Enforcement Trust	Total Nonmajor Governmental Funds
\$ 171	\$ 148,822	\$ 218,552	\$ 843	\$ 44,272	\$ 92	\$ 129,426	\$ 88,844	\$ 24,599,991
-	-	-	-	-	-	-	-	5,242,845
437,654	-	-	81,142	5,900	63,257	-	-	627,610
-	-	-	2,580	-	-	-	-	49,225
-	-	-	411,460	-	-	-	-	411,460
-	290	314	-	-	-	-	144	41,627
-	-	-	-	-	-	-	-	4,705,873
<u>\$ 437,825</u>	<u>\$ 149,112</u>	<u>\$ 218,866</u>	<u>\$ 496,025</u>	<u>\$ 50,172</u>	<u>\$ 63,349</u>	<u>\$ 129,426</u>	<u>\$ 88,988</u>	<u>\$ 35,678,631</u>

\$ 24,485	\$ -	\$ 3,969	\$ 48,220	\$ -	\$ 14,030	\$ 3,801	\$ 8,066	\$ 951,135
3,864	-	205	3,006	832	2,354	7,497	-	115,887
438,000	-	-	74,000	-	70,000	-	-	582,000
<u>466,349</u>	<u>-</u>	<u>4,174</u>	<u>125,226</u>	<u>832</u>	<u>86,384</u>	<u>11,298</u>	<u>8,066</u>	<u>1,649,022</u>

-	-	-	2,580	-	-	-	-	3,793,259
-	-	-	2,580	-	-	-	-	3,793,259

<u>466,349</u>	<u>-</u>	<u>4,174</u>	<u>127,806</u>	<u>832</u>	<u>86,384</u>	<u>11,298</u>	<u>8,066</u>	<u>5,442,281</u>
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-	-	-	411,460	-	-	-	-	434,460
-	-	-	-	-	-	-	-	4,812,126
-	149,112	214,692	-	49,340	-	118,128	80,922	25,103,256
<u>[28,524]</u>	<u>-</u>	<u>-</u>	<u>[43,241]</u>	<u>-</u>	<u>[23,035]</u>	<u>-</u>	<u>-</u>	<u>[113,492]</u>
<u>[28,524]</u>	<u>149,112</u>	<u>214,692</u>	<u>368,219</u>	<u>49,340</u>	<u>[23,035]</u>	<u>118,128</u>	<u>80,922</u>	<u>30,236,350</u>

<u>\$ 437,825</u>	<u>\$ 149,112</u>	<u>\$ 218,866</u>	<u>\$ 496,025</u>	<u>\$ 50,172</u>	<u>\$ 63,349</u>	<u>\$ 129,426</u>	<u>\$ 88,988</u>	<u>\$ 35,678,631</u>
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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, 2016

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax
Revenues:						
Taxes	\$ -	\$ 3,690,356	\$ 3,723,909	\$ 2,319,363	\$ -	\$ -
Charges for services	-	-	432,039	3,121,646	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-
Interest	5,492	2,670	25,982	5,035	1,016	6,767
Intergovernmental	1,666,279	-	-	-	759,977	2,699,700
Reimbursements	-	-	-	-	-	-
Miscellaneous	-	-	9,823	86,367	-	2,484
Total revenues	<u>1,671,771</u>	<u>3,693,026</u>	<u>4,191,753</u>	<u>5,532,411</u>	<u>760,993</u>	<u>2,708,951</u>
Expenditures:						
General government	-	3,750,000	2,992,121	-	-	-
Public safety	-	-	-	-	713,396	-
Public works	-	-	-	-	-	2,292,174
Health	-	-	-	-	-	-
Social service	-	-	-	-	-	-
Culture and recreation	-	-	-	5,339,507	-	-
Tourism	1,722,907	-	-	-	-	-
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	318,319
Debt service:						
Principal retirement	150,000	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>1,872,907</u>	<u>3,750,000</u>	<u>2,992,121</u>	<u>5,339,507</u>	<u>713,396</u>	<u>2,610,493</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[201,136]</u>	<u>[56,974]</u>	<u>1,199,632</u>	<u>192,904</u>	<u>47,597</u>	<u>98,458</u>
Other financing sources [uses]:						
Transfers in	149,334	-	5,617,758	-	-	-
Transfers out	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-
Total other financing sources [uses]	<u>149,334</u>	<u>-</u>	<u>5,617,758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>[51,802]</u>	<u>[56,974]</u>	<u>6,817,390</u>	<u>192,904</u>	<u>47,597</u>	<u>98,458</u>
Fund balance, beginning of year	1,020,564	205,592	5,532,628	814,902	144,772	1,200,218
Restatement to fund balance	-	[34,745]	-	-	-	-
Fund balance, beginning of year, restated	<u>1,020,564</u>	<u>170,847</u>	<u>5,532,628</u>	<u>814,902</u>	<u>144,772</u>	<u>1,200,218</u>
Fund balance, end of year	<u>\$ 968,762</u>	<u>\$ 113,873</u>	<u>\$ 12,350,018</u>	<u>\$ 1,007,806</u>	<u>\$ 192,369</u>	<u>\$ 1,298,676</u>

Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Sales Tax Reserve	Free State TDD	Oread TDD/TIF	9 NH South TDD/TIF	901 NH TIF
\$ -	\$ -	\$ 6,077,377	\$ -	\$ -	\$ 2,747,446	\$ 245,863	\$ 367,474	\$ 493,043	\$ 28,085
-	27,330	-	-	-	-	-	-	-	-
-	-	-	68,724	-	-	-	-	-	-
1,541	514	35,139	23,302	-	10,698	-	-	-	-
759,977	-	247,693	-	-	78,807	-	-	-	-
-	10,500	2,407,087	-	-	240,144	-	492,915	-	-
-	-	-	-	-	-	-	165,534	41,132	-
<u>761,518</u>	<u>38,344</u>	<u>8,767,296</u>	<u>92,026</u>	<u>-</u>	<u>3,077,095</u>	<u>245,863</u>	<u>1,025,923</u>	<u>534,175</u>	<u>28,085</u>
-	-	-	74,565	-	-	-	-	-	-
-	-	97,776	-	-	-	-	-	-	-
-	-	400,320	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
559,451	-	-	-	-	651,992	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	245,863	-	422,280	28,085
127,890	-	7,146,998	279,205	-	985,572	-	-	-	-
-	-	24,928	-	-	1,969,806	-	-	-	-
-	-	384	-	-	770,259	-	-	-	-
<u>687,341</u>	<u>-</u>	<u>7,670,406</u>	<u>353,770</u>	<u>-</u>	<u>4,377,629</u>	<u>245,863</u>	<u>-</u>	<u>422,280</u>	<u>28,085</u>
<u>74,177</u>	<u>38,344</u>	<u>1,096,890</u>	<u>[261,744]</u>	<u>-</u>	<u>[1,300,534]</u>	<u>-</u>	<u>1,025,923</u>	<u>111,895</u>	<u>-</u>
-	-	200,000	100,000	-	-	-	-	-	-
-	-	[3,353,275]	[3,660,047]	[149,334]	[2,212,339]	-	-	-	-
-	-	244,260	-	-	-	-	-	-	-
-	-	[2,909,015]	[3,560,047]	[149,334]	[2,212,339]	-	-	-	-
<u>74,177</u>	<u>38,344</u>	<u>[1,812,125]</u>	<u>[3,821,791]</u>	<u>[149,334]</u>	<u>[3,512,873]</u>	<u>-</u>	<u>1,025,923</u>	<u>111,895</u>	<u>-</u>
303,124	84,145	6,620,779	5,370,719	149,334	3,778,298	-	-	-	-
-	22,508	-	-	-	-	-	-	-	-
<u>303,124</u>	<u>106,653</u>	<u>6,620,779</u>	<u>5,370,719</u>	<u>149,334</u>	<u>3,778,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 377,301</u>	<u>\$ 144,997</u>	<u>\$ 4,808,654</u>	<u>\$ 1,548,928</u>	<u>\$ -</u>	<u>\$ 265,425</u>	<u>\$ -</u>	<u>\$ 1,025,923</u>	<u>\$ 111,895</u>	<u>\$ -</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, 2016

	920 NRA	1040 Vermont LLC NRA	810/812 Penn NRA	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust
Revenues:								
Taxes	\$ 13,617	\$ 29,718	\$ 25,620	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-
Interest	-	-	-	400	-	195	18	718
Intergovernmental	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	24,100	-	-	-	-
Miscellaneous	-	-	-	6,116	88,482	-	-	77,024
Total revenues	<u>13,617</u>	<u>29,718</u>	<u>25,620</u>	<u>30,616</u>	<u>88,482</u>	<u>195</u>	<u>18</u>	<u>77,742</u>
Expenditures:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Social service	-	-	-	-	-	-	-	200,000
Culture and recreation	-	-	-	29,978	-	84,471	-	-
Tourism	-	-	-	-	-	-	-	-
Economic development	13,617	29,718	25,620	-	-	-	-	-
Capital outlay	-	-	-	-	843,730	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>13,617</u>	<u>29,718</u>	<u>25,620</u>	<u>29,978</u>	<u>843,730</u>	<u>84,471</u>	<u>-</u>	<u>200,000</u>
Excess [deficiency] of revenues over [under] expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>638</u>	<u>[755,248]</u>	<u>[84,276]</u>	<u>18</u>	<u>[122,258]</u>
Other financing sources [uses]:								
Transfers in	-	-	-	-	-	-	-	200,000
Transfers out	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>638</u>	<u>[755,248]</u>	<u>[84,276]</u>	<u>18</u>	<u>77,742</u>
Fund balance, beginning of year	-	-	-	92,042	5,567,374	87,584	4,234	102,761
Restatement to fund balance	-	-	-	-	-	-	-	-
Fund balance, beginning of year, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,042</u>	<u>5,567,374</u>	<u>87,584</u>	<u>4,234</u>	<u>102,761</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,680</u>	<u>\$ 4,812,126</u>	<u>\$ 3,308</u>	<u>\$ 4,252</u>	<u>\$ 180,503</u>

Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eXplore Lawrence	Law Enforcement Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,761,871
-	-	-	-	-	-	188,654	-	3,769,669
-	-	-	-	-	-	-	-	68,724
-	772	73,404	-	-	-	-	366	194,029
3,271,077	-	-	586,575	4,012	342,172	860,000	-	11,276,269
-	-	-	-	-	-	-	-	3,174,746
8,500	31,575	150	89,876	315,544	-	86,441	76,159	1,085,207
<u>3,279,577</u>	<u>32,347</u>	<u>73,554</u>	<u>676,451</u>	<u>319,556</u>	<u>342,172</u>	<u>1,135,095</u>	<u>76,525</u>	<u>39,330,515</u>
2,944,955	-	-	-	-	357,611	-	-	10,119,252
119,153	-	-	-	-	-	-	84,530	1,014,855
-	-	-	-	-	-	-	-	2,692,494
236,422	-	-	-	-	-	-	-	236,422
-	-	28,401	661,730	321,267	-	-	-	1,211,398
11,494	43,807	-	-	-	-	-	-	6,720,700
-	-	-	-	-	-	1,016,967	-	2,739,874
-	-	-	-	-	-	-	-	765,183
-	-	-	-	-	-	-	-	9,701,714
-	-	-	-	-	-	-	-	2,144,734
-	-	-	-	-	-	-	-	770,643
<u>3,312,024</u>	<u>43,807</u>	<u>28,401</u>	<u>661,730</u>	<u>321,267</u>	<u>357,611</u>	<u>1,016,967</u>	<u>84,530</u>	<u>38,117,269</u>
<u>[32,447]</u>	<u>[11,460]</u>	<u>45,153</u>	<u>14,721</u>	<u>[1,711]</u>	<u>[15,439]</u>	<u>118,128</u>	<u>[8,005]</u>	<u>1,213,246</u>
-	-	-	-	-	-	-	-	6,267,092
-	-	-	-	-	-	-	-	[9,374,995]
-	-	-	-	-	-	-	-	244,260
-	-	-	-	-	-	-	-	[2,863,643]
<u>[32,447]</u>	<u>[11,460]</u>	<u>45,153</u>	<u>14,721</u>	<u>[1,711]</u>	<u>[15,439]</u>	<u>118,128</u>	<u>[8,005]</u>	<u>[1,650,397]</u>
3,923	160,572	169,539	353,498	51,051	[7,596]	-	88,927	31,898,984
-	-	-	-	-	-	-	-	[12,237]
<u>3,923</u>	<u>160,572</u>	<u>169,539</u>	<u>353,498</u>	<u>51,051</u>	<u>[7,596]</u>	<u>-</u>	<u>88,927</u>	<u>31,886,747</u>
<u>\$ [28,524]</u>	<u>\$ 149,112</u>	<u>\$ 214,692</u>	<u>\$ 368,219</u>	<u>\$ 49,340</u>	<u>\$ [23,035]</u>	<u>\$ 118,128</u>	<u>\$ 80,922</u>	<u>\$ 30,236,350</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
Debt Service Fund
For the Year Ended December 31, 2016

	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	\$ 8,492,741	\$ -	\$ 8,492,741	\$ 8,179,550	\$ 8,249,984	\$ 242,757
Special assessments	2,014,736	-	2,014,736	1,749,884	1,861,000	153,736
Interest	66,858	-	66,858	31,259	33,000	33,858
Miscellaneous	268,201	-	268,201	135,000	235,000	33,201
Total Revenues	<u>10,842,536</u>	<u>-</u>	<u>10,842,536</u>	<u>10,095,693</u>	<u>10,378,984</u>	<u>463,552</u>
Expenditures						
Principal retirement	8,521,013	-	8,521,013	9,442,461	8,600,000	78,987
Interest and fiscal charges	2,292,955	-	2,292,955	2,540,574	2,359,248	66,293
Issuance costs	-	-	-	700,000	-	-
Reserve	-	-	-	1,356,000	-	-
Miscellaneous	-	-	-	700,000	-	-
Total Expenditures	<u>10,813,968</u>	<u>-</u>	<u>10,813,968</u>	<u>14,739,035</u>	<u>10,959,248</u>	<u>145,280</u>
Excess [deficiency] of revenues over [under] expenditures	28,568	-	28,568	<u>\$ [4,643,342]</u>	<u>\$ [580,264]</u>	<u>\$ 608,832</u>
Fund balance, January 1	<u>10,901,622</u>	<u>-</u>	<u>10,901,622</u>			
Fund balance, December 31	<u>\$ 10,930,190</u>	<u>\$ -</u>	<u>\$ 10,930,190</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, 2016

	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	\$ 1,666,279	\$ -	\$ 1,666,279	\$ 1,649,260	\$ 1,771,000	\$ [104,721]
Interest	<u>5,492</u>	<u>-</u>	<u>5,492</u>	<u>-</u>	<u>2,100</u>	<u>3,392</u>
Total Revenues	<u>1,671,771</u>	<u>-</u>	<u>1,671,771</u>	<u>1,649,260</u>	<u>1,773,100</u>	<u>[101,329]</u>
Expenditures						
Tourism						
Personal services	378,103	-	378,103	301,014	380,000	1,897
Contractual services	1,307,018	4,372	1,311,390	2,060,222	1,981,236	669,846
Commodities	37,786	8,521	46,307	46,378	46,378	71
Debt service:						
Principal retirement	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total Expenditures	<u>1,872,907</u>	<u>12,893</u>	<u>1,885,800</u>	<u>2,557,614</u>	<u>2,557,614</u>	<u>671,814</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[201,136]</u>	<u>[12,893]</u>	<u>[214,029]</u>	<u>[908,354]</u>	<u>[784,514]</u>	<u>570,485</u>
Other financing sources [uses]						
Transfers in	<u>149,334</u>	<u>-</u>	<u>149,334</u>	<u>700,115</u>	<u>149,000</u>	<u>334</u>
Total other financing sources [uses]	<u>149,334</u>	<u>-</u>	<u>149,334</u>	<u>700,115</u>	<u>149,000</u>	<u>334</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[51,802]</u>	<u>[12,893]</u>	<u>[64,695]</u>	<u>\$ [208,239]</u>	<u>\$ [635,514]</u>	<u>\$ 570,819</u>
Fund balance, January 1	<u>1,020,564</u>	<u>-</u>	<u>1,020,564</u>			
Fund balance, December 31	<u>\$ 968,762</u>	<u>\$ [12,893]</u>	<u>\$ 955,869</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, 2016

	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	\$ 3,690,356	\$ -	\$ 3,690,356	\$ 3,614,057	\$ 3,599,057	\$ 91,299
Interest	2,670	-	2,670	-	546	2,124
Total Revenues	<u>3,693,026</u>	<u>-</u>	<u>3,693,026</u>	<u>3,614,057</u>	<u>3,599,603</u>	<u>93,423</u>
Expenditures						
General government						
Contractual services	<u>3,750,000</u>	<u>-</u>	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,750,000</u>	<u>-</u>
Total Expenditures	<u>3,750,000</u>	<u>-</u>	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,750,000</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[56,974]</u>	<u>-</u>	<u>[56,974]</u>	<u>\$ [135,943]</u>	<u>\$ [150,397]</u>	<u>\$ 93,423</u>
Fund balance, January 1	205,592	-	205,592			
Restatement to fund balance	<u>[34,745]</u>	<u>-</u>	<u>[34,745]</u>			
Fund balance, January 1, restated	<u>170,847</u>	<u>-</u>	<u>170,847</u>			
Fund balance, December 31	<u>\$ 113,873</u>	<u>\$ -</u>	<u>\$ 113,873</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, 2016

	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	\$ 3,723,909	\$ -	\$ 3,723,909	\$ 3,387,802	\$ 3,449,260	\$ 274,649
Charges for services	432,039	-	432,039	404,289	410,000	22,039
Miscellaneous	9,823	-	9,823	-	538,936	[529,113]
Interest	25,982	-	25,982	-	12,000	13,982
Total Revenues	<u>4,191,753</u>	<u>-</u>	<u>4,191,753</u>	<u>3,792,091</u>	<u>4,410,196</u>	<u>[218,443]</u>
Expenditures						
General government						
Personal services	85,437	-	85,437	104,537	105,000	19,563
Contractual services	2,363,995	74,635	2,438,630	6,618,515	2,784,000	345,370
Commodities	542,689	[339,563]	203,126	1,109,721	1,110,000	906,874
Total Expenditures	<u>2,992,121</u>	<u>[264,928]</u>	<u>2,727,193</u>	<u>7,832,773</u>	<u>3,999,000</u>	<u>1,271,807</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,199,632</u>	<u>264,928</u>	<u>1,464,560</u>	<u>[4,040,682]</u>	<u>411,196</u>	<u>1,053,364</u>
Other financing sources [uses]						
Transfers in	<u>5,617,758</u>	<u>-</u>	<u>5,617,758</u>	<u>500,000</u>	<u>5,745,987</u>	<u>[128,229]</u>
Total other financing sources [uses]	<u>5,617,758</u>	<u>-</u>	<u>5,617,758</u>	<u>500,000</u>	<u>5,745,987</u>	<u>[128,229]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>6,817,390</u>	<u>264,928</u>	<u>7,082,318</u>	<u>\$ [3,540,682]</u>	<u>\$ 6,157,183</u>	<u>\$ 925,135</u>
Fund balance, January 1	<u>5,532,628</u>	<u>[503,206]</u>	<u>5,029,422</u>			
Fund balance, December 31	<u>\$ 12,350,018</u>	<u>\$ [238,278]</u>	<u>\$ 12,111,740</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, 2016

