

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2017

**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*

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 and efficient services.

Our Vision

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

Organizational Values

*Character
Competence
Courage
Collaboration
Commitment*

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report
Year ended December 31, 2017

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City of Lawrence

FINANCE

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CITY MANAGER

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CITY COMMISSION

MAYOR
STUART BOLEY

COMMISSIONERS
LISA LARSEN
LESLIE SODEN
JENNIFER ANANDA
MATTHEW J. HERBERT

June 13, 2018

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2017 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 are 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, 2017 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, 2017, 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 is 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 effectiveness of the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal



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

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 Independent Auditor's Report.

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 38 miles west of Kansas City, Missouri, and 25 miles east of Topeka, the State capital. In addition, Lawrence is home to the University of Kansas, the largest local employer, and Haskell Indian Nations University, a federally operated tribal university. The City encompasses approximately 34.3 square miles and had an estimated population of 99,496 in 2017.

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, including 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 water, wastewater and stormwater 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 their 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 the City staff and Commissioners to discuss various elements of the budget. A goal setting session was held, giving the Commissioners an opportunity to determine priorities for the budget year. Staff in the various departments can then work toward the accomplishment of those goals through their daily operations. In 2017, the City Commission's goals were economic development, planned growth, community building, environment issues, neighborhood quality, transportation, downtown development, and service delivery.

In 2017, the first opportunity for public comment on the budget was in May. 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 public hearing 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.

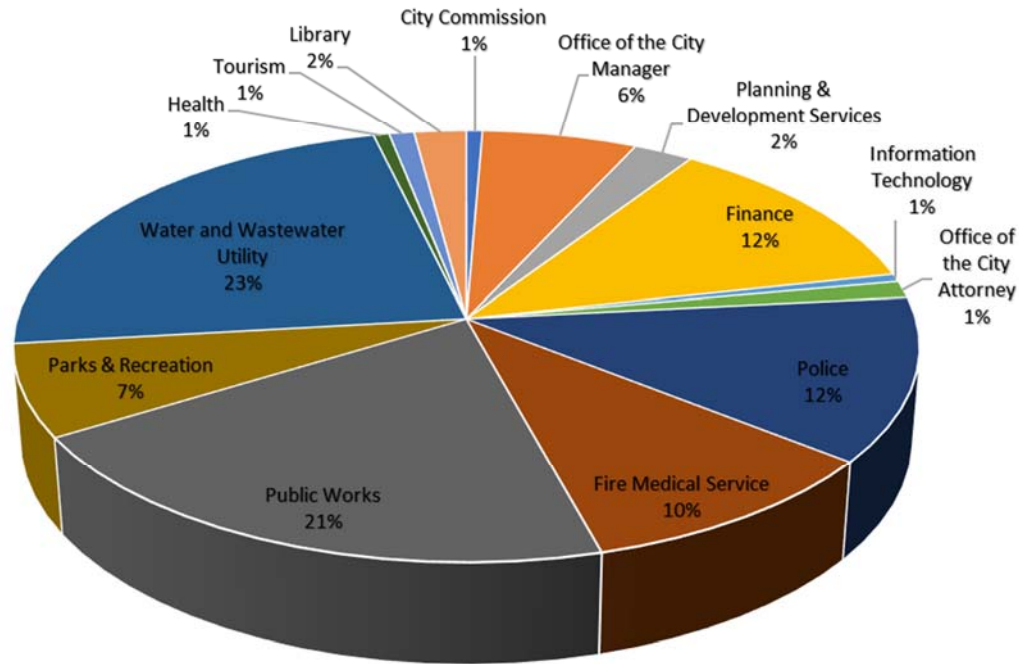
The budget process includes the City's Capital Improvement Plans (CIP) for the next five years. These plans are then measured against the City's critical success factors. In 2017, the critical success factors were:

- 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 and included as part of the manager's budget.

City of Lawrence is organized into 14 departments to provide City services and to carry out City policies. The following chart shows budgeted expenditures for all funds by department in 2017.

2017 Adopted Budget All Funds by Department



Local Economy The local economy is varied and diverse, producing a wide variety of products and services. Approximately 18.0% of Lawrence's employment is in educational services, 13.5% in accommodation and food services, 12.0% in retail trade and 8.2% in professional, scientific and technical services. Employment opportunities are provided by over 2,000 local employers. Over the next five years, employment in Lawrence, KS MSA is projected to expand by 1,109 jobs, with the strongest forecasts in health care and social assistance, professional, scientific and technical services and educational services. Major employers include The University of Kansas, Lawrence Public Schools, City of Lawrence, Lawrence Memorial Hospital, Berry Plastics, Hallmark Cards Inc., Amarr Garage Doors, Douglas County, Boston Financial Data Services and Olivia Collection.

The average unemployment of the Lawrence MSA in 2017 was 3.1%, which is down from 3.6% in 2016. The total civilian labor force was 52,326 in December 2017. The average annual unemployment rate for 2014, 2015 and 2016 was 4.0%, 3.7% and 3.6% respectively. The number of homes sold in Lawrence during 2017 was 1,735, up 43.4% from the 1,210 in 2016. The median selling price for a home was \$177,500 during the year representing a 0.3% decrease over the \$178,000 median selling price in 2016.

Economic Development The City of Lawrence provides multiple 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 investments in which the City analyzes the risks and returns, and selects 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.

2017 Major Economic Development Support Programs		
Incentive Program	Description	Location
Tax Abatements	Amarr	3800 Greenway circle
	Screen-It Graphics/Grandstand	3840 Greenway Circle
	Rock Chalk Park	6100 Rock Chalk Drive
	Sunlite Science & Technology, Inc.	4811 Quail Crest Place
Catalyst Tax Abatements	VanTrust Phase I	Lawrence Venture Park, Lot B1
	Plastikon Healthcare Expansion	3780 Greenway Circle
Industrial Revenue Bonds (IRB)	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd Street
	Rock Chalk Park	6100 Rock Chalk Drive
	826 Pennsylvania Street	826 Pennsylvania Street
	Peaslee Technical Center-2016	2920 Haskell Avenue
	Vermont Place	800-815 Vermont Street
	Boys & Girls Club	2910 Haskell Avenue
Neighborhood Revitalization Areas (NRA)	8th and Pennsylvania Street District	720 E 9th Street
	1040 Vermont (Treanor Headquarters)	1040 Vermont Street
	810/812 Pennsylvania (Cider Building)	810/812 Pennsylvania Street
	1106 Rhode Island Street (Hernly Assocs.)	1106 Rhode Island Street
	1101 Indiana Street (HERE Kansas)	1101/1115 Indiana Street
	900 Delaware Street (9 Del Lofts)	900 Delaware Street
	826 Pennsylvania Street	826 Pennsylvania Street
	Vermont Place	800-815 Vermont Street
Tax Increment Financing (TIF)	Downtown 2000 District	9th & New Hampshire area
	901 New Hampshire (TIF Refund)	901 New Hampshire
	Oread Project	1200 Oread Avenue
	9th & New Hampshire TIF District	900 New Hampshire, 888 New Hampshire
Transportation Development Districts (TDD)	Free State (Bauer Farm)	NEC 6th & Wakarusa
	Oread Project	1200 Oread Avenue
	9th & New Hampshire TDD District	900 New Hampshire, 888 New Hampshire

2017 Other Support Programs		
Support Program	Description	Location
Economic Development Services	BTBC	2029 Becker & 4950 Research Pkwy
Economic Development Services	Chamber and KU-SBDC	718 New Hampshire
Shared Infrastructure	Rock Chalk Park	6100 Rock Chalk Drive
Relocation Assistance	Integrated Animal Health	2029 Becker Drive
Workforce Training	Peaslee Technical Training Center	2920 Haskell Avenue
Expansion Assistance	Special Assessment Forgiveness (donated County property)	3780 Greenway Circle

All the companies receiving a property tax abatement in 2017 met employment compliance as per their performance agreement. Amarr Garage Doors exceeded projected employment by 525% and Grandstand exceeded projected employment by 202%. Sunlite achieved 39% of their projected employment for the 2017 abatement year.

Major Initiatives The City Manager and City Commission identified the development of a Strategic Plan for the City of Lawrence as a key priority. The Mayor, City Commissioners, City Manager and senior city staff members participated in a two-day Strategic Planning Retreat in January of 2017 to establish a framework for the City's Strategic Plan. The framework, which includes a Vision Statement and seven Critical Success Factors that are essential to achieving that vision in the future, was adopted by the Commission in March of 2017.

The City Commission identified the following priority initiatives for the next two years:

- Inventory and evaluate the role of existing advisory boards and commissions, identify opportunities to consolidate or sunset as appropriate, and adopt consistent operating guidelines
- Review City's practices for ongoing professional development and align efforts to achieve excellence around the Commission's priorities
- Identify barriers to having high-speed fiber throughout Lawrence and facilitate the development of the necessary infrastructure by the private sector
- Review 9th Street plans and develop a proposal to complete the road infrastructure and determine ability to add creative and artistic elements
- Develop a City facility master plan and comprehensive facility maintenance plan
- Develop a plan to implement priority based budgeting and enhance communication in the annual budget process Develop and communicate a long-term financial strategy
- Develop a master plan for downtown that includes needed and desirable assets, infrastructure, and uses

Construction continued in 2017 on the new Wakarusa River Wastewater Treatment Plant, 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%. Other major initiatives included the Lawrence Municipal Airport wildlife fence installation and Clinton Water Treatment Plant improvements.

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.

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 25% 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, 2016. This was the twenty-sixth consecutive year that the City has received this 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.

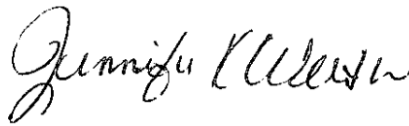
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2018 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial 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 Jennifer Werth, Natalia Fairchild and Elizabeth Kennedy. 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 black ink, appearing to read "Bryan Kidney". The signature is fluid and cursive, with the first name "Bryan" and last name "Kidney" clearly distinguishable.

Bryan Kidney
Finance Director

A handwritten signature in black ink, appearing to read "Jennifer Werth". The signature is fluid and cursive, with the first name "Jennifer" and last name "Werth" clearly distinguishable.

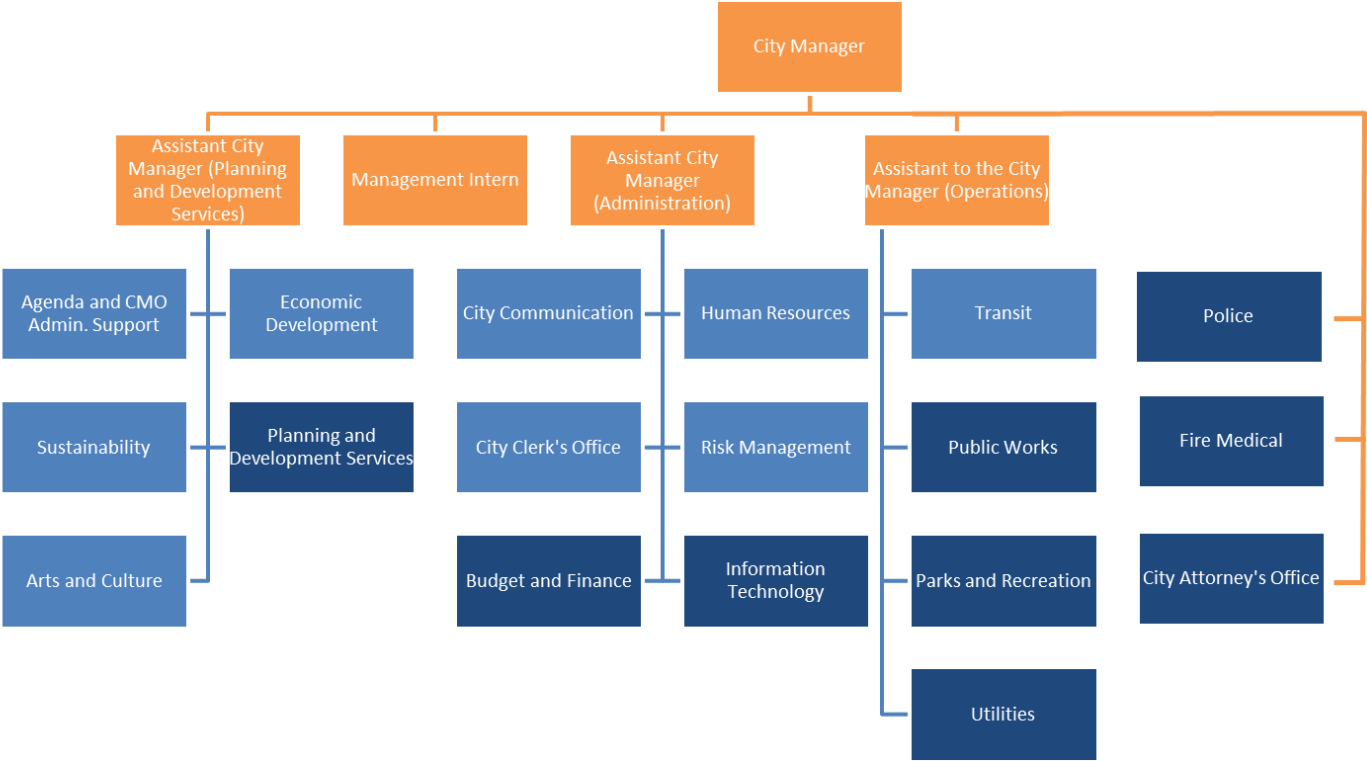
Jennifer Werth
Senior Accountant

CITY OF LAWRENCE, KANSAS

List of Principal Officials
December 31, 2017

TITLE	NAME
Mayor	Stuart Boley
Vice Mayor	Lisa Larsen
Commission Member	Leslie Soden
Commission Member	Jennifer Ananda
Commission Member	Matthew Herbert
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	Derek Rogers
Planning and Development Services	Scott McCullough
Police Chief	Gregory Burns
Public Works Director	Charles Soules
Utilities Director	Dave Wagner

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, 2016

Christopher P. Morill

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, 2017, 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 \$282,508,791 as of December 31, 2017 and total expenses of \$238,680,613 for the year then ended, the Lawrence-Douglas County Housing Authority which statements reflect total assets and deferred outflows of resources of \$20,516,067 as of December 31, 2017 and total expenses of \$8,980,781 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.

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, 2017, 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, certain errors resulting in amounts previously reported as accounts receivable and amounts not properly capitalized as assets as of December 31, 2016, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2017, financial statements now presented, and adjustments have been made to net position to correct the errors. 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 58, the schedule of the City's proportionate share of the net pension liability on page 59, and the schedule of City contributions on page 59 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 June 13, 2018, 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

June 13, 2018

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, 2017. 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 2017 by \$374.9 million. This is our total net position. Of this amount, \$72.7 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 \$8.9 million. This was due to a combination of the capitalization of Venture Park Infrastructure, less an increase in Public Works expenditures in 2017.
- The City's net position of our business-type activities increased by \$7.2 million as a factor of the City's user fees increasing higher than the related business-type expenditures.

As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$77.6 million, an increase of \$26.9 million in comparison with the prior year.

The City's total long term liabilities increased by \$26.2 million due to a net bond activity increase of \$21.3 million related to the issuance of general obligation debt to replenish capital projects.

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, and 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, parking, 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 63, once in the Guest Tax Fund and again in the eXplore Lawrence Fund.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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 38 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 2017 operations for the general fund plus eight additional governmental funds that are legally required to be adopted. A budgetary comparison statement has been provided for the budgeted governmental funds to demonstrate compliance with this budget.

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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. These funds are used to account for assets held by the city as an agent for individuals or other funds. The City has three agency funds: payroll clearing, municipal court bonds, and fire insurance proceeds.

Notes to the financial statements. The notes 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	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 143,331	\$ 106,887	\$ 93,304	\$ 108,882	\$ 236,635	\$ 215,769
Non-current assets	271,915	266,892	304,834	286,456	576,749	553,348
Total assets	415,246	373,779	398,138	395,338	813,384	769,117
Deferred outflows of resources	13,314	14,133	2,231	2,672	15,545	16,805
Current liabilities	20,768	29,098	19,486	20,235	40,254	49,333
Non-current liabilities	169,391	138,936	206,781	210,990	376,172	349,926
Total liabilities	190,159	168,034	226,267	231,225	416,426	399,259
Deferred inflows of resources	37,034	31,839	575	419	37,609	32,258
Net position:						
Net investment in capital assets	174,116	176,378	109,888	136,698	284,004	313,076
Restricted	16,124	16,177	2,008	2,008	18,132	18,185
Unrestricted	11,127	(4,516)	61,631	27,660	72,758	23,144
Total net position	\$ 201,367	\$ 188,039	\$ 173,527	\$ 166,366	\$ 374,894	\$ 354,405

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 2017, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. 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 also an increase of \$7.2 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, improvements on the Clinton Water Treatment Plant and other water and wastewater improvements.

The City's overall net position increased by \$20.5 million during 2017. 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 15,867	\$ 16,935	\$ 62,352	\$ 57,284	\$ 78,219	\$ 74,219
Operating grants	12,026	10,649	-	-	12,026	10,649
Capital grants	16,915	1,055	-	-	16,915	1,055
General revenues:						
Property taxes	33,415	31,871	-	-	33,415	31,871
Sales taxes	39,366	38,936	-	-	39,366	38,936
Franchise fees	7,229	7,448	-	-	7,229	7,448
Unrestricted grants	783	765	-	-	783	765
Other	<u>3,854</u>	<u>3,775</u>	<u>2,112</u>	<u>1,066</u>	<u>5,966</u>	<u>4,841</u>
Total revenues	129,455	111,434	64,464	58,350	193,919	169,784
Expenses						
General government	23,994	28,734	-	-	23,994	28,734
Public safety	44,199	36,497	-	-	44,199	36,497
Public works	31,645	18,222	-	-	31,645	18,222
Health	1,321	1,245	-	-	1,321	1,245
Social services	2,609	2,105	-	-	2,609	2,105
Culture and recreation	11,851	10,765	-	-	11,851	10,765
Tourism	2,759	2,747	-	-	2,759	2,747
Airport	139	145	-	-	139	145
Economic development	2,359	765	-	-	2,359	765
Interest on long-term debt	3,440	3,092	-	-	3,440	3,092
Water and sewer	-	-	37,356	34,619	37,356	34,619
Sanitation	-	-	11,448	11,092	11,448	11,092
Public parking	-	-	2,132	1,821	2,132	1,821
Storm water	-	-	1,379	1,231	1,379	1,231
Golf	<u>-</u>	<u>-</u>	<u>1,261</u>	<u>978</u>	<u>1,261</u>	<u>978</u>
Total expenses	124,316	104,317	53,576	49,741	177,892	154,058
Excess (deficiency)	5,139	7,117	10,888	8,609	16,027	15,726
Transfers	<u>3,802</u>	<u>2,258</u>	<u>(3,802)</u>	<u>(2,258)</u>	<u>-</u>	<u>-</u>
Change in net position	8,941	9,375	7,086	6,351	16,027	15,726
Beginning net position	188,039	175,243	166,366	160,015	354,405	335,258
Prior period adjustment	<u>4,387</u>	<u>3,421</u>	<u>75</u>	<u>-</u>	<u>4,462</u>	<u>3,421</u>
Ending net position	<u>\$ 201,367</u>	<u>\$ 188,039</u>	<u>\$ 173,527</u>	<u>\$ 166,366</u>	<u>\$ 374,894</u>	<u>\$ 354,405</u>

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

Total governmental revenues increased by \$16.2 million in 2017. Property taxes increased due to overall increased property valuations and sales tax increased due to higher retail sales. Capital grants and contributions increased due to the completion and issuance of debt related to Venture Park infrastructure.