	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	\$ 2,319,363	\$ [2,319,363]	\$ -	\$ -	\$ -	\$ -
Charges for services	3,121,646	-	3,121,646	3,035,345	3,035,945	85,701
Interest	5,035	-	5,035	-	2,500	2,535
Miscellaneous	86,367	-	86,367	1,500	32,000	54,367
Total Revenues	<u>5,532,411</u>	<u>[2,319,363]</u>	<u>3,213,048</u>	<u>3,036,845</u>	<u>3,070,445</u>	<u>142,603</u>
Expenditures						
Culture and recreation						
Personal services	4,093,254	-	4,093,254	5,886,846	5,886,846	1,793,592
Contractual services	866,936	16,202	883,138	-	-	[883,138]
Commodities	379,317	29,528	408,845	-	-	[408,845]
Capital outlay	-	26,814	26,814	-	-	[26,814]
Total Expenditures	<u>5,339,507</u>	<u>72,544</u>	<u>5,412,051</u>	<u>5,886,846</u>	<u>5,886,846</u>	<u>474,795</u>
Excess [deficiency] of revenues over [under] expenditures	<u>192,904</u>	<u>[2,391,907]</u>	<u>[2,199,003]</u>	<u>[2,850,001]</u>	<u>[2,816,401]</u>	<u>617,398</u>
Other financing sources [uses]						
Transfers in	-	2,319,363	2,319,363	2,319,363	2,319,000	363
Total other financing sources [uses]	<u>-</u>	<u>2,319,363</u>	<u>2,319,363</u>	<u>2,319,363</u>	<u>2,319,000</u>	<u>363</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>192,904</u>	<u>[72,544]</u>	<u>120,360</u>	<u>\$ [530,638]</u>	<u>\$ [497,401]</u>	<u>\$ 617,761</u>
Fund balance, January 1	<u>814,902</u>	<u>[33,534]</u>	<u>781,368</u>			
Fund balance, December 31	<u>\$ 1,007,806</u>	<u>\$ [106,078]</u>	<u>\$ 901,728</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, 2016

	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	\$ 759,977	\$ -	\$ 759,977	\$ 707,809	\$ 742,000	\$ 17,977
Interest	1,016	-	1,016	-	400	616
Total Revenues	<u>760,993</u>	<u>-</u>	<u>760,993</u>	<u>707,809</u>	<u>742,400</u>	<u>18,593</u>
Expenditures						
Health						
Contractual services	713,371	41,855	755,226	827,702	751,100	[4,126]
Commodities	25	-	25	-	-	[25]
Total Expenditures	<u>713,396</u>	<u>41,855</u>	<u>755,251</u>	<u>827,702</u>	<u>751,100</u>	<u>[4,151]</u>
Excess [deficiency] of revenues over [under] expenditures	47,597	[41,855]	5,742	<u>\$ [119,893]</u>	<u>\$ [8,700]</u>	<u>\$ 14,442</u>
Fund balance, January 1	<u>144,772</u>	<u>-</u>	<u>144,772</u>			
Fund balance, December 31	<u>\$ 192,369</u>	<u>\$ [41,855]</u>	<u>\$ 150,514</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, 2016

	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	\$ 2,699,700	\$ -	\$ 2,699,700	\$ 2,540,000	\$ 2,720,000	\$ [20,300]
Interest	6,767	-	6,767	-	3,000	3,767
Miscellaneous	2,484	-	2,484	-	1,000	1,484
Total Revenues	<u>2,708,951</u>	<u>-</u>	<u>2,708,951</u>	<u>2,540,000</u>	<u>2,724,000</u>	<u>[15,049]</u>
Expenditures						
Public works						
Personal services	1,848,244	-	1,848,244	1,907,150	1,907,150	58,906
Contractual services	18,521	-	18,521	15,500	15,500	[3,021]
Commodities	425,409	[6,728]	418,681	389,780	389,780	[28,901]
Capital outlay	318,319	[8,375]	309,944	962,000	370,000	60,056
Total Expenditures	<u>2,610,493</u>	<u>[15,103]</u>	<u>2,595,390</u>	<u>3,274,430</u>	<u>2,682,430</u>	<u>87,040</u>
Excess [deficiency] of revenues over [under] expenditures	98,458	15,103	113,561	<u>\$ [734,430]</u>	<u>\$ 41,570</u>	<u>\$ 71,991</u>
Fund balance, January 1	<u>1,200,218</u>	<u>[56,236]</u>	<u>1,143,982</u>			
Fund balance, December 31	<u>\$ 1,298,676</u>	<u>\$ [41,133]</u>	<u>\$ 1,257,543</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, 2016

	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	\$ 759,977	\$ -	\$ 759,977	\$ 707,809	\$ 742,000	\$ 17,977
Interest	1,541	-	1,541	-	600	941
Total Revenues	<u>761,518</u>	<u>-</u>	<u>761,518</u>	<u>707,809</u>	<u>742,600</u>	<u>18,918</u>
Expenditures						
Culture and recreation						
Personal services	1,372	-	1,372	1,411	1,500	128
Contractual services	422,837	[2,215]	420,622	406,602	429,000	8,378
Commodities	135,242	7,634	142,876	118,709	150,000	7,124
Capital outlay	<u>127,890</u>	<u>19,668</u>	<u>147,558</u>	<u>393,793</u>	<u>150,000</u>	<u>2,442</u>
Total Expenditures	<u>687,341</u>	<u>25,087</u>	<u>712,428</u>	<u>920,515</u>	<u>730,500</u>	<u>18,072</u>
Excess [deficiency] of revenues over [under] expenditures	74,177	[25,087]	49,090	<u>\$ [212,706]</u>	<u>\$ 12,100</u>	<u>\$ 36,990</u>
Fund balance, January 1	<u>303,124</u>	<u>[74,902]</u>	<u>228,222</u>			
Fund balance, December 31	<u>\$ 377,301</u>	<u>\$ [99,989]</u>	<u>\$ 277,312</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, 2016

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current assets:			
Cash	\$ 580,000	\$ 228,460	\$ 808,460
Receivables (net of allowance for uncollectibles)			
Accounts	5,617	464	6,081
Accrued interest	685	324	1,009
Inventories	-	3,875	3,875
Total current assets	<u>586,302</u>	<u>233,123</u>	<u>819,425</u>
Capital assets:			
Land	479,055	-	479,055
Building and improvements	4,094,602	3,634,714	7,729,316
Equipment	422,536	233,847	656,383
Less: accumulated depreciation	<u>[4,027,369]</u>	<u>[3,444,292]</u>	<u>[7,471,661]</u>
Total capital assets	<u>968,824</u>	<u>424,269</u>	<u>1,393,093</u>
Total assets	<u>1,555,126</u>	<u>657,392</u>	<u>2,212,518</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	52,195	14,228	66,423
Pension - differences between expected and actual experience	27,201	1,375	28,576
Pension - net difference between projected and actual earnings on pension plan investments	106,702	27,995	134,697
Pension - changes in proportion	<u>14,702</u>	<u>5,716</u>	<u>20,418</u>
Total deferred outflows of resources	<u>200,800</u>	<u>49,314</u>	<u>250,114</u>
Total assets and deferred outflows of resources	<u>\$ 1,755,926</u>	<u>\$ 706,706</u>	<u>\$ 2,462,632</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities			
Accounts payable	\$ 15,338	\$ 16,368	\$ 31,706
Accrued payroll	15,280	6,194	21,474
Compensated absences payable	-	24,082	24,082
Total current liabilities	<u>30,618</u>	<u>46,644</u>	<u>77,262</u>
Noncurrent liabilities:			
Compensated absences payable	-	34,842	34,842
Net OPEB obligation	143,452	5,167	148,619
Net pension liability	<u>904,898</u>	<u>249,044</u>	<u>1,153,942</u>
Total noncurrent liabilities	<u>1,048,350</u>	<u>289,053</u>	<u>1,337,403</u>
Total liabilities	<u>1,078,968</u>	<u>335,697</u>	<u>1,414,665</u>
Deferred inflows of resources			
Pension - differences between expected and actual experience	13,606	4,618	18,224
Pension - changes in proportion	7,409	-	7,409
Pension - changes of assumptions	<u>9,696</u>	<u>2,855</u>	<u>12,551</u>
Total deferred inflows of resources	<u>30,711</u>	<u>7,473</u>	<u>38,184</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,109,679</u>	<u>\$ 343,170</u>	<u>\$ 1,452,849</u>
NET POSITION:			
Net investment in capital assets	\$ 968,824	\$ 424,269	\$ 1,393,093
Unrestricted	<u>[322,577]</u>	<u>[60,733]</u>	<u>[383,310]</u>
Total net position	<u>\$ 646,247</u>	<u>363,536</u>	<u>1,009,783</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, 2016

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating revenues:			
Charges for services	\$ 1,444,710	\$ 747,031	\$ 2,191,741
Total operating revenues	<u>1,444,710</u>	<u>747,031</u>	<u>2,191,741</u>
Operating expenses:			
Continuing operations	1,071,203	768,657	1,839,860
Depreciation and amortization	<u>146,450</u>	<u>202,861</u>	<u>349,311</u>
Total operating expenses	<u>1,217,653</u>	<u>971,518</u>	<u>2,189,171</u>
Operating income [loss]	<u>227,057</u>	<u>[224,487]</u>	<u>2,570</u>
Nonoperating revenues [expenses]			
Interest income	1,737	747	2,484
Miscellaneous	<u>-</u>	<u>21,700</u>	<u>21,700</u>
Total nonoperating revenues [expenses]	<u>1,737</u>	<u>22,447</u>	<u>24,184</u>
Change in net position	228,794	[202,040]	26,754
Net position, January 1	<u>417,453</u>	<u>565,576</u>	<u>983,029</u>
Net position, December 31	<u>\$ 646,247</u>	<u>\$ 363,536</u>	<u>\$ 1,009,783</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, 2016

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities			
Cash received from customers and users	\$ 1,443,867	\$ 747,031	\$ 2,190,898
Cash paid to suppliers of goods and services	[1,068,181]	[768,268]	[1,836,449]
Cash paid to employees	[82,198]	859	[81,339]
Net cash provided by [used in] operating activities	<u>293,488</u>	<u>[20,378]</u>	<u>273,110</u>
Cash flows from capital and related financing activities			
Proceeds from other activities	-	21,700	21,700
Acquisition and construction of capital assets	[29,890]	-	[29,890]
Net cash provided by [used in] capital and related financing activities	<u>[29,890]</u>	<u>21,700</u>	<u>[8,190]</u>
Cash flows from investing activities			
Interest received	1,085	455	1,540
Net cash provided by [used in] investing activities	<u>1,085</u>	<u>455</u>	<u>1,540</u>
Net increase [decrease] in cash and cash equivalents	264,683	1,777	266,460
Cash and cash equivalents, beginning	<u>315,317</u>	<u>226,683</u>	<u>542,000</u>
Cash and cash equivalents, ending	<u>\$ 580,000</u>	<u>\$ 228,460</u>	<u>\$ 808,460</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, 2016

	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]	\$ 227,057	\$ [224,487]	\$ 2,570
Net cash provided by [used in] operating activities			
Depreciation expense	146,450	202,861	349,311
[Increase] decrease in accounts receivable	[843]	-	[843]
[Increase] decrease in inventory	-	[1,361]	[1,361]
[Increase] decrease in deferred outflows	[128,714]	[28,822]	[157,536]
Increase [decrease] in accounts payable	3,022	1,750	4,772
Increase [decrease] in deferred inflows	[22,453]	[9,793]	[32,246]
Increase [decrease] in net pension liability	153,258	36,436	189,694
Increase [decrease] in compensated absences	[95,575]	1,250	[94,325]
Increase [decrease] in net OPEB obligation	9,190	302	9,492
Increase [decrease] in accrued payroll	2,096	1,486	3,582
Net cash provided by [used in] operating activities	<u>\$ 293,488</u>	<u>\$ [20,378]</u>	<u>\$ 273,110</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, 2016

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Current assets:						
Cash	\$ 1,246,195	\$ 1,540,386	\$ -	\$ 26,503	\$ 7,572,700	\$ 10,385,784
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	-	-	51,895	51,895
Accrued interest	-	-	-	-	12,290	12,290
Inventory	-	-	301,858	-	-	301,858
Total current assets	<u>1,246,195</u>	<u>1,540,386</u>	<u>301,858</u>	<u>26,503</u>	<u>7,636,885</u>	<u>10,751,827</u>
Capital assets:						
Building and improvements	-	-	762,567	-	-	762,567
Equipment	-	-	476,472	-	-	476,472
Less: accumulated depreciation	-	-	[909,066]	-	-	[909,066]
Total capital assets	<u>-</u>	<u>-</u>	<u>329,973</u>	<u>-</u>	<u>-</u>	<u>329,973</u>
Total assets	<u>1,246,195</u>	<u>1,540,386</u>	<u>631,831</u>	<u>26,503</u>	<u>7,636,885</u>	<u>11,081,800</u>
Deferred outflows of resources						
Pension - contributions subsequent to the measurement date	-	-	45,447	-	-	45,447
Pension - differences between expected and actual experience	-	-	4,399	-	-	4,399
Pension - net difference between projected and actual earnings on pension plan investments	-	-	89,523	-	-	89,523
Pension - changes in proportion	-	-	18,254	-	-	18,254
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>157,623</u>	<u>-</u>	<u>-</u>	<u>157,623</u>
Total assets and deferred outflows of resources	<u>\$ 1,246,195</u>	<u>\$ 1,540,386</u>	<u>\$ 789,454</u>	<u>\$ 26,503</u>	<u>\$ 7,636,885</u>	<u>\$ 11,239,423</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:						
Liabilities:						
Current liabilities						
Accounts payable	\$ 7,855	\$ 50,020	\$ 71,321	\$ 8,190	\$ 467,376	\$ 604,762
Claims payable	-	54,055	-	-	412,134	466,189
Accrued payroll	-	-	18,505	-	-	18,505
Compensated absences	-	-	65,942	-	-	65,942
Due to other funds	-	-	96,635	-	-	96,635
Total current liabilities	<u>7,855</u>	<u>104,075</u>	<u>252,403</u>	<u>8,190</u>	<u>879,510</u>	<u>1,252,033</u>
Noncurrent liabilities:						
Compensated absences	-	-	80,021	-	-	80,021
Net pension liability	-	-	795,627	-	-	795,627
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>875,648</u>	<u>-</u>	<u>-</u>	<u>875,648</u>
Total liabilities	<u>7,855</u>	<u>104,075</u>	<u>1,128,051</u>	<u>8,190</u>	<u>879,510</u>	<u>2,127,681</u>
Deferred inflows of resources						
Pension - differences between expected and actual experience	-	-	14,748	-	-	14,748
Pension - changes of assumptions	-	-	9,088	-	-	9,088
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>23,836</u>	<u>-</u>	<u>-</u>	<u>23,836</u>
Total liabilities and deferred inflows of resources	<u>\$ 7,855</u>	<u>\$ 104,075</u>	<u>\$ 1,151,887</u>	<u>\$ 8,190</u>	<u>\$ 879,510</u>	<u>\$ 2,151,517</u>
NET POSITION:						
Net investment in capital assets	\$ -	\$ -	\$ 329,973	\$ -	\$ -	\$ 329,973
Unrestricted	<u>1,238,340</u>	<u>1,436,311</u>	<u>[692,406]</u>	<u>18,313</u>	<u>6,757,375</u>	<u>8,757,933</u>
Total net position	<u>\$ 1,238,340</u>	<u>\$ 1,436,311</u>	<u>\$ [362,433]</u>	<u>\$ 18,313</u>	<u>\$ 6,757,375</u>	<u>\$ 9,087,906</u>

CITY OF LAWRENCE, KANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Operating revenue						
Charges for services	\$ 60,000	\$ 621,780	\$ 3,184,380	\$ 360	\$ 10,855,250	\$ 14,721,770
Total operating revenues	<u>60,000</u>	<u>621,780</u>	<u>3,184,380</u>	<u>360</u>	<u>10,855,250</u>	<u>14,721,770</u>
Operating expenses						
Continuing operations	79,491	588,930	3,155,072	11,790	-	3,835,283
General administration	-	-	-	-	2,003,549	2,003,549
Health insurance claims	-	-	-	-	9,838,298	9,838,298
Depreciation and amortization	-	-	44,887	-	-	44,887
Total operating expense	<u>79,491</u>	<u>588,930</u>	<u>3,199,959</u>	<u>11,790</u>	<u>11,841,847</u>	<u>15,722,017</u>
Operating income [loss]	<u>[19,491]</u>	<u>32,850</u>	<u>[15,579]</u>	<u>[11,430]</u>	<u>[986,597]</u>	<u>[1,000,247]</u>
Nonoperating revenues [expenses]						
Interest income	-	-	-	-	33,275	33,275
Gain [loss] on sale of capital assets	-	-	2,094	-	-	2,094
Total nonoperating revenues [expenses]	<u>-</u>	<u>-</u>	<u>2,094</u>	<u>-</u>	<u>33,275</u>	<u>35,369</u>
Income [loss] before transfers	[19,491]	32,850	[13,485]	[11,430]	[953,322]	[964,878]
Transfers [out]	<u>-</u>	<u>-</u>	<u>[7,000]</u>	<u>-</u>	<u>-</u>	<u>[7,000]</u>
Change in net position	[19,491]	32,850	[20,485]	[11,430]	[953,322]	[971,878]
Net position, January 1	<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>
Net position, December 31	<u>\$ 1,238,340</u>	<u>\$ 1,436,311</u>	<u>\$ [362,433]</u>	<u>\$ 18,313</u>	<u>\$ 6,757,375</u>	<u>\$ 9,087,906</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, 2016