Expenditures for governmental purposes increased 19.2%. The increase is largely attributable to Public Works infrastructure improvements.

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 \$3.8 million due to increases in water and sewer rates for 2017.
- Positive net income in the Sanitation Fund equaling \$2.6 million due to overall rate increase as well as increases in landfill and recycling fees. .
- Positive net income in the Storm Water Fund equaling \$0.8 million primarily due to an increase in revenues. Storm water fee rates were not changed in 2017.

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, 2017, the City of Lawrence's governmental funds reported combined ending fund balances of \$77.6 million, an increase of \$26.9 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 2017, unassigned general fund balance totaled \$22.7 million, while total general fund balance was \$23.4 million. Unassigned general fund balance represents 33.9% of total general fund expenditures, exceeding the 25% range established by the City Commission's adopted fund balance policy.

The City of Lawrence adopts its budget on a fund basis. The 2017 adopted General Fund budget was not legally amended. On the revenue side, overall revenues exceeded the legally adopted and revised budgeted amount by \$1.0 million.

General fund budget basis expenditures increased 5.69%. This is primarily due to public safety expenditures.

Key factors affecting the general fund balance are as follows: increase in sales tax revenues; increase in property tax revenues due to increased assessed valuation; and increase in general fund expenditures, driven by compensation increases and increased pension contributions.

The debt service fund has a total fund balance of \$11.3 million, all of which is restricted for debt service. The primary source of revenue for the debt service fund is property taxes currently at 9.757 mills.

The capital project fund has a total fund balance of \$9.5 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 \$6.0 million in bond anticipation notes outstanding for the construction of Fire Station No. 1. The City will issue general obligation financing to take out the anticipation notes in 2019.

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 \$50.4 million at the end of 2017. The unrestricted net position of the Sanitation Fund amounted to \$5.1 million at the end of 2017. The change in net position for the Water and Sewer Fund was \$3.7 million. The Sanitation Fund had an increase in net position of \$2.6 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, 2017, amounts to \$576.7 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 3.2%. For governmental activities, this was primarily due to the construction of the Lawrence Municipal Airport Wildlife Fence and the 23rd and Ousdahl improvements. The business-type activity additions of \$18.3 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 \$16.1 million.

City of Lawrence Capital Assets						
(net of depreciation)						
(000's)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 16,435	\$ 16,435	\$ 6,984	\$ 6,977	\$ 23,419	\$ 23,412
Buildings	54,293	50,818	58,957	60,954	113,250	111,772
Improvements	27,141	15,775	144,150	142,071	171,291	157,846
Equipment	13,021	12,702	6,094	5,758	19,115	18,460
Infrastructure	152,859	157,212	-	-	152,859	157,212
Construction in progress	8,166	19,317	88,649	70,770	96,815	90,087
Total	<u>\$ 271,915</u>	<u>\$ 272,259</u>	<u>\$ 304,834</u>	<u>\$ 286,530</u>	<u>\$ 576,749</u>	<u>\$ 558,789</u>

Long-term debt

At the end of 2017, the City of Lawrence had total bonded debt outstanding of \$282.6 million. Of this amount, \$114.3 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 \$17.6 million during the year. In governmental activities, \$9.0 million in general obligation bonds was retired. In business-type activities, \$17.2 million in revenue bonds were issued to finance water and sewer improvements and refunding of 2008 revenue bonds.

City of Lawrence 2017 Bonded Debt Outstanding		
(000's)		
	Total	Due in One Year
General obligation bonds	<u>\$ 114,309</u>	<u>12,899</u>
Revenue bonds	<u>168,340</u>	<u>6,445</u>
Net primary government	<u>\$ 282,649</u>	<u>\$ 19,344</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, 2017 the debt limitation for the City of Lawrence was \$307 million. The City's general obligation debt as of December 31, 2017 was \$105 million. This is only 34.0% of the maximum allowed under statutes. More information on debt may be found in the statistical section of this CAFR beginning with table 13 and on the City's Investor Relations Site <http://lawrenceksbonds.com>.

Economic Factors and 2017 Budget

The average unemployment rate for Lawrence MSA in 2017 was 3.1%, a decrease of 1.0% from the previous year. This is below the 2017 State average of 3.6%. The City experienced an increase of 2.7% in its assessed valuation in 2017. The 2017 property tax based on the assessed valuation is used to fund the 2018 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, 2017

	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	\$ 86,216,557	\$ 82,183,779	\$ 168,400,336	\$ 123,108,395
Receivables (net of allowance for uncollectibles)				
Accounts	2,164,842	4,507,928	6,672,770	37,849,179
Taxes	34,165,932	-	34,165,932	-
Special assessments	16,434,707	-	16,434,707	-
Intergovernmental	6,124,140	-	6,124,140	-
Franchise fees	629,975	-	629,975	-
Loans	362,097	-	362,097	-
Accrued interest	329,320	169,880	499,200	-
Internal balances	[3,406,394]	3,406,394	-	-
Inventory	309,658	2,590,378	2,900,036	3,907,428
Due from other entities	-	-	-	2,463,884
Prepays	-	446,341	446,341	10,113,291
Other assets	-	-	-	822,647
Total current assets	<u>143,330,834</u>	<u>93,304,700</u>	<u>236,635,534</u>	<u>178,264,824</u>
Noncurrent assets:				
Capital assets, nondepreciable				
Land	16,434,737	6,983,631	23,418,368	8,166,983
Construction in progress	8,165,831	88,649,462	96,815,293	5,900,238
Capital assets, depreciable	427,858,048	345,055,099	772,913,147	267,064,527
Less: Accumulated depreciation	<u>[180,543,600]</u>	<u>[135,854,481]</u>	<u>[316,398,081]</u>	<u>[152,748,033]</u>
Total noncurrent assets	<u>271,915,016</u>	<u>304,833,711</u>	<u>576,748,727</u>	<u>128,383,715</u>
Total assets	<u>415,245,850</u>	<u>398,138,411</u>	<u>813,384,261</u>	<u>306,648,539</u>
Deferred outflows of resources				
Deferred amount on refunding	-	-	-	91,530
Pension - contributions subsequent to the measurement date	2,916,974	652,086	3,569,060	185,121
Pension - net difference between projected and actual earnings on pension plan investments	2,187,081	377,733	2,564,814	107,009
Pension - differences between expected and actual experience	2,366,015	80,292	2,446,307	16,500
Pension - changes in assumption	4,038,665	664,289	4,702,954	183,718
Pension - changes in proportion	1,805,627	456,367	2,261,994	177,039
Total deferred outflows of resources	<u>13,314,362</u>	<u>2,230,767</u>	<u>15,545,129</u>	<u>760,917</u>
Total assets and deferred outflows of resources	<u>\$ 428,560,212</u>	<u>\$ 400,369,178</u>	<u>\$ 828,929,390</u>	<u>\$ 307,409,456</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current liabilities:				
Accounts payable	\$ 5,525,847	\$ 4,921,693	\$ 10,447,540	\$ 9,300,311
Accrued payroll	1,012,581	336,440	1,349,021	13,398,630
Interest payable	1,171,986	1,239,027	2,411,013	114,400
Retirement obligation payable	-	-	-	427,126
Meter deposits payable	-	1,181,162	1,181,162	-
Due to other entities	-	-	-	838,417
Unearned revenue	-	-	-	140,614
Other liabilities	-	-	-	183,143
Current portion of temporary notes payable	-	-	-	-
Current portion of compensated absences payable	3,203,545	884,049	4,087,594	98,277
Current portion of revenue bonds payable	-	7,299,332	7,299,332	1,845,000
Current portion of general obligation bonds payable	9,761,325	3,624,463	13,385,788	-
Current portion of capital lease payable	92,392	-	92,392	-
Total current liabilities	<u>20,767,676</u>	<u>19,486,166</u>	<u>40,253,842</u>	<u>26,345,918</u>
Noncurrent liabilities:				
Compensated absences payable	3,930,257	912,415	4,842,672	245,903
Net OPEB obligation	5,277,903	1,909,765	7,187,668	2,797
Net pension liability	60,084,361	12,973,230	73,057,591	3,411,388
Claims payable	1,089,421	-	1,089,421	-
Temporary notes payable	6,027,780	-	6,027,780	-
General obligation bonds payable	91,837,234	12,757,365	104,594,599	-
Revenue bonds payable	-	178,228,462	178,228,462	7,795,000
Capital lease payable	1,143,691	-	1,143,691	-
Total non-current liabilities	<u>169,390,647</u>	<u>206,781,237</u>	<u>376,171,884</u>	<u>11,455,088</u>
Total liabilities	<u>190,158,323</u>	<u>226,267,403</u>	<u>416,425,726</u>	<u>37,801,006</u>
Deferred inflows of resources				
Deferred revenue - property taxes	35,437,312	-	35,437,312	-
Pension - differences between expected and actual experience	786,364	436,188	1,222,552	117,958
Pension - changes in proportion	546,566	6,049	552,615	136,987
Pension - changes of assumptions	264,342	133,085	397,427	24,945
Total deferred inflows of resources	<u>37,034,584</u>	<u>575,322</u>	<u>37,609,906</u>	<u>279,890</u>
Total liabilities and deferred inflows of resources	<u>\$ 227,192,907</u>	<u>\$ 226,842,725</u>	<u>\$ 454,035,632</u>	<u>\$ 38,080,896</u>
Net Position				
Net investment in capital assets	\$ 174,116,398	\$ 109,887,927	\$ 284,004,325	\$ 118,172,675
Restricted for:				
Debt service	11,266,535	1,934,684	13,201,219	924,438
Improvements	4,446,322	73,071	4,519,393	-
Other purposes	411,460	-	411,460	22,066
Unrestricted	11,126,590	61,630,771	72,757,361	150,209,381
Total net position	<u>\$ 201,367,305</u>	<u>\$ 173,526,453</u>	<u>\$ 374,893,758</u>	<u>\$ 269,328,560</u>

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

CITY OF LAWRENCE, KANSAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Program Revenues				Net [Expenses] Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Total Governmental Activities	Total Business-type Activities		
Governmental activities:								
General government	\$ 23,993,685	\$ 5,122,733	\$ 3,708,173	\$ -	\$ [15,162,779]	\$ -	\$ [15,162,779]	\$ -
Public safety	44,199,155	6,866,750	-	-	[37,332,405]	-	[37,332,405]	-
Public works	31,644,780	179,344	2,827,088	16,914,876	[11,723,472]	-	[11,723,472]	-
Health	1,320,850	164,755	-	-	[1,156,095]	-	[1,156,095]	-
Social services	2,609,249	-	2,012,587	-	[596,662]	-	[596,662]	-
Culture and recreation	11,851,021	3,343,028	783,231	-	[7,724,762]	-	[7,724,762]	-
Tourism	2,759,231	70,355	2,695,209	-	6,333	-	6,333	-
Airport	139,414	120,325	-	-	[19,089]	-	[19,089]	-
Economic development	2,358,798	-	-	-	[2,358,798]	-	[2,358,798]	-
Interest on long-term debt	3,440,221	-	-	-	[3,440,221]	-	[3,440,221]	-
Total governmental activities	124,316,404	15,867,290	12,026,288	16,914,876	[79,507,950]	-	[79,507,950]	-
Business-type activities:								
Water and sewer	37,356,134	42,930,470	-	-	-	5,574,336	5,574,336	-
Sanitation	11,448,107	13,634,852	-	-	-	2,186,745	2,186,745	-
Stormwater	2,132,331	3,238,658	-	-	-	1,106,327	1,106,327	-
Public parking	1,378,713	1,563,008	-	-	-	184,295	184,295	-
Golf course	1,261,536	984,669	-	-	-	[276,867]	[276,867]	-
Total business-type activities	53,576,821	62,351,657	-	-	-	8,774,836	8,774,836	-
Total primary government	\$ 177,893,225	\$ 78,218,947	\$ 12,026,288	\$ 16,914,876	[79,507,950]	8,774,836	[70,733,114]	-
Component units:								
Lawrence Housing Authority	\$ 8,980,781	\$ 1,812,652	\$ 7,269,002	\$ 635,932	-	-	-	736,805
Lawrence Memorial Hospital	238,938,137	250,729,709	-	3,183,476	-	-	-	14,975,048
Lawrence Public Library	4,973,148	188,371	4,532,626	-	-	-	-	[252,151]
Total component units	\$ 252,892,066	\$ 252,730,732	\$ 11,801,628	\$ 3,819,408	-	-	-	15,459,702
General Revenues:								
Property tax					33,414,884	-	33,414,884	-
Sales tax					39,365,644	-	39,365,644	-
Franchise tax					7,229,327	-	7,229,327	-
Unrestricted grants and contributions					783,431	-	783,431	-
Use of money or property					493,557	802,034	1,295,591	3,926,133
Miscellaneous					3,361,033	1,310,446	4,671,479	118,113
Transfers, net					3,801,983	[3,801,983]	-	-
Subtotal general revenues					88,449,859	[1,689,503]	86,760,356	4,044,246
Change in net position					8,941,909	7,085,333	16,027,242	19,503,948
Net position - January 1					188,038,829	166,366,610	354,405,439	249,824,612
Prior period adjustment					4,386,567	74,510	4,461,077	-
Net position - January 1, restated					192,425,396	166,441,120	358,866,516	249,824,612
Net position - December 31					\$ 201,367,305	\$ 173,526,453	\$ 374,893,758	\$ 269,328,560

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

CITY OF LAWRENCE, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<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	\$ 20,081,126	\$ 12,031,395	\$ 10,914,900	\$ 28,151,070	\$ 71,178,491
Receivables:					
Taxes	18,993,712	9,489,155	-	5,683,065	34,165,932
Special assessments	-	16,434,707	-	-	16,434,707
Intergovernmental	5,123,859	-	-	1,000,281	6,124,140
Accounts (net allowance for uncollectibles)	1,971,685	7,925	34,848	94,266	2,108,724
Franchise fees	629,975	-	-	-	629,975
Loans	-	-	-	362,097	362,097
Accrued interest	83,928	43,598	45,335	114,752	287,613
Due from other funds	1,304,159	-	-	-	1,304,159
Restricted assets:					
Cash	-	-	-	4,401,083	4,401,083
Total assets	<u>\$ 48,188,444</u>	<u>\$ 38,006,780</u>	<u>\$ 10,995,083</u>	<u>\$ 39,806,614</u>	<u>\$ 136,996,921</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,195,468	\$ 4,200	\$ 1,087,179	\$ 1,021,176	\$ 5,308,023
Accrued payroll	869,955	854	-	122,860	993,669
Due to other funds	-	-	359,000	862,179	1,221,179
Total liabilities	<u>4,065,423</u>	<u>5,054</u>	<u>1,446,179</u>	<u>2,006,215</u>	<u>7,522,871</u>
Deferred inflows of resources:					
Unavailable revenue	<u>20,743,212</u>	<u>26,735,191</u>	<u>34,848</u>	<u>4,358,768</u>	<u>51,872,019</u>
Total liabilities and deferred inflows of resources	<u>24,808,635</u>	<u>26,740,245</u>	<u>1,481,027</u>	<u>6,364,983</u>	<u>59,394,890</u>
Fund balance:					
Nonspendable	-	-	-	411,460	411,460
Restricted	-	11,266,535	9,514,056	4,446,322	25,226,913
Assigned	666,212	-	-	28,700,173	29,366,385
Unassigned	<u>22,713,597</u>	<u>-</u>	<u>-</u>	<u>[116,324]</u>	<u>22,597,273</u>
Total fund balances	<u>23,379,809</u>	<u>11,266,535</u>	<u>9,514,056</u>	<u>33,441,631</u>	<u>77,602,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,188,444</u>	<u>\$ 38,006,780</u>	<u>\$ 10,995,083</u>	<u>\$ 39,806,614</u>	<u>\$ 136,996,921</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, 2017

Total Governmental Fund Balances		\$ 77,602,031
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	451,219,576	
Accumulated depreciation	<u>[179,590,328]</u>	271,629,248
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.		
		5,756,912
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.		
		13,184,756
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.		
		[1,563,498]
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		16,434,707
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[7,000,976]	
Net OPEB obligation	[5,277,903]	
Net pension liability	[59,321,526]	
Claims and judgements payable	[42,038]	
General obligation bonds payable	[101,598,559]	
Temporary note	[6,027,780]	
Capital lease payable	[1,236,083]	
Accrued interest on the bonds	<u>[1,171,986]</u>	<u>[181,676,851]</u>
Net Position of Governmental Activities		\$ <u>201,367,305</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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 53,537,279	\$ 8,774,776	\$ -	\$ 17,697,801	\$ 80,009,856
Special assessments	-	2,428,511	113,680	-	2,542,191
Licenses and permits	1,647,100	-	-	-	1,647,100
Charges for services	8,326,247	-	-	3,679,733	12,005,980
Fines, forfeitures, and penalties	2,151,004	-	-	63,206	2,214,210
Interest	132,344	77,938	48,251	199,721	458,254
Intergovernmental	881,268	-	-	13,495,140	14,376,408
Reimbursements	214,325	-	472,981	842,463	1,529,769
Miscellaneous	761,074	233,732	-	836,458	1,831,264
Total revenues	<u>67,650,641</u>	<u>11,514,957</u>	<u>634,912</u>	<u>36,814,522</u>	<u>116,615,032</u>
EXPENDITURES					
Current expenditures:					
General government	12,791,869	-	19,995	11,117,185	23,929,049
Public safety	40,513,546	-	186,135	812,669	41,512,350
Public works	6,790,360	-	10,176,040	3,528,395	20,494,795
Health	1,013,113	-	30,915	274,847	1,318,875
Social services	-	-	-	1,658,234	1,658,234
Culture and recreation	4,819,286	-	-	6,332,434	11,151,720
Tourism	-	-	-	2,748,422	2,748,422
Airport	128,179	-	-	-	128,179
Economic development	-	-	-	2,358,798	2,358,798
Capital outlay	866,717	-	6,036,794	5,997,482	12,900,993
Debt service:					
Principal retirement	-	8,788,828	-	283,200	9,072,028
Interest and fiscal charges	-	2,768,640	568,355	12,465	3,349,460
Total expenditures	<u>66,923,070</u>	<u>11,557,468</u>	<u>17,018,234</u>	<u>35,124,131</u>	<u>130,622,903</u>
Excess [deficiency] of revenues over [under] expenditures	<u>727,571</u>	<u>[42,511]</u>	<u>[16,383,322]</u>	<u>1,690,391</u>	<u>[14,007,871]</u>
Other financing sources [uses]					
Transfers in	3,655,000	150,000	55	1,037,399	4,842,454
Transfers [out]	[820,000]	-	[47,318]	[170,136]	[1,037,454]
Proceeds from sale of bonds	-	-	35,034,000	-	35,034,000
Premium on bonds	-	-	2,036,462	-	2,036,462
Capital lease proceeds	-	-	1,064,200	-	1,064,200
Total other financing sources [uses]	<u>2,835,000</u>	<u>150,000</u>	<u>38,087,399</u>	<u>867,263</u>	<u>41,939,662</u>
Net change in fund balance	<u>3,562,571</u>	<u>107,489</u>	<u>21,704,077</u>	<u>2,557,654</u>	<u>27,931,791</u>
Fund balance - January 1	20,635,652	10,930,190	[11,151,718]	30,236,350	50,650,474
Restatement to fund balance	<u>[818,414]</u>	<u>228,856</u>	<u>[1,038,303]</u>	<u>647,627</u>	<u>[980,234]</u>
Fund balance - January 1, restated	<u>19,817,238</u>	<u>11,159,046</u>	<u>[12,190,021]</u>	<u>30,883,977</u>	<u>49,670,240</u>
Fund balance - December 31	<u>\$ 23,379,809</u>	<u>\$ 11,266,535</u>	<u>\$ 9,514,056</u>	<u>\$ 33,441,631</u>	<u>\$ 77,602,031</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, 2017

Total Net Change In Fund Balances - Governmental Funds \$ 27,931,791

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	11,724,869	
Loss on sale of asset	[18,472]	
Depreciation expense	<u>[12,006,273]</u>	[299,876]

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.