	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	\$ 3,184,380	\$ 360	\$ 10,960,779	\$ 14,827,299
Cash paid to suppliers of goods and services	[75,967]	[624,557]	[3,146,449]	272	[11,716,636]	[15,563,337]
Cash paid to employees	-	-	[8,502]	-	-	[8,502]
Net cash provided by [used in] operating activities	[15,967]	[2,777]	29,429	632	[755,857]	[744,540]
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	-	-	2,094	-	-	2,094
Net cash provided by [used in] capital and related financing activities	-	-	2,094	-	-	2,094
Cash flows from noncapital financing activities:						
Interfund loan	-	-	[25,365]	-	-	[25,365]
Transfers [out]	-	-	[7,000]	-	-	[7,000]
Net cash provided by [used in] noncapital financing activities	-	-	[32,365]	-	-	[32,365]
Cash flows from investing activities:						
Interest received	-	-	-	-	21,994	21,994
Net cash provided by [used in] investing activities	-	-	-	-	21,994	21,994
Net increase [decrease] in cash and cash equivalent	[15,967]	[2,777]	[842]	632	[733,863]	[752,817]
Cash and cash equivalents, beginning	1,262,162	1,543,163	842	25,871	8,306,563	11,138,601
Cash and cash equivalents, ending	\$ 1,246,195	\$ 1,540,386	\$ -	\$ 26,503	\$ 7,572,700	\$ 10,385,784

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, 2016

	<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]	\$ [19,491]	\$ 32,850	\$ [15,579]	\$ [11,430]	\$ [986,597]	\$ [1,000,247]
Net cash provided by [used in] operating activities						
Depreciation expense	-	-	44,887	-	-	44,887
[Increase] decrease in accounts receivable	-	-	-	-	105,529	105,529
[Increase] decrease in inventory	-	-	7,236	4,372	-	11,608
[Increase] decrease in deferred outflows	-	-	[92,169]	-	-	[92,169]
Increase [decrease] in accounts payable	3,524	[35,627]	1,387	7,690	169,210	146,184
Increase [decrease] in claims payable	-	-	-	-	[43,999]	[43,999]
Increase [decrease] in accrued payroll	-	-	3,978	-	-	3,978
Increase [decrease] in deferred inflows	-	-	[31,315]	-	-	[31,315]
Increase [decrease] in net pension liability	-	-	116,514	-	-	116,514
Increase [decrease] in accrued compensated absences	-	-	[5,510]	-	-	[5,510]
Net cash provided by [used in] operating activities	<u>\$ [15,967]</u>	<u>\$ [2,777]</u>	<u>\$ 29,429</u>	<u>\$ 632</u>	<u>\$ [755,857]</u>	<u>\$ [744,540]</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 is used to account for transactions related to the TIF and TDD district funds, which are now accounted for in the special revenue funds.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 December 31, 2016

	Payroll Clearing	Municipal Court	Fire Insurance Proceeds	Economic Development Escrow	Total Agency Funds
ASSETS					
Cash	\$ 124,601	\$ 370,588	\$ 446	\$ -	\$ 495,635
Total assets	<u>\$ 124,601</u>	<u>\$ 370,588</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 495,635</u>
LIABILITIES					
Accounts payable	\$ 124,601	\$ 370,588	\$ 446	\$ -	\$ 495,635
Total liabilities	<u>\$ 124,601</u>	<u>\$ 370,588</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 495,635</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, 2016

ASSETS	<u>Payroll Clearing</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2016</u>
Cash		\$ 538,526	\$ 29,017,609	\$ 29,431,534	\$ 124,601
Total assets		<u>\$ 538,526</u>	<u>\$ 29,017,609</u>	<u>\$ 29,431,534</u>	<u>\$ 124,601</u>
LIABILITIES					
Accounts payable		\$ 538,526	\$ 29,017,609	\$ 29,431,534	\$ 124,601
Total liabilities		<u>\$ 538,526</u>	<u>\$ 29,017,609</u>	<u>\$ 29,431,534</u>	<u>\$ 124,601</u>

ASSETS	<u>Municipal Court</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2016</u>
Cash		\$ 417,983	\$ 701,030	\$ 748,425	\$ 370,588
Total assets		<u>\$ 417,983</u>	<u>\$ 701,030</u>	<u>\$ 748,425</u>	<u>\$ 370,588</u>
LIABILITIES					
Accounts Payable		\$ 417,983	\$ 701,030	\$ 748,425	\$ 370,588
Total liabilities		<u>\$ 417,983</u>	<u>\$ 701,030</u>	<u>\$ 748,425</u>	<u>\$ 370,588</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, 2016

ASSETS	<u>Fire Insurance Proceeds</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2016</u>
Cash		\$ -	\$ 32,205	\$ 31,759	\$ 446
Total assets		<u>\$ -</u>	<u>\$ 32,205</u>	<u>\$ 31,759</u>	<u>\$ 446</u>
LIABILITIES					
Accounts Payable		\$ -	\$ 32,205	\$ 31,759	\$ 446
Total liabilities		<u>\$ -</u>	<u>\$ 32,205</u>	<u>\$ 31,759</u>	<u>\$ 446</u>
ASSETS	<u>Economic Development Escrow</u>	Balance	<u>Additions</u>	<u>Deductions</u>	Balance
		January 1 <u>2015</u>			December 31 <u>2016</u>
Cash		\$ 220,176	\$ -	\$ 220,176	\$ -
Accounts receivable		<u>21,375</u>	<u>-</u>	<u>21,375</u>	<u>-</u>
Total assets		<u>\$ 241,551</u>	<u>\$ -</u>	<u>\$ 241,551</u>	<u>\$ -</u>
LIABILITIES					
Accounts Payable		\$ 220,176	\$ -	\$ 220,176	\$ -
Due to others		<u>21,375</u>	<u>-</u>	<u>21,375</u>	<u>-</u>
Total liabilities		<u>\$ 241,551</u>	<u>\$ -</u>	<u>\$ 241,551</u>	<u>\$ -</u>

See independent auditor's report on the financial statements.

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>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>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 176,377,845
Restricted	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	16,176,776
Unrestricted	<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>	<u>[4,515,792]</u>
Total governmental activities net position	<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>	<u>\$ 188,038,829</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 136,698,033
Restricted	27,230,548	19,865,967	-	-	-	-	-	-	-	2,007,755
Unrestricted	<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>	<u>27,660,822</u>
Total business-type activities net position	<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>	<u>\$ 166,366,610</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 313,075,878
Restricted	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	18,184,531
Unrestricted	<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>	<u>23,145,030</u>
Total primary government net position	<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>	<u>\$ 354,405,439</u>

Table 2

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 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	\$ 28,734,221
Public safety	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	36,496,705
Public works	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	18,222,484
Health	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	1,244,979
Social services	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	2,105,177
Culture and recreation	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	10,765,374
Tourism	779,687	818,561	771,534	885,555	1,052,713	969,229	1,009,528	1,266,137	1,706,788	2,746,841
Airport	212,253	248,014	242,517	318,403	494,077	226,568	251,419	229,161	252,735	145,227
Economic development	-	-	-	-	-	-	-	-	-	765,183
Interest on long-term debt	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	3,091,844
Total governmental activities expenses	<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>	<u>104,318,035</u>
Business-type activities:										
Water and sewer	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	34,618,665
Sanitation	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	11,091,519
Public parking	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	1,231,070
Stormwater	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	1,820,913
Golf course	925,676	999,551	1,016,011	998,557	917,860	944,149	930,730	973,740	961,517	978,457
Total business-type activities expenses	<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>	<u>49,740,624</u>
Total primary government expenses	<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>	<u>154,058,659</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	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	5,857,934
Public safety	6,390,357	7,371,902	6,746,080	398,548	453,968	403,121	503,123	563,446	427,146	5,773,962
Culture and recreation	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	3,703,700
Other activities	550,054	382,777	442,116	547,979	471,492	370,832	440,872	571,777	461,508	1,599,985
Operating grants and contributions	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	10,649,050
Capital grants and contributions	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	1,055,540
Total governmental activities program revenues	<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>	<u>28,640,171</u>
Business-type activities:										
Charges for services:										
Water and sewer	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	39,233,985
Sanitation	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	12,775,928
Public parking	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	1,444,710
Stormwater	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	3,082,304
Golf course	923,375	916,239	919,416	780,840	718,419	820,444	753,198	772,843	733,798	747,031
Operating grants and contributions	16,844	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<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>	<u>57,283,958</u>
Total primary government program revenues	<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>	<u>\$ 85,924,129</u>

Table 2, cont.

CITY OF LAWRENCE, KANSAS

Changes in Net Position, Continued

Last Ten Fiscal Years
(accrual basis of accounting)

	<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>	<u>2016</u>
Net [expense]/revenue										
Governmental activities	\$ [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]	\$ [75,677,864]
Business-type activities	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	7,543,334
Total primary government net expense	<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>	<u>[68,134,530]</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	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	31,870,781
Franchise taxes	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	7,448,325
Sales taxes	22,172,560	23,133,235	27,025,710	29,499,359	30,835,166	32,409,308	32,644,826	34,791,050	36,073,916	38,935,957
Unrestricted grants and contributions	548,596	740,882	760,511	723,125	645,080	691,768	689,082	732,100	720,387	764,798
Investment earnings	3,290,116	2,890,086	1,177,409	337,284	134,306	210,102	202,023	223,756	100,697	390,171
Miscellaneous	187,713	125,372	31,107	6,512	185,909	425,033	136,700	255,075	2,580,346	3,385,152
Transfers	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	2,257,560
Total governmental activities	<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>	<u>85,052,744</u>
Business-type activities:										
Unrestricted grants and contributions	-	-	6,325	5,148	3,303	-	-	-	-	-
Investment earnings	2,464,859	1,489,597	206,643	44,953	105,578	121,636	105,283	26,824	233,589	500,878
Miscellaneous	641,216	580,267	399,962	509,320	620,900	638,793	906,393	796,713	767,015	564,790
Transfers	<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>	<u>[2,257,560]</u>
Total business-type activities	<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>	<u>[1,191,892]</u>
Total primary government	<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>	<u>83,860,852</u>
Change in Net Position										
Governmental activities	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	9,374,880
Business-type activities	<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>	<u>6,351,442</u>
Total primary government	<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>	<u>\$ 15,726,322</u>

Table 3

CITY OF LAWRENCE, KANSAS

General Government Tax Revenues by Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Year	Property Tax	Sales* Tax	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total	Total Taxable Retail Sales
2007	\$ 21,681,622	\$ 22,172,560	\$ 4,784,605	\$ 1,960,344	\$ 126,803	\$ 50,725,934	\$ 1,245,379,100
2008	22,790,512	23,133,235	5,543,194	1,943,132	102,866	53,512,939	1,289,814,300
2009	22,616,220	27,025,710	5,872,925	1,951,303	106,181	57,572,339	1,257,214,500
2010	22,656,849	29,499,359	6,300,184	1,936,585	95,855	60,488,832	1,236,094,700
2011	23,204,001	30,835,166	6,408,974	1,944,512	91,697	62,484,350	1,291,735,200
2012	24,417,039	32,409,308	6,482,183	1,965,745	96,247	65,370,522	1,359,399,600
2013	25,470,800	32,644,826	6,822,828	2,206,347	98,546	67,243,347	1,388,082,800
2014	25,844,497	34,791,050	7,645,920	2,447,054	96,690	70,825,211	1,445,408,100
2015	27,672,476	36,073,916	7,127,746	2,562,534	96,085	73,532,757	1,512,719,800
2016	28,968,384	38,935,957	7,448,325	2,800,584	101,813	78,255,063	1,596,568,250

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

Table 4

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<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>	<u>2016*</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	489,385	458,016	444,230	418,924	483,882	626,605
Unassigned	-	-	-	-	12,764,449	12,807,728	12,987,191	13,203,510	12,718,338	20,009,047
Reserved	807,314	919,854	266,473	556,401	-	-	-	-	-	-
Unreserved	<u>11,449,526</u>	<u>12,224,367</u>	<u>12,564,947</u>	<u>12,747,754</u>	-	-	-	-	-	-
Total General Fund	<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>	<u>\$ 20,635,652</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 463,176	\$ 461,146	\$ 424,304	\$ 562,959	\$ 562,959	\$ 434,460
Restricted	-	-	-	-	16,727,528	17,198,370	16,924,753	17,578,956	16,468,996	15,742,316
Assigned	-	-	-	-	20,498,354	22,307,990	28,407,656	29,326,657	25,955,112	25,103,256
Unassigned	-	-	-	-	[1,820,366]	[1,706,921]	[15,039,302]	[14,022,677]	[8,716,690]	[11,265,210]
Reserved	8,366,671	17,918,096	17,239,307	17,615,379	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	15,389,830	16,938,468	18,602,507	18,002,435	-	-	-	-	-	-
Capital projects funds	<u>[745,650]</u>	<u>[2,938,975]</u>	<u>[9,271,901]</u>	<u>[1,871,354]</u>	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 30,014,822</u>

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

Table 5

CITY OF LAWRENCE, KANSAS

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Revenues										
Taxes	\$ 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	\$ 67,165,395
Special assessments	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	2,018,400
Licenses and permits	928,922	1,018,198	810,916	871,264	944,702	968,947	1,028,880	974,690	1,525,191	1,873,080
Charges for services	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	10,141,679
Fines, forfeitures and penalties	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	2,451,698
Interest	3,083,321	1,775,604	316,185	322,758	145,314	193,727	188,012	266,269	95,043	366,695
Intergovernmental	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	23,654,610
Reimbursements	70,834	196,262	375,161	138,393	449,094	335,350	472,548	675,165	1,577,236	4,130,660
Miscellaneous	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	1,570,382
Total Revenues	74,517,315	80,615,576	82,752,496	97,707,388	91,453,620	93,717,357	93,213,089	99,859,392	103,285,178	113,372,599
Expenditures										
General government	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	27,374,180
Public safety	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	35,428,959
Public works	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	8,859,891
Health	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	1,245,432
Social services	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	1,211,398
Culture and recreation	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	10,280,949
Tourism	779,687	818,561	771,534	885,555	1,051,345	967,620	1,007,438	1,263,707	1,566,103	2,739,874
Airport	96,545	132,237	126,740	201,889	377,900	110,908	134,849	194,405	134,062	134,866
Economic development	-	-	-	-	-	-	-	-	-	765,183
Capital outlay	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	14,214,757
Debt service:										
Principal retirement	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	10,665,747
Interest and fiscal charges	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	3,199,285
Total expenditures	84,398,604	86,606,045	95,963,749	106,578,280	95,052,015	107,404,394	123,083,148	131,986,037	116,348,480	116,120,521
Excess of revenues over/[under] expenditures	<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>	<u>[2,747,922]</u>
Other financing sources [uses]										
Transfers in	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	12,135,572
Transfers out	[5,335,512]	[7,064,570]	[9,168,787]	[12,488,235]	[590,519]	[465,500]	[1,108,559]	[450,000]	[200,053]	[9,874,995]
Capital lease proceeds	-	-	-	-	-	-	-	-	-	244,260
Proceeds of general obligation bonds	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]	15,618,152	15,784,588	7,550,776	16,520,174	8,569,874	16,090,840	9,061,141	48,477,563	13,533,097	2,504,837
Net change in fund balances	\$ 5,736,863	\$ 9,794,119	\$ [5,660,477]	\$ 7,649,282	\$ 4,971,479	\$ 2,403,803	\$ [20,808,918]	\$ 16,350,918	\$ 469,795	\$ [243,085]
Debt service as a percentage of noncapital expenditures	14.6%	15.2%	14.7%	21.4%	14.0%	18.6%	12.9%	13.0%	14.0%	13.6%

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

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		
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%	26.790
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%	26.650
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%	26.692
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%	26.370
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%	28.610
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%	29.530
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%	30.042
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%	31.474
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%	31.488
2016	885,273,456	7,746,142,740	16,001,791	70,140,005	27,654,355	27,654,355	928,929,602	7,843,937,100	11.8%	32.018

(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	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2007	19.780	7.010	26.790	29.950	0.050	30.000	48.360	9.200	57.560	1.500	115.850
2008	19.560	7.090	26.650	32.770	0.050	32.820	47.590	9.810	57.400	1.500	118.370
2009	19.692	7.000	26.692	32.803	0.000	32.803	46.171	11.723	57.894	1.500	118.889
2010	19.370	7.000	26.370	35.748	0.000	35.748	47.497	12.149	59.646	1.500	123.264
2011	20.100	8.510	28.610	35.770	0.000	35.770	47.740	11.700	59.440	1.500	125.320
2012	21.020	8.510	29.530	35.770	0.000	35.770	47.430	10.580	58.010	1.500	124.810
2013	21.529	8.513	30.042	37.152	0.000	37.152	47.250	10.538	57.788	1.500	126.482
2014	22.974	8.500	31.474	40.950	0.060	41.010	45.540	10.212	55.752	1.500	129.736
2015	22.984	8.504	31.488	40.591	0.507	41.098	46.833	10.073	56.906	1.500	130.992
2016	23.514	8.504	32.018	43.583	0.509	44.092	43.860	9.500	53.360	1.500	130.970

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2016

Taxpayer	Type of Business	2016 Assessed Valuation	Rank	Percent of Total Assessed Valuation	2007 Assessed Valuation	Rank	Percent of Total Assessed Valuation
Westar Energy	Electric Utility	\$ 19,407,537	1	2.09%	\$ 9,485,412	1	1.21%
Walmart	Retail Outlet	5,889,787	2	0.63%	4,000,445	8	0.51%
ARC PRLAWS001 LLC	Real Estate Management	5,098,447	3	0.55%	-	-	-
IREIT Lawrence Iowa Street LLC	Real Estate Management	4,121,951	4	0.44%	-	-	-
Cherry Hill Properties LLC	Real Estate Management	3,861,594	5	0.42%	-	-	-
Mendard Inc	Retail Outlet	3,848,193	6	0.41%	-	-	-
Black Hills	Gas Utility	3,796,063	7	0.41%	-	-	-
CH Realty VII/SH Lawrence Connection LLC	Real Estate Management	3,542,126	8	0.38%	-	-	-
North Creek Investors	Retail Center	3,308,886	9	0.36%	-	-	-
Westgate LC	Real Estate Management	2,996,702	10	0.32%	-	-	-
Hallmark Cards	Card Manufacturer	-	-	-	5,178,260	4	0.66%
Southwestern Bell	Telephone Utility	-	-	-	7,271,366	2	0.93%
Inland Western Lawrence	Retail Center	-	-	-	5,754,175	3	0.73%
Celliance	Biotechnology	-	-	-	4,811,545	5	0.61%
Lawrence Paper Company	Paper Manufacturer	-	-	-	4,533,530	6	0.58%
Packerware Corp	Plastics Manufacturer	-	-	-	4,399,365	7	0.56%
World Company	Media	-	-	-	3,844,675	9	0.49%
NCS Pearson	Computer Services	-	-	-	2,919,100	10	0.37%
Total		<u>\$ 55,871,286</u>		<u>6.25%</u>	<u>\$ 52,197,873</u>		<u>6.66%</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
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
2016	28,168,200	27,832,626	98.81	313,875	28,146,501	99.92	841,463	2.99