[232,020]

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.

37,820

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

12,805,996

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.

[372,697]

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

[2,167,665]

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 and temporary notes	[27,904,624]
Claims and judgements payable	92,637
Capital leases	<u>[949,453]</u>

Changes In Net Position of Governmental Activities \$ 8,941,909

CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2017

	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	\$ 53,537,279	\$ 2,332,800	\$ 55,870,079	\$ 57,706,820	\$ 57,706,820	\$ [1,836,741]
Licenses and permits	1,647,100	-	1,647,100	1,382,100	1,382,100	265,000
Charges for services	8,326,247	-	8,326,247	5,997,062	5,997,062	2,329,185
Fines, forfeitures, and penalties	2,151,004	-	2,151,004	3,029,000	3,029,000	[877,996]
Interest	132,344	-	132,344	87,000	87,000	45,344
Intergovernmental	881,268	-	881,268	538,502	538,502	342,766
Reimbursements	214,325	-	214,325	-	-	214,325
Miscellaneous	761,074	-	761,074	298,650	298,650	462,424
Total revenues	<u>67,650,641</u>	<u>2,332,800</u>	<u>69,983,441</u>	<u>69,039,134</u>	<u>69,039,134</u>	<u>944,307</u>
Expenditures						
General government	12,791,869	7,467	12,799,336	24,153,553	24,153,553	11,354,217
Public safety	40,513,546	[177,613]	40,335,933	41,497,866	41,497,866	1,161,933
Public works	6,790,360	12,830	6,803,190	10,677,806	10,677,806	3,874,616
Health	1,013,113	534	1,013,647	1,055,999	1,055,999	42,352
Culture and recreation	4,819,286	228,244	5,047,530	5,561,258	5,561,258	513,728
Airport	128,179	-	128,179	-	-	[128,179]
Capital outlay	866,717	-	866,717	2,215,000	2,215,000	1,348,283
Total expenditures	<u>66,923,070</u>	<u>71,462</u>	<u>66,994,532</u>	<u>85,161,482</u>	<u>85,161,482</u>	<u>18,166,950</u>
Excess [deficiency] of revenues over [under] expenditures	<u>727,571</u>	<u>2,261,338</u>	<u>2,988,909</u>	<u>[16,122,348]</u>	<u>[16,122,348]</u>	<u>19,111,257</u>
Other financing sources [uses]						
Transfer in	3,655,000	-	3,655,000	3,656,751	3,656,751	[1,751]
Transfer out	<u>[820,000]</u>	<u>[2,332,800]</u>	<u>[3,152,800]</u>	<u>[2,747,898]</u>	<u>[2,747,898]</u>	<u>[404,902]</u>
Total other financing sources [uses]	<u>2,835,000</u>	<u>[2,332,800]</u>	<u>502,200</u>	<u>908,853</u>	<u>908,853</u>	<u>[406,653]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>3,562,571</u>	<u>[71,462]</u>	<u>3,491,109</u>	<u>\$ [15,213,495]</u>	<u>\$ [15,213,495]</u>	<u>\$ 18,704,604</u>
Fund balance, January 1	20,635,652	[626,605]	20,009,047			
Restatement to fund balance	<u>[818,414]</u>	<u>31,855</u>	<u>[786,559]</u>			
Fund balance, January 1, restated	<u>19,817,238</u>	<u>[594,750]</u>	<u>19,222,488</u>			
Fund balance, December 31	<u>\$ 23,379,809</u>	<u>\$ [666,212]</u>	<u>\$ 22,713,597</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, 2017

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Current assets:						
Cash	\$ 18,387,806	\$ 8,929,000	\$ 3,193,235	\$ 1,111,435	\$ 31,621,476	\$ 10,636,983
Receivables (net of allowances for uncollectibles):						
Accounts	3,031,766	1,233,675	238,084	4,403	4,507,928	56,118
Accrued interest	114,566	36,468	14,529	4,317	169,880	41,707
Inventory	2,584,829	-	-	5,549	2,590,378	309,658
Prepays	446,341	-	-	-	446,341	-
Restricted Cash:						
Customer deposits	1,158,295	22,867	-	-	1,181,162	-
Capital improvements	35,117,971	-	-	-	35,117,971	-
Current portion of revenue bonds	7,299,332	-	-	-	7,299,332	-
Total current assets	68,140,906	10,222,010	3,445,848	1,125,704	82,934,468	11,044,466
Noncurrent assets:						
Restricted cash and investments	6,963,838	-	-	-	6,963,838	-
Total restricted assets	6,963,838	-	-	-	6,963,838	-
Capital assets:						
Land	4,659,085	-	1,845,491	479,055	6,983,631	-
Building and improvements	298,832,794	3,286,243	13,369,362	7,729,316	323,217,715	762,567
Construction in progress	88,649,462	-	-	-	88,649,462	-
Equipment	8,230,806	9,761,633	3,163,572	681,373	21,837,384	476,472
Less: accumulated depreciation	[113,476,606]	[8,501,921]	[5,972,796]	[7,903,158]	[135,854,481]	[953,271]
Total capital assets	286,895,541	4,545,955	12,405,629	986,586	304,833,711	285,768
Total noncurrent assets	293,859,379	4,545,955	12,405,629	986,586	311,797,549	285,768
Total assets	362,000,285	14,767,965	15,851,477	2,112,290	394,732,017	11,330,234
Deferred outflows of resources:						
Pension - contributions subsequent to the measurement date	368,675	204,202	21,620	57,589	652,086	38,142
Pension - net difference between projected and actual earnings on pension plan investments	200,556	124,315	10,761	42,101	377,733	20,754
Pension - differences between expected and actual experience	33,440	17,851	2,062	26,939	80,292	3,485
Pension - changes in assumptions	385,462	191,896	25,051	61,880	664,289	40,282
Pension - changes in proportion	259,496	137,992	19,893	38,986	456,367	26,943
Total deferred outflows of resources	1,247,629	676,256	79,387	227,495	2,230,767	129,606
Total assets and deferred outflows of resources	\$ 363,247,914	\$ 15,444,221	\$ 15,930,864	\$ 2,339,785	\$ 396,962,784	\$ 11,459,840
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:						
Liabilities:						
Current liabilities						
Accounts payable	\$ 4,653,333	\$ 215,139	\$ 16,157	\$ 37,064	\$ 4,921,693	\$ 217,824
Interest payable	1,224,357	14,383	287	-	1,239,027	-
Claims payable	-	-	-	-	-	1,047,383
Accrued payroll	195,502	106,395	14,518	20,025	336,440	18,912
Compensated absences	564,850	268,828	19,568	30,803	884,049	59,232
Due to other funds	-	-	-	-	-	82,980
Current portion of general obligation bonds payable	3,307,946	295,000	21,517	-	3,624,463	-
Total unrestricted current liabilities	9,945,988	899,745	72,047	87,892	11,005,672	1,426,331
Current Liabilities payable from restricted assets:						
Customer deposits	1,158,295	22,867	-	-	1,181,162	-
Current portion of revenue bonds	7,299,332	-	-	-	7,299,332	-
Total current liabilities payable from restricted assets	8,457,627	22,867	-	-	8,480,494	-
Total current liabilities	18,403,615	922,612	72,047	87,892	19,486,166	1,426,331
Noncurrent liabilities:						
Compensated absences	575,780	278,053	21,212	37,370	912,415	73,594
General obligation bonds payable	11,817,365	940,000	-	-	12,757,365	-
Revenue bonds payable	178,228,462	-	-	-	178,228,462	-
Net pension liability	7,358,128	4,005,715	481,919	1,127,468	12,973,230	762,835
Net OPEB obligation	924,815	744,643	71,396	168,911	1,909,765	-
Total noncurrent liabilities	198,904,550	5,968,411	574,527	1,333,749	206,781,237	836,429
Total liabilities	217,308,165	6,891,023	646,574	1,421,641	226,267,403	2,262,760
Deferred inflows of resources:						
Pension - differences between expected and actual experience	255,252	134,646	19,568	26,722	436,188	26,519
Pension - changes in proportion	-	-	-	6,049	6,049	-
Pension - changes of assumptions	71,785	44,840	3,023	13,437	133,085	7,255
Total deferred inflows of resources	327,037	179,486	22,591	46,208	575,322	33,774
Total liabilities and deferred inflows of resources	\$ 217,635,202	\$ 7,070,509	\$ 669,165	\$ 1,467,849	\$ 226,842,725	\$ 2,296,534
NET POSITION:						
Net investment in capital assets	\$ 93,206,274	\$ 3,310,955	\$ 12,384,112	\$ 986,586	\$ 109,887,927	\$ 285,768
Restricted for:						
Debt service	1,934,684	-	-	-	1,934,684	-
Capital outlay	73,071	-	-	-	73,071	-
Unrestricted	50,398,683	5,062,757	2,877,587	[114,650]	58,224,377	8,877,538
Total net position	\$ 145,612,712	\$ 8,373,712	\$ 15,261,699	\$ 871,936	170,120,059	\$ 9,163,306
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,406,394	
Net position of business-type activities					\$ 173,526,453	

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, 2017

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue						
Charges for services	\$ 42,686,814	\$ 13,634,852	\$ 3,238,658	\$ 2,547,677	\$ 62,108,001	\$ 15,712,888
Other sales	243,656	-	-	-	243,656	-
Total operating revenues	<u>42,930,470</u>	<u>13,634,852</u>	<u>3,238,658</u>	<u>2,547,677</u>	<u>62,351,657</u>	<u>15,712,888</u>
Operating expenses						
Continuing operations	-	10,639,444	1,590,422	2,210,199	14,440,065	4,310,710
Transmission and distribution	17,816,926	-	-	-	17,816,926	-
General administration	4,722,002	-	-	-	4,722,002	1,606,003
Health insurance claims	-	-	-	-	-	9,735,339
Depreciation and amortization	7,554,469	755,708	526,384	431,497	9,268,058	44,205
Total operating expense	<u>30,093,397</u>	<u>11,395,152</u>	<u>2,116,806</u>	<u>2,641,696</u>	<u>46,247,051</u>	<u>15,696,257</u>
Operating income [loss]	<u>12,837,073</u>	<u>2,239,700</u>	<u>1,121,852</u>	<u>[94,019]</u>	<u>16,104,606</u>	<u>16,631</u>
Nonoperating revenues [expenses]						
Interest income	688,945	60,133	21,697	10,173	780,948	56,390
Interest expense	[7,268,743]	[52,483]	[23,682]	-	[7,344,908]	-
Gain [loss] on sale of capital assets	7,045	-	105,036	-	112,081	9,379
Miscellaneous	573,898	523,131	-	95,999	1,193,028	-
Total nonoperating revenues [expenses]	<u>[5,998,855]</u>	<u>530,781</u>	<u>103,051</u>	<u>106,172</u>	<u>[5,258,851]</u>	<u>65,769</u>
Income [loss] before transfers	<u>6,838,218</u>	<u>2,770,481</u>	<u>1,224,903</u>	<u>12,153</u>	<u>10,845,755</u>	<u>82,400</u>
Transfers from [to] other funds						
Transfers [to]	<u>[3,084,000]</u>	<u>[164,000]</u>	<u>[400,000]</u>	<u>[150,000]</u>	<u>[3,798,000]</u>	<u>[7,000]</u>
Total transfers	<u>[3,084,000]</u>	<u>[164,000]</u>	<u>[400,000]</u>	<u>[150,000]</u>	<u>[3,798,000]</u>	<u>[7,000]</u>
Change in net position	<u>3,754,218</u>	<u>2,606,481</u>	<u>824,903</u>	<u>[137,847]</u>	<u>7,047,755</u>	<u>75,400</u>
Net position, January 1	141,783,986	5,767,231	14,436,796	1,009,783		9,087,906
Restatement to net position	<u>74,508</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Net position, January 1, restated	<u>141,858,494</u>	<u>5,767,231</u>	<u>14,436,796</u>	<u>1,009,783</u>		<u>9,087,906</u>
Net position, December 31	<u>\$ 145,612,712</u>	<u>\$ 8,373,712</u>	<u>\$ 15,261,699</u>	<u>\$ 871,936</u>		<u>\$ 9,163,306</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>37,578</u>	
Change in net position of business-type activities					<u>\$ 7,085,333</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, 2017

	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	\$ 42,121,514	\$ 13,252,723	\$ 3,174,813	\$ 2,549,355	\$ 61,098,405	\$ 15,709,896
Cash paid to suppliers of goods and services	[20,628,628]	[10,587,011]	[1,582,958]	[2,206,515]	[35,005,112]	[15,465,596]
Cash paid to employees	[4,541,375]	6,030	32,261	32,261	[4,470,823]	[7,567]
Net cash provided by [used in] operating activities	<u>16,951,511</u>	<u>2,671,742</u>	<u>1,624,116</u>	<u>375,101</u>	<u>21,622,470</u>	<u>236,733</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[25,900,113]	[1,084,678]	[561,928]	[24,990]	[27,571,709]	-
Proceeds from sale of capital assets	7,045	-	105,036	-	112,081	9,379
Proceeds from other activities	573,898	523,131	-	95,999	1,193,028	-
Proceeds from issuance of debt	18,670,026	-	-	-	18,670,026	-
Principal payments on general obligation bonds	[2,880,000]	[280,000]	[510,421]	-	[3,670,421]	-
Principal payments on revenue bonds	[15,900,000]	-	-	-	[15,900,000]	-
Interest payments on debt	[8,372,761]	[57,151]	[30,080]	-	[8,459,992]	-
Net cash provided by [used in] capital and related financing activities	<u>[33,801,905]</u>	<u>[898,698]</u>	<u>[997,393]</u>	<u>71,009</u>	<u>[35,626,987]</u>	<u>9,379</u>
Cash flows from noncapital financing activities						
Interfund loan	-	-	-	-	-	[13,655]
Transfers [out]	[3,084,000]	[164,000]	[400,000]	[150,000]	[3,798,000]	[7,000]
Net cash provided by [used in] noncapital financing activities	<u>[3,084,000]</u>	<u>[164,000]</u>	<u>[400,000]</u>	<u>[150,000]</u>	<u>[3,798,000]</u>	<u>[20,655]</u>
Cash flows from investing activities:						
Interest received	698,083	32,751	11,854	6,865	749,553	25,742
Net cash provided by [used in] investing activities	<u>698,083</u>	<u>32,751</u>	<u>11,854</u>	<u>6,865</u>	<u>749,553</u>	<u>25,742</u>
Net increase [decrease] in cash and cash equivalent	[19,236,311]	1,641,795	238,577	302,975	[17,052,964]	251,199
Cash and cash equivalents, beginning	<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>
Cash and cash equivalents, ending	<u>\$ 68,927,242</u>	<u>\$ 8,951,867</u>	<u>\$ 3,193,235</u>	<u>\$ 1,111,435</u>	<u>\$ 82,183,779</u>	<u>\$ 10,636,983</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, 2017

	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]	\$ 12,837,073	\$ 2,239,700	\$ 1,121,852	\$ [94,019]	\$ 16,104,606	\$ 16,631
Net cash provided by [used in] operating activities						
Depreciation expense	7,554,469	755,708	526,385	431,497	9,268,059	44,205
[Increase] decrease in accounts receivable	[815,857]	[383,528]	[63,845]	1,678	[1,261,552]	[2,992]
[Increase] decrease in inventory	[135,035]	-	-	[1,674]	[136,709]	[7,800]
[Increase] decrease in prepaids	[8,296]	-	-	-	[8,296]	-
[Increase] decrease in deferred outflows	268,096	133,468	17,423	22,619	441,606	28,017
Increase [decrease] in meter deposits payable	6,901	1,399	-	-	8,300	-
Increase [decrease] in accounts payable	[2,668,371]	52,433	7,464	5,358	[2,603,116]	[386,938]
Increase [decrease] in claims payable	-	-	-	-	-	581,194
Increase [decrease] in accrued payroll	15,075	6,219	2,897	[1,449]	22,742	407
Increase [decrease] in deferred inflows	95,092	47,340	6,180	8,024	156,636	9,938
Increase [decrease] in net pension liability	[313,788]	[156,215]	[20,394]	[26,474]	[516,871]	[32,792]
Increase [decrease] in net OPEB obligation	111,104	89,459	8,577	20,292	229,432	-
Increase [decrease] in accrued compensated absences	5,048	[114,241]	17,577	9,249	[82,367]	[13,137]
Net cash provided by [used in] operating activities	<u>\$ 16,951,511</u>	<u>\$ 2,671,742</u>	<u>\$ 1,624,116</u>	<u>\$ 375,101</u>	<u>\$ 21,622,470</u>	<u>\$ 236,733</u>
Cash consists of:						
Cash	\$ 18,387,806	\$ 8,929,000	\$ 3,193,235	\$ 1,111,435	\$ 31,621,476	\$ 10,636,983
Restricted cash - customer deposits	1,158,295	22,867	-	-	1,181,162	-
Restricted cash - capital improvements	35,117,971	-	-	-	35,117,971	-
Restricted cash - revenue bonds	7,299,332	-	-	-	7,299,332	-
Restricted cash - noncurrent	6,963,838	-	-	-	6,963,838	-
	<u>\$ 68,927,242</u>	<u>\$ 8,951,867</u>	<u>\$ 3,193,235</u>	<u>\$ 1,111,435</u>	<u>\$ 82,183,779</u>	<u>\$ 10,636,983</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, 2017