(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			
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	90,419,312	-	131,544	138,257,416	8,251,119	15,946,937	-	253,006,328	5.54%	2,603
2016	79,640,645	-	286,629	183,538,349	20,375,195	-	-	283,840,818	6.22%	2,898

(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
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	98,670,431	10,901,622	87,768,809	9.81	903
2016	97,948	928,930	100,015,840	10,930,190	89,085,650	9.59	910

(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, 2016

Jurisdiction	Bond Issues Outstanding	Amount Available in Debt Service Fund	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct: City of Lawrence	\$ 79,927,274	\$ 10,930,190	\$ 68,997,084	100%	\$ 68,997,084
Overlapping:					
Douglas County	2,630,000	1,106,711	1,523,289	74%	1,127,234
Unified School District No. 497	116,310,000	5,425,984	110,884,016	86%	95,887,431
	<u>118,940,000</u>	<u>6,532,695</u>	<u>112,407,305</u>		<u>97,014,665</u>
	<u>\$ 198,867,274</u>	<u>\$ 17,462,885</u>	<u>\$ 181,404,389</u>		<u>\$ 166,011,749</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

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<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>	<u>2016*</u>
Total Assessed Valuation of Taxable Property	\$ 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	\$ 995,923,209
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	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	298,776,963
Total net debt applicable to limit (includes temporary notes)	<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>	<u>79,048,062</u>
Legal Debt Margin	<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>	<u>\$ 219,728,901</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	34.85%	35.47%	34.74%	33.37%	33.57%	35.47%	43.99%	41.91%	37.83%	26.46%

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

* - General obligation bonds and temporary notes issued to finance utility improvements, revenue bonds, and certain refunding bonds are not subject to the debt limit pursuant to K.S.A. 10-301 et seq. Prior to 2016, all general obligation debt was included in this computation.

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
2007	\$ 29,826,895	\$ 15,361,516	\$ 14,465,379	\$ 1,195,000	\$ 1,357,400	\$ 2,552,400	5.67
2008	29,194,187	17,089,024	12,105,163	1,445,000	1,862,600	3,307,600	3.66
2009	29,310,739	16,445,509	12,865,230	1,685,000	1,987,298	3,672,298	3.50
2010	30,400,134	17,435,950	12,964,184	1,965,000	2,586,534	4,551,534	2.85
2011	31,177,405	18,102,807	13,074,598	2,145,000	2,382,795	4,527,795	2.89
2012	34,438,599	19,624,118	14,814,481	2,210,000	2,304,105	4,514,105	3.28
2013	32,341,302	18,925,425	13,415,877	2,280,000	2,220,860	4,500,860	2.98
2014	34,149,790	19,635,194	14,514,596	2,360,000	2,132,685	4,492,685	3.23
2015	35,828,206	19,637,989	16,190,217	635,000	3,263,568	3,898,568	4.15
2016	39,686,384	21,498,117	18,188,267	4,625,000	5,287,290	9,912,290	1.83

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)
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	4,567,016,000	38,686	26.70	12,106	3.7%
2016	97,948	4,567,016,000	38,686	26.70	11,969	3.6%

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

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Employer	2016			2007		
	<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	15.35%	9,691	1	15.95%
General Dynamics	1,500-2,500	2	3.80%	-	-	-
Lawrence Public Schools	1,856	3	2.82%	1,756	2	2.89%
City of Lawrence	1,503	4	2.29%	1,421	4	2.34%
Lawrence Memorial Hospital	1,403	5	2.13%	1,250	5	2.06%
Hallmark Cards	800	6	1.22%	759	6	1.25%
Berry Plastics	750	7	1.14%	-	-	-
Amarr Garage Doors	750	8	1.14%	590	8	0.97%
HyVee	540	9	0.82%	-	-	-
Dillons	465	10	0.71%	-	-	-
Vangent	-	-	-	1,600	3	2.63%
The World Company	-	-	-	687	7	1.13%
K-Mart Distribution	-	-	-	426	9	0.70%
DCCA Center	-	-	-	425	10	0.70%
Total	<u>18,156</u>		<u>28.15%</u>	<u>18,605</u>		<u>30.63%</u>

Sources: Lawrence Chamber of Commerce

CITY OF LAWRENCE, KANSAS

Full Time Equivalent Employees by Function

Last Ten Fiscal Years

<u>Function/Program</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>	<u>2016</u>
General Government	88.38	98.50	89.83	77.59	76.59	77.10	78.10	88.80	84.50	115.70
Public Safety	342.25	321.00	321.00	319.00	319.00	324.00	327.00	328.00	328.00	330.00
Public Works	188.00	173.75	172.75	172.75	165.75	166.75	167.75	170.50	170.50	187.00
Culture & Recreation	75.28	76.28	71.78	70.78	68.78	68.78	68.78	79.28	79.28	81.00
Health	1.00	1.00	1.00	1.00	1.00	-	-	1.00	1.00	1.00
Social services	-	-	-	-	-	-	-	-	-	3.60
Water & Sewer	<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>	<u>142.50</u>
Total	<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>	<u>860.80</u>

Source to 2015: City of Lawrence Budget Document - includes only budgeted positions.

Source after 2015: City of Lawrence Human Resources Department

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

	<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>	<u>2016</u>
Fire Protection										
Number of Firefighters and Officers	138	139.5	134.5	139.5	139.5	141	141	141	131	143
Number of Fire Calls Answered	2,005	2,045	1,864	1,982	1,958	1,970	1,970	1,979	2,200	2,220
Number of Medical Calls Answered	6,858	7,592	7,539	7,763	7,743	8,211	8,734	9,001	9,438	9,514
Number of Medical Transports	4,649	4,789	4,587	4,726	4,808	5,139	7,686	5,320	5,775	5,851
Number of Inspections Conducted	7,065	7,260	6,662	4,643	3,537	5,522	3,728	4,326	6,392	7,241
Police Protection										
Number of Commissioned Police Officers	142	142	142	142	147	150	154	154	155	153
Number of Full Time Civilians	34	34	35	33	33	33	33	33	33	33
Number of Calls for Service	126,874	115,404	107,314	115,383	112,647	112,464	121,599	115,398	107,478	100,142
Arrests Processed through County Jail	2,661	2,775	3,191	4,563	3,409	3,847	4,661	3,668	3,219	2,976
Officer Issued Traffic Violations	40,572	35,543	34,681	39,699	13,277	13,150	4,657	15,631	12,811	10,970
Officer Issued Parking Violations	94,890	92,355	99,091	85,958	29,680	11,882	12,986	37,292	10,988	10,754
Sewerage System										
Number of Service Connections	30,892	31,596	31,728	31,741	31,854	32,075	32,239	32,345	32,395	32,395
Actual Daily Average of Treatment in Million Gallons Daily	10.6	11.5	10.5	10.5	8.7	8.8	8.9	9.0	10.1	9.9
Water System										
Number of Service Connections	31,522	32,241	32,376	32,389	32,504	32,730	32,897	33,005	33,220	33,256
Daily Average Consumption in Million Gallons	11.4	10.4	9.5	9.9	10.7	12.2	10.5	10.2	10.1	10.6
Maximum Daily Capacity of Plant in Million Gallons	32.5	36.5	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>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>	<u>2016</u>
Public Works										
Miles of Streets	318.8	319.6	319.6	321.3	323.2	323.2	333.6	339.2	356.9	362.9
Culture and Recreation										
Recreation Centers	5	5	5	5	4	4	4	7	7	7
Parks	52	52	52	52	54	54	54	56	56	56
Park Acreage	3,497	3,535	3,535	3,535	3,535	3,535	3,535	3,800	3,800	3,800
Tennis Courts	20	19	19	19	11	11	11	16	16	16
Fire Protection										
Number of Stations	5	5	5	5	5	6	6	6	6	6
Police Protection										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	37	35	35	36	30	30	30	32	38	40
Sewerage System										
Miles of Sanitary Sewers	418	425	426	430	433	433	434	443	452	454
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	36	31	33	34	34	34	33	31	31	31
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	420	440	444	452	455	475	499	516	520	523
Number of City owned Fire Hydrants	3,285	3,081	3,146	3,198	3,218	3,257	3,331	3,413	3,480	3,531
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	264,966	230,846	227,503	224,781	229,777	229,777	229,777	188,867	201,400	207,500
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	16	16	16	15	14	14	14	14	14	14
Number of Public Elementary School Instructors	452	480	490	487	429	439	457	467	459	445
Number of Public Secondary Schools	6	6	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	374	375	368	362	465	475	485	499	495	476
Number of Universities	2	2	2	2	2	2	2	2	2	2
Hospitals										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	173	191	191	191	173	173	173	173	174	174