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 993,103</u>
Total assets	<u>\$ 993,103</u>
Liabilities	
Accounts payable	<u>\$ 993,103</u>
Total liabilities	<u>\$ 993,103</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, 2017

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Cash	\$ 6,178,358	\$ 115,695,514	\$ 1,234,523	\$ 123,108,395
Receivables (net of allowances for uncollectibles)				
Accounts	42,744	37,806,435	-	37,849,179
Due from other entities	343,599	2,120,285	-	2,463,884
Inventory	76,629	3,830,799	-	3,907,428
Prepays	89,789	10,023,502	-	10,113,291
Other assets	-	822,647	-	822,647
Total current assets	<u>6,731,119</u>	<u>170,299,182</u>	<u>1,234,523</u>	<u>178,264,824</u>
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	7,038,304	-	8,166,983
Construction in progress	1,224,570	4,675,668	-	5,900,238
Capital assets, depreciable	25,472,111	236,921,069	4,671,347	267,064,527
Less: accumulated depreciation	<u>[14,271,368]</u>	<u>[136,516,962]</u>	<u>[1,959,703]</u>	<u>[152,748,033]</u>
Total capital assets	<u>13,553,992</u>	<u>112,118,079</u>	<u>2,711,644</u>	<u>128,383,715</u>
Total assets	<u>20,285,111</u>	<u>282,417,261</u>	<u>3,946,167</u>	<u>306,648,539</u>
Deferred outflows of resources:				
Deferred amount on refunding	-	91,530	-	91,530
Pension liability - changes in proportion	3,264	-	173,775	177,039
Pension liability - differences between expected and actual experience	7,686	-	8,814	16,500
Pension liability - net differences between projected and actual earnings on pension plan investments	49,847	-	57,162	107,009
Pension liability - changes in assumptions	85,580	-	98,138	183,718
Pension liability - contributions subsequent to the measurement date	<u>84,579</u>	<u>-</u>	<u>100,542</u>	<u>185,121</u>
Total deferred outflows of resources	<u>230,956</u>	<u>91,530</u>	<u>438,431</u>	<u>760,917</u>
Total assets and deferred outflows of resources	<u>\$ 20,516,067</u>	<u>\$ 282,508,791</u>	<u>\$ 4,384,598</u>	<u>\$ 307,409,456</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities				
Accounts payable	\$ 173,865	\$ 8,994,154	\$ 132,292	\$ 9,300,311
Interest payable	-	114,400	-	114,400
Accrued payroll	62,724	13,332,545	3,361	13,398,630
Retirement plan obligation	-	427,126	-	427,126
Due to other entities	102,358	736,059	-	838,417
Unearned revenue	140,614	-	-	140,614
Other liabilities	183,143	-	-	183,143
Current portion of compensated absences	10,968	-	87,309	98,277
Current portion of revenue bonds payable	-	1,845,000	-	1,845,000
Total current liabilities	<u>673,672</u>	<u>25,449,284</u>	<u>222,962</u>	<u>26,345,918</u>
Noncurrent liabilities:				
Compensated absences	98,711	-	147,192	245,903
Revenue bonds payable	-	7,795,000	-	7,795,000
Net pension liability	1,589,101	-	1,822,287	3,411,388
Net OPEB obligation	-	-	2,797	2,797
Total noncurrent liabilities	<u>1,687,812</u>	<u>7,795,000</u>	<u>1,972,276</u>	<u>11,455,088</u>
Total liabilities	<u>2,361,484</u>	<u>33,244,284</u>	<u>2,195,238</u>	<u>37,801,006</u>
Deferred inflows of resources				
Pension - difference between expected and actual experience	54,948	-	63,010	117,958
Pension - changes in proportion	127,605	-	9,382	136,987
Pension - changes in assumptions	<u>11,620</u>	<u>-</u>	<u>13,325</u>	<u>24,945</u>
Total deferred inflows of resources	<u>194,173</u>	<u>-</u>	<u>85,717</u>	<u>279,890</u>
Total liabilities and deferred inflows of resources	<u>\$ 2,555,657</u>	<u>\$ 33,244,284</u>	<u>\$ 2,280,955</u>	<u>\$ 38,080,896</u>
NET POSITION:				
Net investment in capital assets	\$ 13,553,992	\$ 101,907,039	\$ 2,711,644	\$ 118,172,675
Restricted for:				
Debt service	-	924,438	-	924,438
Hospital - specific operating activities	-	22,066	-	22,066
Unrestricted	<u>4,406,418</u>	<u>146,410,964</u>	<u>[608,001]</u>	<u>150,209,381</u>
Total net position	<u>\$ 17,960,410</u>	<u>\$ 249,264,507</u>	<u>\$ 2,103,643</u>	<u>\$ 269,328,560</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, 2017

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Revenues				
Charges for services	\$ 1,812,652	\$ 250,729,709	\$ 188,371	\$ 252,730,732
Operating grants and contributions	7,269,002	-	4,532,626	11,801,628
Capital grants and contributions	635,932	3,183,476	-	3,819,408
Total revenues	<u>9,717,586</u>	<u>253,913,185</u>	<u>4,720,997</u>	<u>268,351,768</u>
Operating expenses				
Lawrence-Douglas County Housing Authority	8,980,781	-	-	8,980,781
Lawrence Memorial Hospital	-	238,680,613	-	238,680,613
Lawrence Public Library	-	-	4,973,148	4,973,148
Total operating expense	<u>8,980,781</u>	<u>238,680,613</u>	<u>4,973,148</u>	<u>252,634,542</u>
Operating income [loss]	<u>736,805</u>	<u>15,232,572</u>	<u>[252,151]</u>	<u>15,717,226</u>
Nonoperating revenues [expenses]				
Use of money or property	19,800	3,888,646	17,687	3,926,133
Interest expense	-	[257,524]	-	[257,524]
Miscellaneous	628	104,908	12,577	118,113
Total nonoperating revenues [expenses]	<u>20,428</u>	<u>3,736,030</u>	<u>30,264</u>	<u>3,786,722</u>
Change in net position	757,233	18,968,602	[221,887]	19,503,948
Net position, January 1	<u>17,203,177</u>	<u>230,295,905</u>	<u>2,325,530</u>	<u>249,824,612</u>
Net position, December 31	<u>\$ 17,960,410</u>	<u>\$ 249,264,507</u>	<u>\$ 2,103,643</u>	<u>\$ 269,328,560</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, 2017

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, 2017

1. Summary of Significant Accounting Policies (Continued)

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

Debt service expenditures as well as expenditures 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 for payroll withholdings, court bonds, certain Parks and 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, 2017

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, Internal Service Funds, and the Special Revenue Funds listed below. However, the City prepares and adopts budgets for all funds except for internal service, agency funds, blended component unit and endowment funds.

Airport Improvement Fund	City Parks Memorial Fund
Capital Improvement Reserve Fund	Farmland Remediation Fund
Equipment Reserve Fund	Cemetery Perpetual Care Fund
Sales Tax Reserve Fund	Cemetery Mausoleum Fund
Free State TDD Fund	Housing Trust Fund
Oread TDD/TIF Fund	Outside Agency Fund
9 NH South TDD/TIF Fund	Wee Folks Scholarship Fund
901 NH TIF Fund	Fair Housing Assistance Fund
720 NRA Fund	Community Development Fund
1040 Vermont LLC NRA Fund	Home Program Fund
810/812 Penn NRA Fund	Transportation Planning Fund
9 NH North TDD/TIF Fund	eXplore Lawrence Fund
1106 Rhode Island Street NRA Fund	Lawrence Park & Recreation Endowment Fund
900 Delaware Street NRA Fund	Law Enforcement Trust 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 City Commission amended the budget for the following funds in 2017:

Library Fund	Housing Trust Fund
Airport Fund	Economic Development Fund
City Parks Memorial Fund	

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds (the legal level of budgetary control). Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures. In addition, projected receipts and expenditures are included. These represent management's projections based on updated data. These projections are not legally adopted.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**1. Summary of Significant Accounting Policies (Continued)****D. Budgetary Procedures (Continued)**

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.

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

	Major Governmental Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
GAAP FUND BALANCE December 31, 2017	<u>\$ 23,379,809</u>	<u>\$ 11,266,535</u>	<u>\$ 9,514,056</u>	<u>\$ 33,441,631</u>	<u>\$ 77,602,031</u>
Adjustments:					
Fund balances not subject to the Kansas Budget Law	-	-	[9,514,056]	[15,665,459]	[25,179,515]
Encumbrances	[666,212]	-	-	[112,726]	[778,938]
Total deductions	<u>[666,212]</u>	<u>-</u>	<u>[9,514,056]</u>	<u>[15,778,185]</u>	<u>[25,958,453]</u>
BUDGETARY FUND BALANCE December 31, 2017	<u>\$ 22,713,597</u>	<u>\$ 11,266,535</u>	<u>\$ -</u>	<u>\$ 17,663,446</u>	<u>\$ 51,643,578</u>

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 2018. 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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

F. Receivables and Payables (Continued)

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, and with penalty, on 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.

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 \$20,000 for property, plant, and equipment, or \$50,000 for infrastructure assets. Such assets are stated at actual or estimated historical cost if purchased or constructed. Donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value. 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.

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

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 2017.

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.

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. The tax bills are sent out in November for the first half due in December. However, the City does not receive its first distribution until after year end; therefore, 100% of the following years property taxes are shown as tax receivable and deferred revenue at year end.

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, changes in assumptions, 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 governmental funds report unavailable revenues from two sources: property taxes and special assessments. Differences between expected and actual experience, 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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

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 body's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that governmental fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is 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:					
Loans	\$ -	\$ -	\$ -	\$ 411,460	\$ 411,460
Restricted for:					
Capital outlay	-	-	9,514,056	4,392,543	13,906,599
Debt service	-	11,266,535	-	-	11,266,535
Culture and recreation	-	-	-	53,779	53,779
Assigned for:					
General government	110,984	-	-	16,452,051	16,563,035
Public safety	71,783	-	-	251,009	322,792
Public works	87,743	-	-	1,481,775	1,569,518
Health	534	-	-	-	534
Social service	-	-	-	190,049	190,049
Culture and recreation	395,168	-	-	1,574,314	1,969,482
Tourism	-	-	-	902,131	902,131
Economic development	-	-	-	224,926	224,926
Capital outlay	-	-	-	7,623,918	7,623,918
Unassigned	22,713,597	-	-	[116,324]	22,597,273
	<u>\$ 23,379,809</u>	<u>\$ 11,266,535</u>	<u>\$ 9,514,056</u>	<u>\$ 33,441,631</u>	<u>\$ 77,602,031</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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

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

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

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

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

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

Based on this analysis, the following organization has been classified as a component unit of the City 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. 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 63, once in the Guest Tax Fund and again in the eXplore Lawrence Fund.

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

2. Reporting Entity (Continued)

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

Lawrence Housing Authority 1600 Haskell Avenue Lawrence, Kansas 66044	Lawrence Memorial Hospital 325 Maine Street Lawrence, Kansas 66044
Lawrence Public Library 707 Vermont Street Lawrence, Kansas 66044	eXplore Lawrence 200 W. 9th Street Lawrence, KS 66044

3. Deposits and Investments

At December 31, 2017, the City's carrying values of cash and investments are summarized as follows:

Cash and cash equivalents:	
Deposits	\$ 38,169,436
Certificates of deposit	94,000,000
Petty cash	12,595
Guaranteed Investment Contract	22,606,539
Total cash and cash equivalents	<u>154,788,570</u>
Investments:	
Kansas Municipal Investment Pool	27,152
U.S. Treasury Notes	1,745,555
U.S. Federal Agency Issues	12,832,162
Total investments	<u>14,604,869</u>
Total cash and investments	<u><u>\$ 169,393,439</u></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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

3. Deposits and Investments (Continued)

At December 31, 2017 the City held the following investments:

<u>Investments by fair value level</u>	<u>Level 1 Fair Value Measurement</u>	<u>Rating</u>	<u>Maturity</u>
Federal Agency Issues:			
Federal Home Loan Bank	\$ 12,832,162	Moody's Aaa	1/16/2018 to 10/1/2018
U.S. Treasury Notes	1,745,555	Moody's Aaa	3/31/2018 to 4/12/2018
Total investments by fair value level	<u>14,577,717</u>		
<u>Investments measured by the net asset value (NAV)</u>			
Kansas Municipal Investment Pool	<u>27,152</u>	N/A	Current
Total investments measured by the net asset value (NAV)	<u>27,152</u>		
Total	<u>\$ 14,604,869</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, 2017, the City had \$27,152 invested in the State of Kansas's municipal investment pool. The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

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

Interest rate risk. The City 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 City 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 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'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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

4. Tax Revenue

Tax revenue for the year ended December 31, 2017 is as follows:

	Primary Government			
	General	Debt	Other	
	Fund	Service	Governmental	
	Fund	Fund	Funds	Total
Property taxes	\$ 17,883,686	\$ 7,988,477	\$ 4,529,486	\$ 30,401,649
Motor vehicle taxes	1,778,063	786,299	347,713	2,912,075
Payment in lieu of taxes	101,162	-	-	101,162
Utility franchise taxes	7,229,327	-	-	7,229,327
Sales tax	26,545,041	-	12,820,602	39,365,643
Total	<u>\$ 53,537,279</u>	<u>\$ 8,774,776</u>	<u>\$ 17,697,801</u>	<u>\$ 80,009,856</u>

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2017 were as follows:

	Primary Government			
	General	Debt	Library	
	Fund	Service	Fund	
	Fund	Fund	Fund	Total
L Levy	<u>\$ 19.482</u>	<u>\$ 9.757</u>	<u>\$ 4.040</u>	<u>\$ 33.279</u>

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2017:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 79,048,062	\$ 29,034,000	\$ 9,024,579	\$ 99,057,483	\$ 9,597,483
General obligation bonds premium	592,583	2,008,682	60,189	2,541,076	163,842
General obligation bonds, net	79,640,645	31,042,682	9,084,768	101,598,559	9,761,325
Capital lease	286,629	1,064,200	114,746	1,236,083	92,392
Accrued vacation and sick pay	7,408,316	3,039,600	3,314,114	7,133,802	3,203,545
Net OPEB obligation	4,643,832	833,436	199,365	5,277,903	-
Total	<u>\$ 91,979,422</u>	<u>\$ 35,979,918</u>	<u>\$ 12,712,993</u>	<u>\$ 115,246,347</u>	<u>\$ 13,057,262</u>
Business-type activities:					
General obligation bonds	\$ 18,921,938	\$ -	\$ 3,670,421	\$ 15,251,517	\$ 3,301,517
General obligation premium	1,453,257	-	322,946	1,130,311	322,946
General obligation net	20,375,195	-	3,993,367	16,381,828	3,624,463
Revenue bonds	167,045,000	17,195,000	15,900,000	168,340,000	6,445,000
Revenue bonds premium	16,493,349	1,475,026	780,581	17,187,794	854,332
Revenue bonds, net	183,538,349	18,670,026	16,680,581	185,527,794	7,299,332
Accrued vacation and sick pay	1,878,831	812,010	894,377	1,796,464	884,049
Net OPEB obligation	1,680,333	301,572	72,140	1,909,765	-
Total	<u>\$ 207,472,708</u>	<u>\$ 19,783,608</u>	<u>\$ 21,640,465</u>	<u>\$ 205,615,851</u>	<u>\$ 11,807,844</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

5. Long-Term Debt (Continued)

Other post-employment benefits obligation and the net pension liability are paid from the fund in which the employees are paid.

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2017 the debt limitation for the City of Lawrence was \$307 million. The City's general obligation debt and temporary notes as of December 31, 2017 were \$105 million. This is only 34.24% 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. In November 2017, the City entered into a ten year capital lease agreement for equipment and vehicles in the amount of \$1,064,200. The lease carries an interest rate of 2.264%. Semi annual lease payments of \$62,954 are due each March and September.

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 material arbitrage liability for tax-exempt debt as of December 31, 2017.

The following is a summary of general obligation temporary note transactions for the year ended December 31, 2017:

	Beginning			Ending
<u>Type of Issue</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Governmental activities	\$ 10,795,000	\$ 6,000,000	\$ 10,795,000	\$ 6,000,000
Premium	81,070	27,780	81,070	27,780
Total	<u>\$ 10,876,070</u>	<u>\$ 6,027,780</u>	<u>\$ 10,876,070</u>	<u>\$ 6,027,780</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

5. Long-Term Debt (Continued)

Debt payable, other than claims and judgments and compensated absences, at December 31, 2017 is composed of the following:

<u>Debt Issue</u>	<u>Date Issued</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>
General obligation bonds:						
Internal improvement	2006	2018	4.0	\$17,130,000	\$ 1,710,000	\$ 1,710,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	2,250,000	1,100,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	3,815,000	1,225,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	1,200,000	285,000
Internal improvement	2010A	2034	4.25-5.7	2,975,000	2,640,000	115,000
Internal improvement	2010B	2022	1.25-3.0	8,920,000	3,965,000	755,000
Internal improvement	2010C	2023	1.25-3.0	8,305,000	3,980,000	660,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	2,065,000	325,000
Internal improvement	2012A	2024	2.0-3.0	7,710,000	3,755,000	610,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	3,000,000	355,000
Internal improvement	2014A	2024	2.0-5.0	25,065,000	22,365,000	970,000
Internal improvement	2014B	2024	3.0-4.0	18,440,000	16,420,000	710,000
Internal improvement	2015	2030	2.0-3.0	9,450,000	8,395,000	545,000
Internal improvement	2016	2021	3.0-5.0	13,385,000	10,015,000	2,325,000
Internal improvement	2017A	2027	2.0-2.5	3,030,000	3,030,000	260,000
Green internal improvement	2017B	2039	1.0-3.375	11,375,000	11,075,000	470,000
Internal improvement	2017C	2027	.95-2.4	654,000	654,000	59,000
Internal improvement	2017D	2038	2.875-5.0	13,975,000	13,975,000	420,000
					<u>114,309,000</u>	<u>12,899,000</u>
Revenue bonds:						
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	6,960,000	790,000
Water and sewerage improvement	2015	2040	2.0-5.0	89,900,000	85,375,000	2,355,000
Water and sewerage improvement	2016	2036	2.625-5.0	60,310,000	58,810,000	2,570,000
Water and sewerage improvement refunding	2017	2037	1.32-5.0	17,195,000	17,195,000	730,000
					<u>168,340,000</u>	<u>6,445,000</u>
Total primary government					<u>\$282,649,000</u>	<u>\$ 19,344,000</u>