Sources: Various City of Lawrence & other government departments

CITY OF LAWRENCE, KANSAS

Continuing Disclosure Information (Unaudited)

Recent Developments

The largest permitted projects in 2017, as of May 13, 2017, are as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
Country Inn and Suites	\$3,900,000
St. John the Evangelist Catholic Church addition	3,000,000
Alvamar Wellness Building	2,233,645
API Foils building addition	2,200,000
RP Lawrence LLC building addition	1,489,800

The largest permitted projects in 2016 were as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
The Links at Lawrence Apartments	\$26,486,063
Alvamar Apartments	14,400,000
West End Apartments	14,229,107
Village Cooperative	8,350,000
Pinckney Elementary School	6,290,534
Bauer Farms Residential	6,000,000
Maple Street Pump Station	5,937,631
Bethel Estates of Lawrence	5,518,200
800 New Hampshire multi-family dwelling addition	4,000,000
KU Tennis Facility	3,965,500
Clinton Water Treatment Plant improvements	3,879,000
Sunflower Elementary School renovations	3,350,000
Growing Smiles Dental Office	2,886,000
Douglas County Fairgrounds Open Pavilion	2,725,000
PetSmart	2,333,952
525 Wakarusa Retail	2,000,000
Lawrence Paper Company Addition	1,866,200

Labor Force Data

	Annual Average				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Labor Force:					
City of Lawrence	50,739	50,774	51,712	52,222	52,444
Douglas County	63,445	63,574	64,754	65,273	65,556
State of Kansas	1,484,016	1,484,764	1,500,353	1,499,009	1,484,001
Unemployment Rate:					
City of Lawrence	5.4%	4.8%	4.0%	3.7%	3.6%
Douglas County	5.2	4.8	4.1	3.7	3.6
State of Kansas	5.8	5.3	4.5	4.2	4.2

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

Permits Issued by the City

Year	New Single Family Residential		New Commercial/Industrial		Total Value* (All Permits)
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2017 (to 2-28)	33	\$9,844,150	4	\$3,986,103	\$ 22,665,804
2016	137	38,096,166	28	37,717,200	220,882,201
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

* 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	128	December 31, 2018
Local 1596 International Association of Firefighters	<u>112</u>	December 31, 2019
Subtotal	240	
Non-unionized employees	<u>621</u>	
Total full-time employees	861	

WATER AND WASTEWATER DISCLOSURE INFORMATION

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 33,256 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, 2009, and to the raw water pump station in 2016 have increased that Plant’s original 10.0 mgd capacity to 25.0 mgd. The distribution system includes over 523 miles of water mains and 3,531 fire hydrants. The daily average volume of water treated was 10.6 mgd in 2016. 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 454 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 2016 was approximately 9.9 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 (2016):

<u>Customer Category</u>	<u>Water Usage (Thousand Gallons)</u>	<u>Amount</u>
Residential	1,731,312	\$ 10,079
Multifamily	346,903	1,611
Commercial	690,292	3,257
Industrial	139,651	549
Wholesale	<u>349,036</u>	<u>1,100</u>
Total	3,257,194	\$16,596

Historical Customers – Water

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

<u>Year</u>	<u>Average Number of Water Service Connections</u>			
	<u>Residential</u>	<u>Multifamily</u>	<u>Other</u>	<u>Total</u>
2016	30,029	848	2,379	33,256
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

<u>Year</u>	<u>Water Sales Volume (Thousand Gallons)</u>					
	<u>Residential</u>	<u>Multifamily</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2016	1,731,312	346,903	690,292	139,651	553,750	3,461,908
2015	1,678,516	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

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>
2016	32,395	9.9
2015	32,395	10.1
2014	32,345	9.0
2013	32,239	8.9
2012	32,075	8.8

Largest Customers

The top ten water consumers during 2016 are as follows:

<u>Customer</u>	<u>Water Sales Volume</u>	<u>% of Total</u>	<u>Water Revenues</u>	<u>% of Total</u>
City of Baldwin	167,071,600	4.83%	\$526,834.09	3.03%
Kansas University	126,862,000	3.66	481,235.62	2.77
Rural Water District #5	58,565,600	1.69	184,629.44	1.06
Rural Water District #4	45,056,200	1.30	141,986.05	0.82
Alvamar Golf Course	41,245,200	1.19	183,204.98	1.05
Eagle Bend Golf Course*	36,175,800	1.04	-	0.00
Westar Energy	34,505,700	1.00	153,651.11	0.88
Rural Water District #1	28,441,300	0.82	89,618.35	0.52
Rural Water District #2	28,152,800	0.81	88,745.79	0.51
Packer Plastics	25,245,600	0.73	95,972.62	0.55

* 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 2016, the City of Baldwin, Kansas, comprised approximately 3.03% of the total water revenues and 4.83% of the total water sales volume of the System. The City's agreement with the City of Baldwin terminates in 2052. During 2016, Rural Water District #5 comprised approximately 1.06% of the total water revenues and 1.69% 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, 2016 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 position 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.

	2012	2013	2014	2015	2016
Revenues:					
Water and Sewer Charges	\$ 33,994,431	\$ 32,026,001	\$ 33,960,797	\$ 35,342,902	\$ 39,023,143
Water Tap Extensions	100,766	-	-	-	-
Other Revenues	250,036	233,757	170,178	266,066	210,842
Total Operating Revenues	<u>\$ 34,345,233</u>	<u>\$ 32,259,758</u>	<u>\$ 34,130,975</u>	<u>\$ 35,608,968</u>	<u>\$ 39,233,985</u>
Expenses:					
Administrative	\$ 4,705,841	\$ 4,486,658	\$ 4,853,111	\$ 5,295,449	\$ 4,652,769
Operation & Maintenance	14,918,277	14,438,767	14,782,083	14,342,540	16,845,348
Depreciation & Amortization	6,046,970	6,269,342	6,444,168	6,665,565	7,096,578
Total Operating Expenses	<u>\$ 25,671,088</u>	<u>\$ 25,194,767</u>	<u>\$ 26,079,362</u>	<u>\$ 26,303,554</u>	<u>\$ 28,594,695</u>
Non-Operating Revenues (Expenses):					
Gain (Loss) on Sale	\$ 24,972	\$ 12,907	\$ 9,625	\$ 600	\$ 50,135
Interest Income	93,366	81,544	18,815	219,238	452,399
Interest Expense	(3,077,997)	(2,985,423)	(2,905,045)	(5,692,257)	(5,859,380)
Transfers	(3,084,896)	(3,084,896)	(3,215,017)	(3,084,896)	(3,084,896)
Reimbursements	354,956	608,004	216,330	416,156	263,610
Total Non-Operating	<u>\$ (5,689,599)</u>	<u>\$ (5,367,864)</u>	<u>\$ (5,875,292)</u>	<u>\$ (8,141,159)</u>	<u>\$ (8,178,132)</u>
Net income	\$ 2,984,546	\$ 1,697,127	\$ 2,176,321	\$ 1,164,255	\$ 2,461,158
Net Position January 1	137,762,215	140,746,761	142,443,888	144,620,209	139,322,828
Restatement	-	-	-	(6,461,636)	-
Net Position December 31	<u>\$ 140,746,761</u>	<u>\$ 142,443,888</u>	<u>\$ 144,620,209</u>	<u>\$ 139,322,828</u>	<u>\$ 141,783,986</u>

CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Federal Transit Formula Grants	20.507	\$ 2,076,516
Passed Through Kansas Department of Transportation:		
Highway Planning and Construction	20.205	598,778
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	201,902
Highway Safety Cluster:		
State and Community Highway Safety	20.600	38,119
National Priority Safety Programs	20.616	<u>7,457</u>
Total U.S. Department of Transportation		<u>2,922,772</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	661,730
HOME Investments Partnership Program	14.239	321,267
Fair Housing Initiatives Program	14.401	28,401
Passed Through Kansas Housing Resource Corp.		
Emergency Solutions Grant Program	14.231	138,154
Passed Through Kansas Department of Commerce		
Community Development Block Grants	14.228	<u>98,268</u>
Total U.S. Department of Housing and Urban Development		<u>1,247,820</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	20,286
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>53,291</u>
Total U.S. Department of Justice		<u>73,577</u>
Total Expenditures of Federal Awards		<u>\$ 4,244,169</u>

CITY OF LAWRENCE, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

1. Organization

The City is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. The information presented in this schedule is in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2016.

5. Outstanding Loans

The City did not have any outstanding loans under federal grants at December 31, 2016.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Section I - Summary of Independent 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 deficiency (ies) 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 deficiency (ies) 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 the
Uniform Guidance Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.507

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, 2016

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, 2016, 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 19, 2017. 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 and Explore Lawrence 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.

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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 19, 2017

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, 2016. 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, 2016.

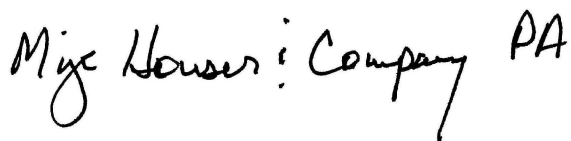
Report on Internal Control Over Compliance

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.

Handwritten signature of Mike Houser in black ink, followed by the text "Company PA".

Certified Public Accountants
Lawrence, Kansas

May 19, 2017