In 2017, the City issued \$17,195,000 in improvement and refunding bonds, revenue bond series 2017-A, for paying the costs of certain water and sewerage system improvements and for refunding a portion of the Series 2008 bonds. The Revenue Bonds, Series 2017-A are due in annual installments of \$1,061,850 to \$1,325,700 through November 2037, with interest due in semiannual installments at an interest rate ranging between 1.32% and 5.00%. \$2,526,931 of the proceeds was used to establish an irrevocable escrow account to pay the outstanding principal of the bonds and the interest on the bonds. As a result, the bonds were considered to be defeased and the liability of the defeased bonds has been removed from the City's financial statements. This transaction resulted in an economic gain of \$304,841 and a reduction of \$295,419 in future debt payments.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

5. Long-Term Debt (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2017, are as follows:

Year	Governmental Activities		Business-type Activities		Total due
	Principal	Interest	Principal	Interest	
2018	\$ 9,597,483	\$ 3,402,863	\$ 3,301,517	\$ 649,779	\$ 16,951,643
2019	8,462,000	3,093,959	3,420,000	503,069	15,479,028
2020	7,118,000	2,815,421	3,565,000	358,938	13,857,359
2021	5,984,000	2,584,621	3,715,000	207,388	12,491,009
2022	6,210,000	2,369,875	725,000	37,500	9,342,375
2023-2027	26,091,000	8,768,793	525,000	15,750	35,400,543
2028-2032	20,875,000	4,594,170	-	-	25,469,170
2033-2037	12,415,000	1,327,553	-	-	13,742,553
2038-2039	2,305,000	105,538	-	-	2,410,538
	<u>\$ 99,057,483</u>	<u>\$ 29,062,792</u>	<u>\$ 15,251,517</u>	<u>\$ 1,772,423</u>	<u>\$ 145,144,216</u>

The future annual requirements for revenue bonds outstanding as of December 31, 2017, are as follows:

Year	Principal due	Interest due	Total due
2018	\$ 6,445,000	\$ 6,635,356	\$ 13,080,356
2019	6,620,000	6,464,113	13,084,113
2020	6,905,000	6,173,813	13,078,813
2021	7,230,000	5,845,263	13,075,263
2022	7,115,000	5,500,863	12,615,863
2023-2027	38,260,000	22,791,813	61,051,813
2028-2032	41,035,000	14,692,400	55,727,400
2033-2037	38,900,000	7,193,625	46,093,625
2038-2040	15,830,000	1,283,000	17,113,000
	<u>\$ 168,340,000</u>	<u>\$ 76,580,243</u>	<u>\$ 244,920,243</u>

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, 2017, total outstanding conduit debt was \$99,533,226.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

5. Long-Term Debt (Continued)

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

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	\$11,465,000	\$ -	\$ 1,825,000	\$ 9,640,000	\$ 1,845,000
	<u>\$11,465,000</u>	<u>\$ -</u>	<u>\$ 1,825,000</u>	<u>\$ 9,640,000</u>	<u>\$ 1,845,000</u>

The City has issued 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 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	\$ 8,275,000	\$ 480,000
Series 2013	2021	0.01	6,865,000	1,365,000	1,365,000
Total Revenue Bonds				<u>\$ 9,640,000</u>	<u>\$ 1,845,000</u>

Annual debt service requirements for the hospital revenue bonds as of December 31, 2017 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
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	<u>6,265,000</u>	<u>155,152</u>	<u>6,420,152</u>
Total	<u>\$ 9,640,000</u>	<u>\$ 920,106</u>	<u>\$ 10,560,106</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

6. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 16,434,737	\$ -	\$ -	\$ 16,434,737
Construction in progress	19,317,452	9,457,487	20,609,108	8,165,831
Total capital assets, not being depreciated	<u>35,752,189</u>	<u>9,457,487</u>	<u>20,609,108</u>	<u>24,600,568</u>
Capital assets being depreciated				
Buildings	93,444,288	6,673,899	-	100,118,187
Improvements other than buildings	34,478,014	12,960,062	-	47,438,076
Machinery and equipment	40,350,843	3,242,528	26,869	43,566,502
Infrastructure	236,735,282	-	-	236,735,282
Total capital assets being depreciated	<u>405,008,427</u>	<u>22,876,489</u>	<u>26,869</u>	<u>427,858,047</u>
Less accumulated depreciation for:				
Buildings	42,626,198	3,198,631	-	45,824,829
Improvements other than buildings	18,703,447	1,593,536	-	20,296,983
Machinery and equipment	27,648,345	2,906,236	8,397	30,546,184
Infrastructure	79,523,528	4,352,075	-	83,875,603
Total accumulated depreciation	<u>168,501,518</u>	<u>12,050,478</u>	<u>8,397</u>	<u>180,543,599</u>
Total capital assets being depreciated, net	<u>236,506,909</u>	<u>\$ 10,826,011</u>	<u>18,472</u>	<u>247,314,448</u>
Governmental activities capital assets, net	<u>\$ 272,259,098</u>	<u>\$ 20,283,498</u>	<u>\$ 20,627,580</u>	<u>\$ 271,915,016</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,976,914	\$ 6,717	\$ -	\$ 6,983,631
Construction in progress	70,770,468	25,731,274	7,852,280	88,649,462
Total capital assets, not being depreciated	<u>77,747,382</u>	<u>25,737,991</u>	<u>7,852,280</u>	<u>95,633,093</u>
Capital assets being depreciated				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	226,490,673	7,852,279	-	234,342,952
Machinery and equipment	20,003,665	1,833,719	-	21,837,384
Total capital assets being depreciated	<u>335,369,101</u>	<u>9,685,998</u>	<u>-</u>	<u>345,055,099</u>
Less accumulated depreciation for:				
Buildings	27,920,724	1,997,933	-	29,918,657
Improvements other than buildings	84,420,186	5,772,814	-	90,193,000
Machinery and equipment	14,245,512	1,497,312	-	15,742,824
Total accumulated depreciation	<u>126,586,422</u>	<u>9,268,059</u>	<u>-</u>	<u>135,854,481</u>
Total capital assets being depreciated, net	<u>208,782,679</u>	<u>417,939</u>	<u>-</u>	<u>209,200,618</u>
Business-type activities capital assets, net	<u>\$ 286,530,061</u>	<u>\$ 26,155,930</u>	<u>\$ 7,852,280</u>	<u>\$ 304,833,711</u>

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

6. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 37,816
Public safety	586,107
Public works	9,846,276
Social services	945,426
Culture and recreation	573,155
Tourism	6,540
Airport	10,953
	<hr/> 12,006,273
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
	<hr/> 44,205
Total depreciation expense - governmental activities:	<hr/> <hr/> \$ 12,050,478
Business-type activities:	
Water & sewer	\$ 7,554,469
Sanitation	755,708
Parking	142,068
Stormwater	526,385
Golf course	289,429
Total depreciation expense - business-type activities:	<hr/> <hr/> \$ 9,268,059

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, 2017

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 1.2% of total payroll for the fiscal year ended June 30, 2017.

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

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local government employees	8.46%	8.46%
Police and Firemen	19.03%	19.03%

Member contribution rates as a percentage of eligible compensation for the fiscal year 2017 are 6.00% for Local employees and 7.15% for Police and Firemen.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

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, 2017, 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, 2017.

The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2017, the City's proportion for the Local employees group was 1.722%, which was an increase of 0.039% from its proportion measured at June 30, 2016. At June 30, 2017, the City's proportion for the Police and Firemen group was 5.130%, which was an increase of 0.176% from its proportion measured at June 30, 2016.

Net Pension Liability. At December 31, 2017 and 2016, the City reported a liability of \$73,057,591 and \$72,055,947, 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, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions:

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

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

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, 2017 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 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police and Firemen, and Judges. Future employer contribution rates were also modeled for Police and 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 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Local	\$ 35,931,632	\$ 24,948,735	\$ 15,690,584
Police and Firemen	68,249,347	48,108,856	31,248,394
Total	<u>\$ 104,180,979</u>	<u>\$ 73,057,591</u>	<u>\$ 46,938,978</u>

Pension Expense. For the year ended December 31, 2017, the City recognized Local pension expense of \$2,632,647 and Police and Firemen pension expense of \$6,801,546, 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, 2017

7. Defined Benefit Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2017, 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	\$ 120,667	\$ 862,675
Net differences between projected and actual earnings on investments	782,600	-
Changes in assumptions	1,343,592	182,437
Changes in proportion	877,548	-
Total	<u>\$ 3,124,407</u>	<u>\$ 1,045,112</u>

<u>Police and Firemen</u>	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 2,325,640	\$ 359,877
Net differences between projected and actual earnings on investments	1,782,214	-
Changes in assumptions	3,359,362	214,990
Changes in proportion	1,384,446	552,615
Total	<u>\$ 8,851,662</u>	<u>\$ 1,127,482</u>

\$3,569,060 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, 2018. 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 and Firemen</u>	
Year ended	Deferred	Year ended	Deferred
<u>December 31,</u>	<u>[Inflows] Outflows</u>	<u>December 31,</u>	<u>[Inflows] Outflows</u>
	<u>Amount</u>		<u>Amount</u>
2018	\$ 197,905	2018	\$ 1,462,247
2019	1,169,987	2019	3,268,828
2020	767,436	2020	2,127,482
2021	[174,590]	2021	403,300
2022	118,557	2022	462,323
Total	<u>\$ 2,079,295</u>	Total	<u>\$ 7,724,180</u>

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

8. Interfund Transactions

Interfund Receivables and Payables. At December 31, 2017, 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	247,048
Central Maintenance Fund	82,980
Home Program Fund	52,552
Transportation Planning Fund	<u>124,579</u>
	<u>\$ 1,304,159</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, 2017 follows:

<u>Fund</u>	Transfers <u>Out</u>	Transfers <u>In</u>
General	\$ 820,000	\$ 3,655,000
Debt Service	-	150,000
Capital Projects	47,318	55
Airport Improvement	170,000	-
Capital Improvement Reserve	-	857,318
Equipment Reserve	55	180,000
Sales Tax Reserve	-	81
City Parks Memorial	81	-
Water and Sewer	3,084,000	-
Sanitation	164,000	-
Stormwater	400,000	-
Central Maintenance	7,000	-
Nonmajor Proprietary	150,000	-
Total	<u>\$ 4,842,454</u>	<u>\$ 4,842,454</u>

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

9. Commitments and Contingencies

Contract Commitments. At December 31, 2017, the City had construction contract commitments totaling approximately \$15,784,504. The City expects to receive the contracted services during fiscal year 2018.

<u>Description</u>	<u>Authorized</u>	<u>Expended</u>	<u>Remaining Authority</u>
East Lawrence Center - Parking Lot Additions	\$ 99,489	\$ -	\$ 99,489
Kasold Drive - Appraisal Report for Property Acquisition	7,500	-	7,500
Lawrence Municipal Airport - Fence Installation	1,583,080	730,028	853,052
Street Maintenance Program - Three Hybrid Cabinets for ITS Improvements	34,854	-	34,854
Fire Station No. 1 - Facility Door Security Equipment and Installation	21,980	-	21,980
Fire Station No. 1 - Radio Communications Equipment and Installation	16,162	-	16,162
Fire Station No. 1 - IT Communication Equipment and Installation	13,396	-	13,396
Fire Station No. 1 and Senior Center - Remodel	5,335,240	-	5,335,240
Fire Station No. 1 - Facility Door Security Equipment and Installation	55,011	-	55,011
31st Street - Wetland Mitigation Management	26,263	-	26,263
6th and Wakarusa - Enhancement of Traffic Flow Equipment and Installation	90,400	-	90,400
23rd and Ousdahl - Stormwater Improvements	4,942,302	4,669,817	272,484
River Front Parking Garage - Structural Maintenance	196,000	-	196,000
Eagle Bend Golf Course - New Office Space	12,000	-	12,000
Eagle Bend Golf Course - Plumbing and Fixtures	11,690	-	11,690
Eagle Bend Golf Course - Installation of HVAC Systems and Ducts	37,200	12,400	24,800
Eagle Bend Golf Course - Sheet Rock Material and Installation	12,500	-	12,500
Eagle Bend Golf Course - Carpet and Installation	4,647	-	4,647
Eagle Bend Golf Course - Installation of Fire Lane	5,000	-	5,000
Eagle Bend Golf Course - Electrical	8,000	-	8,000
Clinton Water Treatment Plant - Phase 1 Taste & Odor Improvements	3,729,596	3,690,898	38,698
Clinton Water Treatment Plant - Two Flygt Mixers	19,457	-	19,457
Oread - Storage Tank and Booster Pump Station Replacements	3,614,805	1,655,291	1,959,514
19th and Kasold - Booster Pump Station Replacement	722,000	57,903	664,098
Kaw River Water Treatment Plant - Basin Repairs	1,129,761	263,583	866,178
23rd and Ousdahl - Waterline Replacement	500,000	445,435	54,565
Clinton Treatment Plant - Grating and Handrail Modifications and Installation	12,200	-	12,200
Wakarusa Wastewater Treatment Plant - Two PTZ Construction Cameras	15,548	12,259	3,289
Wakarusa Wastewater Treatment Plant - Job Trailer Lease	8,248	7,283	964
Wakarusa Wastewater Treatment Plant and Conveyance Corridor - Construction	19,679,914	16,091,693	3,588,221
Wakarusa Wastewater Treatment Plant - Fourteen Magnetic Flow Meters	3,119	-	3,119
Wakarusa Wastewater Treatment Plant - Installation of Electrical Service at Pump Station 10	32,737	-	32,737
Wakarusa Wastewater Treatment Plant - Furniture	13,160	-	13,160
Wakarusa Wastewater Treatment Plant - Wastewater Analyzers and Instrumentation	145,205	135,225	9,980
Sanitary Sewer Collection - Rapid Inflow and Infiltration Reduction	95,000	70,568	24,432
Sanitary Sewer Collection - Rapid Inflow and Infiltration Reduction	155,000	144,260	10,740
Sanitary Sewer Collection - Rapid Inflow and Infiltration Reduction	123,000	122,456	545
Sanitary Sewer Collection - Rehabilitation (Various Locations)	1,282,512	76,984	1,205,528
Kansas River Wastewater Treatment Plant - VFD Replacements	129,381	-	129,381
Kansas River Wastewater Treatment Plant - Maintenance	153,970	106,739	47,231
	<u>\$ 44,077,326</u>	<u>\$ 28,292,821</u>	<u>\$ 15,784,504</u>

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, 2017, the City had a total of \$778,938 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	<u>Assigned</u>
General Fund	\$ 666,212
Nonmajor governmental funds	<u>112,726</u>
Total	<u>\$ 778,938</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

9. Commitments and Contingencies (Continued)

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 \$2,773,267 at December 31, 2017. The primary government's claims liability reported in the Statement of Net Position at December 31, 2017 was \$42,039. The liability reported in the financial statements at December 31, 2017 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>2017</u>	<u>2016</u>
Unpaid claims, January 1	\$ 412,134	\$ 456,133
Incurred claims (including IBNR's)	9,983,064	9,838,298
Claim payments	<u>9,401,870</u>	<u>9,882,297</u>
Unpaid claims, December 31	<u>\$ 993,328</u>	<u>\$ 412,134</u>

10. Fund Deficit

The Home Program and Transportation Planning Fund had deficiencies of \$21,385 and \$13,552, respectively, due to grant revenues which had not yet been received.

11. Cost Sharing Arrangements

In 1969, the City and the County agreed for the City to pay one-sixth of the cost of the City's Planning department. Included in the costs are: staff services, office space and equipment, contractual services, and other relevant expenses required to carry out the purposes and functions of the Planning Commission.

In 1973, the Lawrence City Commission agreed to spend \$500,000 of revenue sharing funds for the purpose of constructing a County judicial building to accommodate the Lawrence Police Departments and Municipal Court with some room for expansion. Included in this agreement are shared costs of operations, repairs and maintenance of the Judicial and Law Enforcement Building. Currently, the City is paying 15% of maintenance and utilities. The City is also responsible for the following Judicial and Law Enforcement building related costs: 25% of building insurance, 100% of prisoner care and shredding containers.

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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

11. Cost Sharing Arrangements (Continued)

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 upon 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.

In 2017 the City and County entered into an agreement share in the actual cost of reconstruction of Fire Station No. 1: The agreement includes payment for two portions of costs: The City paying for 73.36% and the County paying for 25.64% of the reconstruction for the Lawrence-Douglas County Fire Medical Department Improvements. The City paying for 68% and the County paying for 32% of the Senior Resource Center for Douglas County, Inc. improvements. The project is expected to be completed in 2019.

In 2017 the City and County entered into an agreement share in the cost of energy saving upgrades to the Community Health Building. The City paying for 50% of the cost and the County paying for 50% of the cost.

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	\$271,915,016	\$304,833,711	\$576,748,727
Less:			
Current portion of general obligation bonds	[9,761,325]	[3,624,463]	[13,385,788]
Current portion of revenue bonds	-	[7,299,332]	[7,299,332]
Noncurrent portion of temporary notes payable	[6,027,780]	-	[6,027,780]
Noncurrent portion of general obligation bonds	[91,837,234]	[12,757,365]	[104,594,599]
Noncurrent portion of revenue bonds	-	[178,228,462]	[178,228,462]
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	<u>9,827,721</u>	<u>6,963,838</u>	<u>16,791,559</u>
Net investment in capital assets	<u>\$174,116,398</u>	<u>\$109,887,927</u>	<u>\$284,004,325</u>

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

13. Postemployment Health Care Plan

Plan Description. The City operates a single employer defined benefit healthcare plan administered by Cigna. The Employee Benefit Plan (the Plan) provides medical and dental insurance 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 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, 2017, the City contributed \$271,505 to the Plan. Plan participants contributed to the Plan through their required contributions of 80% of premiums, ranging from \$559 to \$1,726 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 65 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	\$ 1,291,872
Interest on net OPEB obligation	221,346
Adjustment to annual required contribution	[378,210]
Annual OPEB cost	1,135,008
Contributions made	[271,505]
Increase in net OPEB obligation	863,503
Net OPEB obligation - beginning of year	6,324,165
Net OPEB obligation - end of year	<u>\$ 7,187,668</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, 2017 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
December 31, 2015	\$ 1,418,000	\$ 5,919,000	48.66%
December 31, 2016	1,403,165	6,324,165	71.12%
December 31, 2017	1,135,008	7,187,668	23.92%

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

13. Postemployment Health Care Plan (Continued)

Funding Status and Funding Progress. As of January 1, 2017, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$10,681,145 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,681,145. The covered payroll (annual payroll of active employees covered by the plan) was \$42,344,393, and the ratio of the UAAL to the covered payroll was 25.2%. 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 statements, 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, 2017, 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 4.5% after nine 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 fertilizer from 1954 to 2001 and the groundwater, soil, sediments and surface and storm waters contain nitrate and ammonia levels that exceed current drinking water regulations. The City entered into a consent order with the Kansas Department of Health and Environment (KDHE) to remediate the pollution and received \$8.5 million from the Farmland Trust Account to pay the estimated cost of between \$11.2 million and \$11.8 million over 30 years. Originally the KDHE estimate for the remediation over a 30-year period was \$11.2 million with an additional \$2.1 million contingency. The EPA produced an estimate of \$11.8 million.

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

14. Pollution Remediation (Continued)

The City received the land without paying a purchase price. The City has sold some property since and will continue to seek to sell or lease portions of the property for industrial and business. The original estimates based 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. The latest range of estimates to complete remediation are being reevaluated during 2018 and management will reevaluate the estimates for the final remediation costs.

15. Restatement of Equity

During 2017, it was discovered that several accounts were incorrectly recorded in 2016. The effects of the adjustments are as follows:

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>General</u>	Debt <u>Service</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>
Net position - January 1	\$ 188,038,829	\$ 166,366,610	\$ 20,635,652	\$ 10,930,190	\$ [11,151,718]	\$ 30,236,350
Prior period adjustment						
Receivable	[928,030]	-	[928,030]	-	-	-
Operating transfer error	-	-	100,000	-	-	[100,000]
Accrued liabilities	8,115	-	-	-	-	8,115
Capital assets	5,366,801	74,510	-	-	-	-
Unclaimed property	[60,319]	-	[60,319]	-	-	-
Arbitrage	-	-	69,935	228,856	[1,038,303]	739,512
Net position - January 1, restated	<u>\$ 192,425,396</u>	<u>\$ 166,441,120</u>	<u>\$ 19,817,238</u>	<u>\$ 11,159,046</u>	<u>\$ [12,190,021]</u>	<u>\$ 30,883,977</u>

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

16. Economic Development

A. Property Tax Abatements

In 2017, 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, appeals can be made to the Public Incentives Review Board and the City Commission to determine the amount of incentives, if any, to be received by the property owner. The City negotiates property tax abatements on an individual basis. Compliance details are reported annually in the City's economic development report.

Company	Commitments	Type & % Abatement in 2017	Amount Abated in 2017
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%	\$442,234

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, 2017

16. Economic Development (Continued)

B. Neighborhood Revitalization Areas (NRA)

During 2017, the City of Lawrence had eight established neighborhood revitalization areas. Five properties were eligible for an NRA rebate for the property taxes levied in 2017. The remaining NRA projects were either under construction or had not commenced construction by the end of the year and were not eligible for a rebate.

NRAs are authorized under Kansas state statutes K.S.A. 12-117 and subject to City policy to spur investment and revitalization of properties which can benefit a neighborhood and the 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, 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. The City negotiates NRAs on an individual basis. 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 2017:

Company	Purpose	Duration-% of Increment Subject to NRA	Rebate Amount in 2017
8th and Pennsylvania District: (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	\$14,624
1040 Vermont (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2017 – Note 2	\$27,636
810/812 Pennsylvania (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	\$26,763
1106 Rhode Island (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%,	\$10,504
1101/1115 Indiana (Mixed-Use, Student Housing)	Redevelopment of underutilized property for mixed-use commercial and residential space	10Y-85%,	n/a: First rebate tax year will be 2019
900 Delaware (9 Del Lofts)	Redevelopment of vacant parcel into multi-family, affordable housing	15Y-95%	\$33,061
826 Pennsylvania Street (Mixed use, Commercial/Residential)	Rehab and redevelopment of dilapidated structure into mixed use commercial and residential.	10Y,85% County, 50% City and USD	n/a: First rebate tax year will be 2018
Vermont Place (Mixed use, Commercial/Residential)	Rehab and development of vacant lot into mixed use commercial and residential.	10Y-75%	Project not completed in 2017. NRA rebate to start with the first full tax year after project completion.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

16. Economic Development (Continued)

Note 1 – The 8th and Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per the 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%

C. 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 back 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. The City negotiates TIFs on an individual basis. 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, 2017

16. Economic Development (Continued)

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2017:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2017
Downtown 2000 Redevelopment (Original 9 th and New Hampshire) – Note 1			
901 New Hampshire – TIF Property Tax	Aid Construction and funding of multi-level, City public parking garage	2020	\$28,085
The Oread TIF District			
The Oread: TIF Sales Tax	Fund public improvements for multi-level hotel project	2028	\$169,259
The Oread: TIF Property Tax			\$295,932
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	\$119,925
TIF Property Tax: South Project (900 New Hampshire)			\$304,136
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	\$0
TIF Property Tax: North Project (888 New Hampshire)			\$0

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.

D. 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.

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. The City negotiates TDDs on an individual basis. Details for TDD districts are reported annually in the City's economic development report.

CITY OF LAWRENCE, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

16. Economic Development (Continued)

The City of Lawrence negotiates TDDs on an individual basis. The City had the TDDs listed below in 2017.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2017
The Oread	Aid in funding transportation improvements related to The Oread Hotel TDD district.	2031	\$87,538
Free-State (Bauer Farms)	Aid in funding transportation improvements related to the Free-State TDD development district.	2031	\$232,990
9th & New Hampshire			
South Project: 900 New Hampshire St.	Aid in funding transportation improvements related to the 9th & New Hampshire TDD district.	2037	\$0
North Project: 888 New Hampshire St.			\$0

Note 1 - The City retains the first \$850,000 as contribution toward the City parking garage at 10th and New Hampshire. As of December 31, 2017, the City had retained the entire amount of distributed 900 New Hampshire TDD tax revenue of \$121,886.

CITY OF LAWRENCE, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered 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%
1/1/2017	-	10,681,145	10,681,145	-	42,344,393	25.22%

CITY OF LAWRENCE, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2017

KPERs PENSION PLAN

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

	Local <u>12/31/17</u>	Police and Firemen <u>12/31/17</u>	Local <u>12/31/16</u>	Police and Firemen <u>12/31/16</u>	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
City's proportion of the net pension liability	1.722%	5.130%	1.683%	4.954%	1.678%	5.068%
City's proportionate share of the net pension liability	\$ 24,948,735	\$ 48,108,856	\$ 26,042,494	\$ 46,013,453	\$ 22,038,579	\$ 36,797,128
City's covered-employee payroll	\$ 29,272,898	\$ 24,092,226	\$ 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	85.23%	199.69%	88.69%	191.30%	80.86%	161.98%
Plan fiduciary net position as a percentage of the total net pension liability	72.15%	70.99%	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*

	Local <u>12/31/17</u>	Police and Firemen <u>12/31/17</u>	Local <u>12/31/16</u>	Police and Firemen <u>12/31/16</u>	Local <u>12/31/15</u>	Police and Firemen <u>12/31/15</u>
Contractually required contribution	\$ 2,463,442	\$ 4,723,704	\$ 2,687,252	\$ 4,919,631	\$ 2,783,814	\$ 5,137,753
Contributions in relation to the contractually required contribution	<u>2,463,442</u>	<u>4,723,704</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 29,118,723	\$ 24,822,401	\$ 29,272,898	\$ 24,092,226	\$ 29,365,147	\$ 24,053,146
Contributions as a percentage of covered employee payroll	8.46%	19.03%	9.18%	20.42%	9.48%	21.36%

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

CITY OF LAWRENCE, KANSAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

LEGALLY REQUIRED 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.

NON-LEGALLY REQUIRED BUDGETED FUNDS

Airport Improvement Fund – This fund is used to account for grant matches Federal Aviation and Administration grants. Revenues are generated from the fixed based operator, farming income and airport hanger lease revenue (K.S.A. 79-2925).

Capital Improvement Reserve Fund – This fund is used to account for major capital improvements. Resources are from transfers from general fund and the 0.3% of the City special tax (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. Resources are from transfers from the General Fund and a portion of the 0.3% City special sales tax (K.S.A. 12-1,117).

Sales Tax Reserve Fund – This fund was 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. This fund was closed to the General Fund in 2017 (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

NON-LEGALLY REQUIRED BUDGETED 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).

720 NRA Fund – This fund accounts for property tax rebates issued to property owners within the 720 LLC Neighborhood Revitalization area who make qualifying improvements to their property (K.S.A. 12-17,114).

1040 Vermont LLC NRA 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).

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

1106 Rhode Island Street NRA Fund – This fund accounts for property tax rebates issued to property owners within the 1106 Rhode Island Street Neighborhood Revitalization Area who make qualifying improvements to their property (K.S.A. 12-117,114).

900 Delaware Street NRA Fund – This fund accounts for property tax rebates issued to property owners within the 900 Delaware Street Neighborhood Revitalization Area who make qualifying improvements to their property (K.S.A. 12-117,114).

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 outside agencies (K.S.A. 12-1663).

Wee Folks Scholarship Fund – This fund is to be used to provide scholarships for Lawrence youth for recreational activities (K.S.A. 79-2925).

CITY OF LAWRENCE, KANSAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

NON-LEGALLY REQUIRED BUDGETED FUNDS (CONTINUED)

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

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

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

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

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

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

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, 2017

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation
ASSETS							
Cash	\$ 756,207	\$ 389,425	\$ 13,237,603	\$ 1,078,085	\$ 208,151	\$ 1,560,413	\$ 447,473
Receivables:							
Taxes	-	3,934,019	795,021	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Accounts (net allowance for uncollectibles)	-	-	68	11,092	-	-	-
Loans	-	-	-	-	-	-	-
Accrued interest	3,551	592	51,822	4,318	852	6,960	2,030
Restricted assets:							
Cash	-	-	-	-	-	-	-
Total assets	<u>\$ 759,758</u>	<u>\$ 4,324,036</u>	<u>\$ 14,084,514</u>	<u>\$ 1,093,495</u>	<u>\$ 209,003</u>	<u>\$ 1,567,373</u>	<u>\$ 449,503</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 51,409	\$ -	\$ 96,570	\$ 50,779	\$ 6,973	\$ 51,009	\$ 62,343
Accrued payroll	4,820	-	1,002	65,743	-	34,190	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>56,229</u>	<u>-</u>	<u>97,572</u>	<u>116,522</u>	<u>6,973</u>	<u>85,199</u>	<u>62,343</u>
Deferred inflows of resources:							
Unavailable revenue	-	4,285,235	68	970	-	399	-
Total deferred inflows of resources	<u>-</u>	<u>4,285,235</u>	<u>68</u>	<u>970</u>	<u>-</u>	<u>399</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>56,229</u>	<u>4,285,235</u>	<u>97,640</u>	<u>117,492</u>	<u>6,973</u>	<u>85,598</u>	<u>62,343</u>
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Assigned	703,529	38,801	13,986,874	976,003	202,030	1,481,775	387,160
Unassigned	-	-	-	-	-	-	-
Total fund balance [deficit]	<u>703,529</u>	<u>38,801</u>	<u>13,986,874</u>	<u>976,003</u>	<u>202,030</u>	<u>1,481,775</u>	<u>387,160</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 759,758</u>	<u>\$ 4,324,036</u>	<u>\$ 14,084,514</u>	<u>\$ 1,093,495</u>	<u>\$ 209,003</u>	<u>\$ 1,567,373</u>	<u>\$ 449,503</u>

Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Sales Tax Reserve	Free State TDD	Oread TDD/TIF	9 NH South TDD/TIF	901 NH TIF	720 NRA	1040 Vermont LLC NRA	810/812 Penn NRA
\$ 109,211	\$ 6,980,178	\$ 2,171,543	\$ -	\$ 16,808	\$ 46,368	\$ 194,000	\$ -	\$ -	\$ -	\$ -
-	954,025	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
3,260	27,000	41,762	-	-	4,707	2,529	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
88	25,114	8,141	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>\$ 112,559</u>	<u>\$ 7,986,317</u>	<u>\$ 2,221,446</u>	<u>\$ -</u>	<u>\$ 16,808</u>	<u>\$ 51,075</u>	<u>\$ 196,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 543	\$ 431,176	\$ 900	\$ -	\$ 16,808	\$ 39,525	\$ 10,406	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>543</u>	<u>431,176</u>	<u>900</u>	<u>-</u>	<u>16,808</u>	<u>39,525</u>	<u>10,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16,239	27,000	-	-	-	11,550	2,529	-	-	-	-
<u>16,239</u>	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,550</u>	<u>2,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16,782	458,176	900	-	16,808	51,075	12,935	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
95,777	7,528,141	2,220,546	-	-	-	183,594	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>95,777</u>	<u>7,528,141</u>	<u>2,220,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 112,559</u>	<u>\$ 7,986,317</u>	<u>\$ 2,221,446</u>	<u>\$ -</u>	<u>\$ 16,808</u>	<u>\$ 51,075</u>	<u>\$ 196,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report on the financial statements.

CITY OF LAWRENCE, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
December 31, 2017

	9 NH North TDD/TIF	1106 Rhode Island Street NRA	900 Delaware Street NRA	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust
ASSETS								
Cash	\$ 41,332	\$ -	\$ -	\$ 60,474	\$ -	\$ -	\$ 12	\$ 81,554
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Accounts (net allowance for uncollectibles)	-	-	-	-	750	-	-	-
Loans	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	240	7,729	-	-	723
Restricted assets:								
Cash	-	-	-	-	4,401,083	-	-	-
Total assets	<u>\$ 41,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,714</u>	<u>\$ 4,409,562</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 82,277</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 14,324	\$ -	\$ -	\$ 2,610
Accrued payroll	-	-	-	-	1,945	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,269</u>	<u>-</u>	<u>-</u>	<u>2,610</u>
Deferred inflows of resources:								
Unavailable revenue	-	-	-	-	750	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,019</u>	<u>-</u>	<u>-</u>	<u>2,610</u>
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	4,392,543	-	-	-
Assigned	41,332	-	-	60,714	-	-	12	79,667
Unassigned	-	-	-	-	-	-	-	-
Total fund balance [deficit]	<u>41,332</u>	<u>-</u>	<u>-</u>	<u>60,714</u>	<u>4,392,543</u>	<u>-</u>	<u>12</u>	<u>79,667</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,714</u>	<u>\$ 4,409,562</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 82,277</u>

Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eExplore Lawrence	Lawrence Parks & Recreation Endowment	Law Enforcement Trust	Total Nonmajor Governmental Funds
\$ 113,699	\$ 149,756	\$ 179,330	\$ -	\$ -	\$ -	\$ 226,272	\$ 53,779	\$ 49,397	\$ 28,151,070
-	-	-	-	-	-	-	-	-	5,683,065
504,768	-	31,600	220,071	126,074	117,768	-	-	-	1,000,281
-	-	-	3,098	-	-	-	-	-	94,266
-	-	-	362,097	-	-	-	-	-	362,097
1,009	669	717	-	-	-	-	-	197	114,752
-	-	-	-	-	-	-	-	-	4,401,083
<u>\$ 619,476</u>	<u>\$ 150,425</u>	<u>\$ 211,647</u>	<u>\$ 585,266</u>	<u>\$ 126,074</u>	<u>\$ 117,768</u>	<u>\$ 226,272</u>	<u>\$ 53,779</u>	<u>\$ 49,594</u>	<u>\$ 39,806,614</u>
\$ 51,304	\$ -	\$ -	\$ 23,059	\$ 94,210	\$ 3,293	\$ 13,320	\$ -	\$ 615	\$ 1,021,176
4,009	-	213	3,318	697	2,573	4,350	-	-	122,860
438,000	-	-	247,048	52,552	124,579	-	-	-	862,179
493,313	-	213	273,425	147,459	130,445	17,670	-	615	2,006,215
-	-	-	3,153	-	875	10,000	-	-	4,358,768
-	-	-	3,153	-	875	10,000	-	-	4,358,768
493,313	-	213	276,578	147,459	131,320	27,670	-	615	6,364,983
-	-	-	411,460	-	-	-	-	-	411,460
-	-	-	-	-	-	-	53,779	-	4,446,322
126,163	150,425	211,434	-	[21,385]	-	198,602	-	48,979	28,700,173
-	-	-	[102,772]	-	[13,552]	-	-	-	[116,324]
126,163	150,425	211,434	308,688	[21,385]	[13,552]	198,602	53,779	48,979	33,441,631
<u>\$ 619,476</u>	<u>\$ 150,425</u>	<u>\$ 211,647</u>	<u>\$ 585,266</u>	<u>\$ 126,074</u>	<u>\$ 117,768</u>	<u>\$ 226,272</u>	<u>\$ 53,779</u>	<u>\$ 49,594</u>	<u>\$ 39,806,614</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
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation
Revenues:							
Taxes	\$ -	\$ 4,036,008	\$ 4,492,285	\$ 2,332,800	\$ -	\$ -	\$ -
Charges for services	-	-	426,469	3,062,585	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest	3,991	640	95,274	6,628	1,583	9,261	3,277
Intergovernmental	1,705,209	-	-	-	783,231	2,729,250	783,231
Reimbursements	-	-	-	-	-	-	-
Miscellaneous	-	-	95	121,207	-	28,428	-
Total revenues	<u>1,709,200</u>	<u>4,036,648</u>	<u>5,014,123</u>	<u>5,523,220</u>	<u>784,814</u>	<u>2,766,939</u>	<u>786,508</u>
Expenditures:							
General government	-	4,111,720	3,377,267	-	-	-	-
Public safety	-	-	-	-	775,153	-	-
Public works	-	-	-	-	-	2,316,164	-
Health	-	-	-	-	-	-	-
Social service	-	-	-	-	-	-	-
Culture and recreation	-	-	-	5,553,058	-	-	614,847
Tourism	1,729,392	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital outlay	-	-	-	1,965	-	267,676	161,802
Debt service:							
Principal retirement	235,751	-	-	-	-	-	-
Interest and fiscal charges	9,290	-	-	-	-	-	-
Total expenditures	<u>1,974,433</u>	<u>4,111,720</u>	<u>3,377,267</u>	<u>5,555,023</u>	<u>775,153</u>	<u>2,583,840</u>	<u>776,649</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[265,233]</u>	<u>[75,072]</u>	<u>1,636,856</u>	<u>[31,803]</u>	<u>9,661</u>	<u>183,099</u>	<u>9,859</u>
Other financing sources [uses]:							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>[265,233]</u>	<u>[75,072]</u>	<u>1,636,856</u>	<u>[31,803]</u>	<u>9,661</u>	<u>183,099</u>	<u>9,859</u>
Fund balance, beginning of year	968,762	113,873	12,350,018	1,007,806	192,369	1,298,676	377,301
Restatement to fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year, restated	<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>
Fund balance, end of year	<u>\$ 703,529</u>	<u>\$ 38,801</u>	<u>\$ 13,986,874</u>	<u>\$ 976,003</u>	<u>\$ 202,030</u>	<u>\$ 1,481,775</u>	<u>\$ 387,160</u>

Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Sales Tax Reserve	Free State TDD	Oread TDD/TIF	9 NH South TDD/TIF	901 NH TIF	720 NRA	1040 Vermont LLC NRA	810/812 Penn NRA	9 NH North TDD/TIF
\$ -	\$ 4,890,802	\$ 500,000	\$ -	\$ 232,990	\$ 537,426	\$ 495,759	\$ 28,085	\$ 13,547	\$ 29,568	\$ 26,286	\$ 41,332
120,325	-	-	-	-	-	-	-	-	-	-	-
-	-	63,206	-	-	-	-	-	-	-	-	-
458	24,417	-	-	-	-	-	-	-	-	-	-
-	1,566,689	-	-	-	-	-	-	-	-	-	-
-	842,288	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
120,783	7,324,196	563,206	-	232,990	537,426	495,759	28,085	13,547	29,568	26,286	41,332
-	-	70,254	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1,212,231	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	73,202	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	232,990	1,563,349	424,060	28,085	13,547	29,568	26,286	-
3	4,938,684	1,279	192,304	-	-	-	-	-	-	-	-
-	47,449	-	-	-	-	-	-	-	-	-	-
-	3,175	-	-	-	-	-	-	-	-	-	-
3	6,201,539	71,533	265,506	232,990	1,563,349	424,060	28,085	13,547	29,568	26,286	-
120,780	1,122,657	491,673	[265,506]	-	[1,025,923]	71,699	-	-	-	-	41,332
-	857,318	180,000	81	-	-	-	-	-	-	-	-
[170,000]	-	[55]	-	-	-	-	-	-	-	-	-
[170,000]	857,318	179,945	81	-	-	-	-	-	-	-	-
[49,220]	1,979,975	671,618	[265,425]	-	[1,025,923]	71,699	-	-	-	-	41,332
144,997	4,808,654	1,548,928	265,425	-	1,025,923	111,895	-	-	-	-	-
-	739,512	-	-	-	-	-	-	-	-	-	-
144,997	5,548,166	1,548,928	265,425	-	1,025,923	111,895	-	-	-	-	-
\$ 95,777	\$ 7,528,141	\$ 2,220,546	\$ -	\$ -	\$ -	\$ 183,594	\$ -	\$ -	\$ -	\$ -	\$ 41,332

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, 2017

	1106 Rhode Island Street NRA	900 Delaware Street NRA	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust
Revenues:							
Taxes	\$ 11,037	\$ 29,876	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest	-	-	384	13,436	-	7	1,298
Intergovernmental	-	-	-	-	-	-	-
Reimbursements	-	-	175	-	-	-	-
Miscellaneous	-	-	9,209	750	-	-	477
Total revenues	<u>11,037</u>	<u>29,876</u>	<u>9,768</u>	<u>14,186</u>	<u>-</u>	<u>7</u>	<u>1,775</u>
Expenditures:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-
Social service	-	-	-	-	-	-	2,611
Culture and recreation	-	-	41,653	-	3,308	4,247	-
Tourism	-	-	-	-	-	-	-
Economic development	11,037	29,876	-	-	-	-	-
Capital outlay	-	-	-	433,769	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>11,037</u>	<u>29,876</u>	<u>41,653</u>	<u>433,769</u>	<u>3,308</u>	<u>4,247</u>	<u>2,611</u>
Excess [deficiency] of revenues over [under] expenditures	<u>-</u>	<u>-</u>	<u>[31,885]</u>	<u>[419,583]</u>	<u>[3,308]</u>	<u>[4,240]</u>	<u>[836]</u>
Other financing sources [uses]:							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	[81]	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>[81]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>[31,966]</u>	<u>[419,583]</u>	<u>[3,308]</u>	<u>[4,240]</u>	<u>[836]</u>
Fund balance, beginning of year	-	-	92,680	4,812,126	3,308	4,252	180,503
Restatement to fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[100,000]</u>
Fund balance, beginning of year, restated	<u>-</u>	<u>-</u>	<u>92,680</u>	<u>4,812,126</u>	<u>3,308</u>	<u>4,252</u>	<u>80,503</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,714</u>	<u>\$ 4,392,543</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 79,667</u>

Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eXplore Lawrence	Lawrence Parks & Recreation Endowment	Law Enforcement Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,697,801
-	-	-	-	-	-	70,354	-	-	3,679,733
-	-	-	-	-	-	-	-	-	63,206
996	939	33,021	-	-	-	-	3,679	432	199,721
3,676,850	-	-	945,345	-	315,335	990,000	-	-	13,495,140
-	-	-	-	-	-	-	-	-	842,463
10,260	33,888	-	100,148	443,595	2,125	31,035	50,100	5,141	836,458
3,688,106	34,827	33,021	1,045,493	443,595	317,460	1,091,389	53,779	5,573	36,814,522
3,249,967	-	-	-	-	307,977	-	-	-	11,117,185
-	-	-	-	-	-	-	-	37,516	812,669
-	-	-	-	-	-	-	-	-	3,528,395
274,847	-	-	-	-	-	-	-	-	274,847
-	-	36,279	1,105,024	514,320	-	-	-	-	1,658,234
8,605	33,514	-	-	-	-	-	-	-	6,332,434
-	-	-	-	-	-	1,019,030	-	-	2,748,422
-	-	-	-	-	-	-	-	-	2,358,798
-	-	-	-	-	-	-	-	-	5,997,482
-	-	-	-	-	-	-	-	-	283,200
-	-	-	-	-	-	-	-	-	12,465
3,533,419	33,514	36,279	1,105,024	514,320	307,977	1,019,030	-	37,516	35,124,131
154,687	1,313	[3,258]	[59,531]	[70,725]	9,483	72,359	53,779	[31,943]	1,690,391
-	-	-	-	-	-	-	-	-	1,037,399
-	-	-	-	-	-	-	-	-	[170,136]
-	-	-	-	-	-	-	-	-	867,263
154,687	1,313	[3,258]	[59,531]	[70,725]	9,483	72,359	53,779	[31,943]	2,557,654
[28,524]	149,112	214,692	368,219	49,340	[23,035]	118,128	-	80,922	30,236,350
-	-	-	-	-	-	8,115	-	-	647,627
[28,524]	149,112	214,692	368,219	49,340	[23,035]	126,243	-	80,922	30,883,977
\$ 126,163	\$ 150,425	\$ 211,434	\$ 308,688	\$ [21,385]	\$ [13,552]	\$ 198,602	\$ 53,779	\$ 48,979	\$ 33,441,631

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, 2017

	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	\$ 8,774,776	\$ -	\$ 8,774,776	\$ 8,574,725	\$ 8,574,725	\$ 200,051
Special assessments	2,428,511	-	2,428,511	1,157,000	1,157,000	1,271,511
Interest	77,938	-	77,938	32,000	32,000	45,938
Miscellaneous	<u>233,732</u>	-	<u>233,732</u>	<u>135,000</u>	<u>135,000</u>	<u>98,732</u>
Total Revenues	<u>11,514,957</u>	-	<u>11,514,957</u>	<u>9,898,725</u>	<u>9,898,725</u>	<u>1,616,232</u>
Expenditures						
Principal retirement	8,788,828	-	8,788,828	11,048,000	11,048,000	2,259,172
Interest and fiscal charges	2,768,640	-	2,768,640	1,147,000	1,147,000	[1,621,640]
Reserve	<u>-</u>	-	<u>-</u>	<u>7,819,425</u>	<u>7,819,425</u>	<u>7,819,425</u>
Total Expenditures	<u>11,557,468</u>	-	<u>11,557,468</u>	<u>20,014,425</u>	<u>20,014,425</u>	<u>8,456,957</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[42,511]</u>	-	<u>[42,511]</u>	<u>[10,115,700]</u>	<u>[10,115,700]</u>	<u>10,073,189</u>
Other financing sources [uses]						
Transfers in	<u>150,000</u>	-	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total other financing sources [uses]	<u>150,000</u>	-	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>107,489</u>	-	<u>107,489</u>	<u>\$ [10,115,700]</u>	<u>\$ [10,115,700]</u>	<u>\$ 10,223,189</u>
Fund balance, January 1	10,930,190	-	10,930,190			
Restatement to fund balance	<u>228,856</u>	-	<u>228,856</u>			
Fund balance, January 1, restated	<u>11,159,046</u>	-	<u>11,159,046</u>			
Fund balance, December 31	<u>\$ 11,266,535</u>	<u>\$ -</u>	<u>\$ 11,266,535</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, 2017

	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	\$ 1,705,209	\$ -	\$ 1,705,209	\$ 1,840,000	\$ 1,840,000	\$ [134,791]
Interest	<u>3,991</u>	<u>-</u>	<u>3,991</u>	<u>3,500</u>	<u>3,500</u>	<u>491</u>
Total Revenues	<u>1,709,200</u>	<u>-</u>	<u>1,709,200</u>	<u>1,843,500</u>	<u>1,843,500</u>	<u>[134,300]</u>
Expenditures						
Tourism						
Personal services	881,137	-	881,137	349,520	349,520	[531,617]
Contractual services	790,114	[4,372]	785,742	2,389,103	2,389,103	1,603,361
Commodities	58,141	5,525	63,666	30,000	30,000	[33,666]
Capital outlay	-	-	-	175,000	175,000	175,000
Debt service:						
Principal retirement	235,751	-	235,751	245,041	245,041	9,290
Interest and fiscal charges	<u>9,290</u>	<u>-</u>	<u>9,290</u>	<u>-</u>	<u>-</u>	<u>[9,290]</u>
Total Expenditures	<u>1,974,433</u>	<u>1,153</u>	<u>1,975,586</u>	<u>3,188,664</u>	<u>3,188,664</u>	<u>1,213,078</u>
Excess [deficiency] of revenues over [under] expenditures	[265,233]	[1,153]	[266,386]	\$ [1,345,164]	\$ [1,345,164]	\$ 1,078,778
Fund balance, January 1	<u>968,762</u>	<u>[12,893]</u>	<u>955,869</u>			
Fund balance, December 31	<u>\$ 703,529</u>	<u>\$ [14,046]</u>	<u>\$ 689,483</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, 2017

	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	\$ 4,036,008	\$ -	\$ 4,036,008	\$ 4,076,693	\$ 3,985,000	\$ 51,008
Interest	640	-	640	500	-	640
Total Revenues	<u>4,036,648</u>	<u>-</u>	<u>4,036,648</u>	<u>4,077,193</u>	<u>3,985,000</u>	<u>51,648</u>
Expenditures						
General government						
Contractual services	<u>4,111,720</u>	<u>-</u>	<u>4,111,720</u>	<u>4,033,737</u>	<u>4,131,000</u>	<u>19,280</u>
Total Expenditures	<u>4,111,720</u>	<u>-</u>	<u>4,111,720</u>	<u>4,033,737</u>	<u>4,131,000</u>	<u>19,280</u>
Excess [deficiency] of revenues over [under] expenditures	[75,072]	-	[75,072]	<u>\$ 43,456</u>	<u>\$ [146,000]</u>	<u>\$ 70,928</u>
Fund balance, January 1	<u>113,873</u>	<u>-</u>	<u>113,873</u>			
Fund balance, December 31	<u>\$ 38,801</u>	<u>\$ -</u>	<u>\$ 38,801</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, 2017

	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	\$ 4,492,285	\$ -	\$ 4,492,285	\$ 4,398,000	\$ 4,398,000	\$ 94,285
Charges for services	426,469	-	426,469	426,000	426,000	469
Miscellaneous	95	-	95	-	-	95
Interest	95,274	-	95,274	24,000	24,000	71,274
Total Revenues	<u>5,014,123</u>	<u>-</u>	<u>5,014,123</u>	<u>4,848,000</u>	<u>4,848,000</u>	<u>166,123</u>
Expenditures						
General government						
Personal services	59,845	-	59,845	90,345	90,345	30,500
Contractual services	2,639,586	[176,539]	2,463,047	13,399,992	13,399,992	10,936,945
Commodities	-	[57,638]	[57,638]	893,268	893,268	950,906
Capital outlay	677,836	-	677,836	1,651,000	1,651,000	973,164
Total Expenditures	<u>3,377,267</u>	<u>[234,177]</u>	<u>3,143,090</u>	<u>16,034,605</u>	<u>16,034,605</u>	<u>12,891,515</u>
Excess [deficiency] of revenues over [under] expenditures	1,636,856	234,177	1,871,033	<u>\$ [11,186,605]</u>	<u>\$ [11,186,605]</u>	<u>\$ 13,057,638</u>
Fund balance, January 1	<u>12,350,018</u>	<u>[238,278]</u>	<u>12,111,740</u>			
Fund balance, December 31	<u>\$ 13,986,874</u>	<u>\$ [4,101]</u>	<u>\$ 13,982,773</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, 2017

	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	\$ 2,332,800	\$ [2,332,800]	\$ -	\$ -	\$ -	\$ -
Charges for services	3,062,585	-	3,062,585	3,300,445	3,300,445	[237,860]
Interest	6,628	-	6,628	2,000	2,000	4,628
Miscellaneous	121,207	-	121,207	-	-	121,207
Total Revenues	<u>5,523,220</u>	<u>[2,332,800]</u>	<u>3,190,420</u>	<u>3,302,445</u>	<u>3,302,445</u>	<u>[112,025]</u>
Expenditures						
Culture and recreation						
Personal services	4,222,519	-	4,222,519	4,228,029	4,228,029	5,510
Contractual services	909,947	[34,493]	875,454	1,733,494	1,733,494	858,040
Commodities	420,592	[44,771]	375,821	384,370	384,370	8,549
Capital outlay	1,965	[18,944]	[16,979]	40,000	40,000	56,979
Total Expenditures	<u>5,555,023</u>	<u>[98,208]</u>	<u>5,456,815</u>	<u>6,385,893</u>	<u>6,385,893</u>	<u>929,078</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[31,803]</u>	<u>[2,234,592]</u>	<u>[2,266,395]</u>	<u>[3,083,448]</u>	<u>[3,083,448]</u>	<u>817,053</u>
Other financing sources [uses]						
Transfers in	-	2,332,800	2,332,800	2,332,898	2,332,898	[98]
Total other financing sources [uses]	<u>-</u>	<u>2,332,800</u>	<u>2,332,800</u>	<u>2,332,898</u>	<u>2,332,898</u>	<u>[98]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[31,803]</u>	<u>98,208</u>	<u>66,405</u>	<u>\$ [750,550]</u>	<u>\$ [750,550]</u>	<u>\$ 816,955</u>
Fund balance, January 1	<u>1,007,806</u>	<u>[106,078]</u>	<u>901,728</u>			
Fund balance, December 31	<u>\$ 976,003</u>	<u>\$ [7,870]</u>	<u>\$ 968,133</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, 2017

	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	\$ 783,231	\$ -	\$ 783,231	\$ 749,000	\$ 749,000	\$ 34,231
Interest	<u>1,583</u>	<u>-</u>	<u>1,583</u>	<u>400</u>	<u>400</u>	<u>1,183</u>
Total Revenues	<u>784,814</u>	<u>-</u>	<u>784,814</u>	<u>749,400</u>	<u>749,400</u>	<u>35,414</u>
Expenditures						
Health						
Contractual services	<u>775,153</u>	<u>[41,855]</u>	<u>733,298</u>	<u>885,472</u>	<u>885,472</u>	<u>152,174</u>
Total Expenditures	<u>775,153</u>	<u>[41,855]</u>	<u>733,298</u>	<u>885,472</u>	<u>885,472</u>	<u>152,174</u>
Excess [deficiency] of revenues over [under] expenditures	9,661	41,855	51,516	<u>\$ [136,072]</u>	<u>\$ [136,072]</u>	<u>\$ 187,588</u>
Fund balance, January 1	<u>192,369</u>	<u>[41,855]</u>	<u>150,514</u>			
Fund balance, December 31	<u>\$ 202,030</u>	<u>\$ -</u>	<u>\$ 202,030</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, 2017

	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	\$ 2,729,250	\$ -	\$ 2,729,250	\$ 2,747,000	\$ 2,747,000	\$ [17,750]
Interest	9,261	-	9,261	3,000	3,000	6,261
Miscellaneous	28,428	-	28,428	-	-	28,428
Total Revenues	<u>2,766,939</u>	<u>-</u>	<u>2,766,939</u>	<u>2,750,000</u>	<u>2,750,000</u>	<u>16,939</u>
Expenditures						
Public works						
Personal services	1,745,767	-	1,745,767	-	-	[1,745,767]
Contractual services	2,439	-	2,439	933,872	933,872	931,433
Commodities	567,958	[30,008]	537,950	-	-	[537,950]
Capital outlay	267,676	23,729	291,405	3,001,680	3,001,680	2,710,275
Total Expenditures	<u>2,583,840</u>	<u>[6,279]</u>	<u>2,577,561</u>	<u>3,935,552</u>	<u>3,935,552</u>	<u>1,357,991</u>
Excess [deficiency] of revenues over [under] expenditures	183,099	6,279	189,378	<u>\$ [1,185,552]</u>	<u>\$ [1,185,552]</u>	<u>\$ 1,374,930</u>
Fund balance, January 1	<u>1,298,676</u>	<u>[41,133]</u>	<u>1,257,543</u>			
Fund balance, December 31	<u>\$ 1,481,775</u>	<u>\$ [34,854]</u>	<u>\$ 1,446,921</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, 2017

	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	\$ 783,231	\$ -	\$ 783,231	\$ 749,000	\$ 749,000	\$ 34,231
Interest	3,277	-	3,277	700	700	2,577
Total Revenues	<u>786,508</u>	<u>-</u>	<u>786,508</u>	<u>749,700</u>	<u>749,700</u>	<u>36,808</u>
Expenditures						
Culture and recreation						
Personal services	1,750	-	1,750	54,030	54,030	52,280
Contractual services	405,643	[38,546]	367,097	621,992	621,992	254,895
Commodities	207,454	[29,120]	178,334	75,000	75,000	[103,334]
Capital outlay	<u>161,802</u>	<u>19,532</u>	<u>181,334</u>	<u>239,000</u>	<u>239,000</u>	<u>57,666</u>
Total Expenditures	<u>776,649</u>	<u>[48,134]</u>	<u>728,515</u>	<u>990,022</u>	<u>990,022</u>	<u>261,507</u>
Excess [deficiency] of revenues over [under] expenditures	9,859	48,134	57,993	<u>\$ [240,322]</u>	<u>\$ [240,322]</u>	<u>\$ 298,315</u>
Fund balance, January 1	<u>377,301</u>	<u>[99,989]</u>	<u>277,312</u>			
Fund balance, December 31	<u>\$ 387,160</u>	<u>\$ [51,855]</u>	<u>\$ 335,305</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, 2017

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current assets:			
Cash	\$ 877,475	\$ 233,960	\$ 1,111,435
Receivables (net of allowance for uncollectibles)			
Accounts	3,939	464	4,403
Accrued interest	3,267	1,050	4,317
Inventories	-	5,549	5,549
Total current assets	<u>884,681</u>	<u>241,023</u>	<u>1,125,704</u>
Capital assets:			
Land	479,055	-	479,055
Building and improvements	4,094,602	3,634,714	7,729,316
Equipment	422,536	258,837	681,373
Less: accumulated depreciation	<u>[4,169,437]</u>	<u>[3,733,721]</u>	<u>[7,903,158]</u>
Total capital assets	<u>826,756</u>	<u>159,830</u>	<u>986,586</u>
Total assets	<u>1,711,437</u>	<u>400,853</u>	<u>2,112,290</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date	45,678	11,911	57,589
Pension - differences between expected and actual experience	25,854	1,085	26,939
Pension - net difference between projected and actual earnings on pension plan investments	35,922	6,179	42,101
Pension - changes in assumptions	49,101	12,779	61,880
Pension - changes in proportion	<u>30,514</u>	<u>8,472</u>	<u>38,986</u>
Total deferred outflows of resources	<u>187,069</u>	<u>40,426</u>	<u>227,495</u>
Total assets and deferred outflows of resources	<u>\$ 1,898,506</u>	<u>\$ 441,279</u>	<u>\$ 2,339,785</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities			
Accounts payable	\$ 9,141	\$ 27,923	\$ 37,064
Accrued payroll	13,389	6,636	20,025
Compensated absences payable	-	30,803	30,803
Total current liabilities	<u>22,530</u>	<u>65,362</u>	<u>87,892</u>
Noncurrent liabilities:			
Compensated absences payable	-	37,370	37,370
Net OPEB obligation	163,039	5,872	168,911
Net pension liability	<u>888,827</u>	<u>238,641</u>	<u>1,127,468</u>
Total noncurrent liabilities	<u>1,051,866</u>	<u>281,883</u>	<u>1,333,749</u>
Total liabilities	<u>1,074,396</u>	<u>347,245</u>	<u>1,421,641</u>
Deferred inflows of resources			
Pension - differences between expected and actual experience	18,370	8,352	26,722
Pension - changes in proportion	6,049	-	6,049
Pension - changes of assumptions	<u>11,163</u>	<u>2,274</u>	<u>13,437</u>
Total deferred inflows of resources	<u>35,582</u>	<u>10,626</u>	<u>46,208</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,109,978</u>	<u>\$ 357,871</u>	<u>\$ 1,467,849</u>
NET POSITION:			
Net investment in capital assets	\$ 826,756	\$ 159,830	\$ 986,586
Unrestricted	<u>[38,228]</u>	<u>[76,422]</u>	<u>[114,650]</u>
Total net position	<u>\$ 788,528</u>	<u>\$ 83,408</u>	<u>\$ 871,936</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, 2017

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating revenues:			
Charges for services	\$ 1,563,008	\$ 984,669	\$ 2,547,677
Total operating revenues	<u>1,563,008</u>	<u>984,669</u>	<u>2,547,677</u>
Operating expenses:			
Continuing operations	1,237,429	972,770	2,210,199
Depreciation and amortization	<u>142,068</u>	<u>289,429</u>	<u>431,497</u>
Total operating expenses	<u>1,379,497</u>	<u>1,262,199</u>	<u>2,641,696</u>
Operating income [loss]	<u>183,511</u>	<u>[277,530]</u>	<u>[94,019]</u>
Nonoperating revenues [expenses]			
Interest income	8,625	1,548	10,173
Miscellaneous	<u>100,145</u>	<u>[4,146]</u>	<u>95,999</u>
Total nonoperating revenues [expenses]	<u>108,770</u>	<u>[2,598]</u>	<u>106,172</u>
Income [loss] before transfers	<u>292,281</u>	<u>[280,128]</u>	<u>12,153</u>
Transfers from [to] other funds			
Transfers [to]	<u>[150,000]</u>	-	<u>[150,000]</u>
Total transfers	<u>[150,000]</u>	-	<u>[150,000]</u>
Change in net position	142,281	[280,128]	[137,847]
Net position, January 1	<u>646,247</u>	<u>363,536</u>	<u>1,009,783</u>
Net position, December 31	<u>\$ 788,528</u>	<u>\$ 83,408</u>	<u>\$ 871,936</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, 2017

	Public Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities			
Cash received from customers and users	\$ 1,564,686	\$ 984,669	\$ 2,549,355
Cash paid to suppliers of goods and services	[1,243,626]	[962,889]	[2,206,515]
Cash paid to employees	20,227	12,034	32,261
Net cash provided by [used in] operating activities	<u>341,287</u>	<u>33,814</u>	<u>375,101</u>
Cash flows from capital and related financing activities			
Proceeds from other activities	100,145	[4,146]	95,999
Acquisition and construction of capital assets	-	[24,990]	[24,990]
Net cash provided by [used in] capital and related financing activities	<u>100,145</u>	<u>[29,136]</u>	<u>71,009</u>
Cash flows from noncapital financing activities			
Transfers [out]	<u>[150,000]</u>	-	<u>[150,000]</u>
Net cash provided by [used in] noncapital financing activities	<u>[150,000]</u>	-	<u>[150,000]</u>
Cash flows from investing activities			
Interest received	<u>6,043</u>	<u>822</u>	<u>6,865</u>
Net cash provided by [used in] investing activities	<u>6,043</u>	<u>822</u>	<u>6,865</u>
Net increase [decrease] in cash and cash equivalents	297,475	5,500	302,975
Cash and cash equivalents, beginning	<u>580,000</u>	<u>228,460</u>	<u>808,460</u>
Cash and cash equivalents, ending	<u>\$ 877,475</u>	<u>\$ 233,960</u>	<u>\$ 1,111,435</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, 2017

	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]	\$ 183,511	\$ [277,530]	\$ [94,019]
Net cash provided by [used in] operating activities			
Depreciation expense	142,068	289,429	431,497
[Increase] decrease in accounts receivable	1,678	-	1,678
[Increase] decrease in inventory	-	[1,674]	[1,674]
[Increase] decrease in deferred outflows	13,731	8,888	22,619
Increase [decrease] in accounts payable	[6,197]	11,555	5,358
Increase [decrease] in deferred inflows	4,871	3,153	8,024
Increase [decrease] in net pension liability	[16,071]	[10,403]	[26,474]
Increase [decrease] in compensated absences	-	9,249	9,249
Increase [decrease] in net OPEB obligation	19,587	705	20,292
Increase [decrease] in accrued payroll	[1,891]	442	[1,449]
Net cash provided by [used in] operating activities	<u>\$ 341,287</u>	<u>\$ 33,814</u>	<u>\$ 375,101</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, 2017

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Current assets:						
Cash	\$ 1,153,077	\$ 1,629,696	\$ -	\$ 24,685	\$ 7,829,525	\$ 10,636,983
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	1,231	-	54,887	56,118
Accrued interest	4,485	6,048	-	99	31,075	41,707
Inventory	-	-	309,658	-	-	309,658
Total current assets	<u>1,157,562</u>	<u>1,635,744</u>	<u>310,889</u>	<u>24,784</u>	<u>7,915,487</u>	<u>11,044,466</u>
Capital assets:						
Building and improvements	-	-	762,567	-	-	762,567
Equipment	-	-	476,472	-	-	476,472
Less: accumulated depreciation	-	-	[953,271]	-	-	[953,271]
Total capital assets	<u>-</u>	<u>-</u>	<u>285,768</u>	<u>-</u>	<u>-</u>	<u>285,768</u>
Total assets	<u>1,157,562</u>	<u>1,635,744</u>	<u>596,657</u>	<u>24,784</u>	<u>7,915,487</u>	<u>11,330,234</u>
Deferred outflows of resources						
Pension - contributions subsequent to the measurement date	-	-	38,142	-	-	38,142
Pension - differences between expected and actual experience	-	-	3,485	-	-	3,485
Pension - net difference between projected and actual earnings on pension plan investments	-	-	20,754	-	-	20,754
Pension - changes in assumptions	-	-	40,282	-	-	40,282
Pension - changes in proportion	-	-	26,943	-	-	26,943
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>129,606</u>	<u>-</u>	<u>-</u>	<u>129,606</u>
Total assets and deferred outflows of resources	<u>\$ 1,157,562</u>	<u>\$ 1,635,744</u>	<u>\$ 726,263</u>	<u>\$ 24,784</u>	<u>\$ 7,915,487</u>	<u>\$ 11,459,840</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:						
Liabilities:						
Current liabilities						
Accounts payable	\$ 265	\$ 9,240	\$ 178,471	\$ 6,374	\$ 23,474	\$ 217,824
Claims payable	-	54,055	-	-	993,328	1,047,383
Accrued payroll	-	-	18,912	-	-	18,912
Compensated absences	-	-	59,232	-	-	59,232
Due to other funds	-	-	82,980	-	-	82,980
Total current liabilities	<u>265</u>	<u>63,295</u>	<u>339,595</u>	<u>6,374</u>	<u>1,016,802</u>	<u>1,426,331</u>
Noncurrent liabilities:						
Compensated absences	-	-	73,594	-	-	73,594
Net pension liability	-	-	762,835	-	-	762,835
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>836,429</u>	<u>-</u>	<u>-</u>	<u>836,429</u>
Total liabilities	<u>265</u>	<u>63,295</u>	<u>1,176,024</u>	<u>6,374</u>	<u>1,016,802</u>	<u>2,262,760</u>
Deferred inflows of resources						
Pension - differences between expected and actual experience	-	-	26,519	-	-	26,519
Pension - changes of assumptions	-	-	7,255	-	-	7,255
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>33,774</u>	<u>-</u>	<u>-</u>	<u>33,774</u>
Total liabilities and deferred inflows of resources	<u>\$ 265</u>	<u>\$ 63,295</u>	<u>\$ 1,209,798</u>	<u>\$ 6,374</u>	<u>\$ 1,016,802</u>	<u>\$ 2,296,534</u>
NET POSITION:						
Net investment in capital assets	\$ -	\$ -	\$ 285,768	\$ -	\$ -	\$ 285,768
Unrestricted	<u>1,157,297</u>	<u>1,572,449</u>	<u>[769,303]</u>	<u>18,410</u>	<u>6,898,685</u>	<u>8,877,538</u>
Total net position	<u>\$ 1,157,297</u>	<u>\$ 1,572,449</u>	<u>\$ [483,535]</u>	<u>\$ 18,410</u>	<u>\$ 6,898,685</u>	<u>\$ 9,163,306</u>

CITY OF LAWRENCE, KANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2017

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Operating revenue						
Charges for services	\$ 85,000	\$ 722,000	\$ 3,469,139	\$ -	\$ 11,436,749	\$ 15,712,888
Total operating revenues	<u>85,000</u>	<u>722,000</u>	<u>3,469,139</u>	<u>-</u>	<u>11,436,749</u>	<u>15,712,888</u>
Operating expenses						
Continuing operations	170,467	591,828	3,548,415	-	-	4,310,710
General administration	-	-	-	-	1,606,003	1,606,003
Health insurance claims	-	-	-	-	9,735,339	9,735,339
Depreciation and amortization	-	-	44,205	-	-	44,205
Total operating expense	<u>170,467</u>	<u>591,828</u>	<u>3,592,620</u>	<u>-</u>	<u>11,341,342</u>	<u>15,696,257</u>
Operating income [loss]	<u>[85,467]</u>	<u>130,172</u>	<u>[123,481]</u>	<u>-</u>	<u>95,407</u>	<u>16,631</u>
Nonoperating revenues [expenses]						
Interest income	4,424	5,966	-	97	45,903	56,390
Gain [loss] on sale of capital assets	-	-	9,379	-	-	9,379
Total nonoperating revenues [expenses]	<u>4,424</u>	<u>5,966</u>	<u>9,379</u>	<u>97</u>	<u>45,903</u>	<u>65,769</u>
Income [loss] before transfers	<u>[81,043]</u>	<u>136,138</u>	<u>[114,102]</u>	<u>97</u>	<u>141,310</u>	<u>82,400</u>
Transfers [out]	<u>-</u>	<u>-</u>	<u>[7,000]</u>	<u>-</u>	<u>-</u>	<u>[7,000]</u>
Change in net position	<u>[81,043]</u>	<u>136,138</u>	<u>[121,102]</u>	<u>97</u>	<u>141,310</u>	<u>75,400</u>
Net position, January 1	<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>
Net position, December 31	<u>\$ 1,157,297</u>	<u>\$ 1,572,449</u>	<u>\$ [483,535]</u>	<u>\$ 18,410</u>	<u>\$ 6,898,685</u>	<u>\$ 9,163,306</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, 2017

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:						
Cash received from customers and users	\$ 85,000	\$ 722,000	\$ 3,469,139	\$ -	\$ 11,433,757	\$ 15,709,896
Cash paid to suppliers of goods and services	[178,057]	[632,608]	[3,449,065]	[1,816]	[11,204,050]	[15,465,596]
Cash paid to employees	-	-	[7,567]	-	-	[7,567]
Net cash provided by [used in] operating activities	[93,057]	89,392	12,507	[1,816]	229,707	236,733
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	-	-	9,379	-	-	9,379
Net cash provided by [used in] capital and related financing activities	-	-	9,379	-	-	9,379
Cash flows from noncapital financing activities:						
Interfund loan	-	-	[13,655]	-	-	[13,655]
Transfers [out]	-	-	[7,000]	-	-	[7,000]
Net cash provided by [used in] noncapital financing activities	-	-	[20,655]	-	-	[20,655]
Cash flows from investing activities:						
Interest received	[61]	[82]	[1,231]	[2]	27,118	25,742
Net cash provided by [used in] investing activities	[61]	[82]	[1,231]	[2]	27,118	25,742
Net increase [decrease] in cash and cash equivalent	[93,118]	89,310	-	[1,818]	256,825	251,199
Cash and cash equivalents, beginning	1,246,195	1,540,386	-	26,503	7,572,700	10,385,784
Cash and cash equivalents, ending	\$ 1,153,077	\$ 1,629,696	\$ -	\$ 24,685	\$ 7,829,525	\$ 10,636,983

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, 2017

	<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]	\$ [85,467]	\$ 130,172	\$ [123,481]	\$ -	\$ 95,407	\$ 16,631
Net cash provided by [used in] operating activities						
Depreciation expense	-	-	44,205	-	-	44,205
[Increase] decrease in accounts receivable	-	-	-	-	[2,992]	[2,992]
[Increase] decrease in inventory	-	-	[7,800]	-	-	[7,800]
[Increase] decrease in deferred outflows	-	-	28,017	-	-	28,017
Increase [decrease] in accounts payable	[7,590]	[40,780]	107,150	[1,816]	[443,902]	[386,938]
Increase [decrease] in claims payable	-	-	-	-	581,194	581,194
Increase [decrease] in accrued payroll	-	-	407	-	-	407
Increase [decrease] in deferred inflows	-	-	9,938	-	-	9,938
Increase [decrease] in net pension liability	-	-	[32,792]	-	-	[32,792]
Increase [decrease] in accrued compensated absences	-	-	[13,137]	-	-	[13,137]
Net cash provided by [used in] operating activities	<u>\$ [93,057]</u>	<u>\$ 89,392</u>	<u>\$ 12,507</u>	<u>\$ [1,816]</u>	<u>\$ 229,707</u>	<u>\$ 236,733</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.

CITY OF LAWRENCE, KANSAS

COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 December 31, 2017

	<u>Payroll Clearing</u>	<u>Municipal Court</u>	<u>Fire Insurance Proceeds</u>	<u>Total Agency Funds</u>
ASSETS				
Cash	\$ 608,331	\$ 384,772	\$ -	\$ 993,103
Total assets	<u>\$ 608,331</u>	<u>\$ 384,772</u>	<u>\$ -</u>	<u>\$ 993,103</u>
LIABILITIES				
Accounts payable	\$ 608,331	\$ 384,772	\$ -	\$ 993,103
Total liabilities	<u>\$ 608,331</u>	<u>\$ 384,772</u>	<u>\$ -</u>	<u>\$ 993,103</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, 2017

<u>Payroll Clearing</u> ASSETS	Balance January 1 <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31 <u>2017</u>
Cash	\$ 124,601	\$ 38,171,591	\$ 37,687,861	\$ 608,331
Total assets	<u>\$ 124,601</u>	<u>\$ 38,171,591</u>	<u>\$ 37,687,861</u>	<u>\$ 608,331</u>
LIABILITIES				
Accounts payable	\$ 124,601	\$ 38,171,591	\$ 37,687,861	\$ 608,331
Total liabilities	<u>\$ 124,601</u>	<u>\$ 38,171,591</u>	<u>\$ 37,687,861</u>	<u>\$ 608,331</u>
<u>Municipal Court</u> ASSETS	Balance January 1 <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31 <u>2017</u>
Cash	\$ 370,588	\$ 947,790	\$ 933,606	\$ 384,772
Total assets	<u>\$ 370,588</u>	<u>\$ 947,790</u>	<u>\$ 933,606</u>	<u>\$ 384,772</u>
LIABILITIES				
Accounts Payable	\$ 370,588	\$ 947,790	\$ 933,606	\$ 384,772
Total liabilities	<u>\$ 370,588</u>	<u>\$ 947,790</u>	<u>\$ 933,606</u>	<u>\$ 384,772</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, 2017

<u>Fire Insurance Proceeds</u>	Balance January 1 <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31 <u>2017</u>
ASSETS				
Cash	\$ 446	\$ -	\$ 446	\$ -
Total assets	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ 446	\$ -	\$ 446	\$ -
Total liabilities	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>

See independent auditor's report on the financial statements.

Statistical Section (Unaudited)

This section 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>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>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 174,116,398
Restricted	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	16,124,317
Unrestricted	<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>	<u>11,126,590</u>
Total governmental activities net position	<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>	<u>\$ 201,367,305</u>
Business-type activities										
Net investment in capital assets	\$ 130,121,705	\$ 131,255,940	\$ 131,412,998	\$ 130,911,335	\$ 132,286,325	\$ 135,412,622	\$ 142,129,630	\$ 138,094,523	\$ 115,683,218	\$ 109,887,927
Restricted	19,865,967	-	-	-	-	-	-	-	2,007,755	2,007,755
Unrestricted	<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>48,675,637</u>	<u>61,630,771</u>
Total business-type activities net position	<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>	<u>\$ 173,526,453</u>
Primary government										
Net investment in capital assets	\$ 228,878,035	\$ 233,573,027	\$ 252,097,459	\$ 260,094,743	\$ 270,525,912	\$ 277,878,410	\$ 295,780,486	\$ 303,377,118	\$ 292,061,063	\$ 284,004,325
Restricted	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	18,132,072
Unrestricted	<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>44,159,845</u>	<u>72,757,361</u>
Total primary government net position	<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>	<u>\$ 374,893,758</u>

Table 2

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	<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>	<u>2017</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 23,993,685
Public safety	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	44,199,155
Public works	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	31,644,780
Health	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	1,320,850
Social services	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	2,609,249
Culture and recreation	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	11,851,021
Tourism	818,561	771,534	885,555	1,052,713	969,229	1,009,528	1,266,137	1,706,788	2,746,841	2,759,231
Airport	248,014	242,517	318,403	494,077	226,568	251,419	229,161	252,735	145,227	139,414
Economic development	-	-	-	-	-	-	-	-	765,183	2,358,798
Interest on long-term debt	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	3,440,221
Total governmental activities expenses	<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>	<u>124,316,404</u>
Business-type activities:										
Water and sewer	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	37,356,134
Sanitation	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	11,448,107
Public parking	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	1,378,713
Stormwater	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	2,132,331
Golf course	999,551	1,016,011	998,557	917,860	944,149	930,730	973,740	961,517	978,457	1,261,536
Total business-type activities expenses	<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>	<u>53,576,821</u>
Total primary government expenses	<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>	<u>177,893,225</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	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	5,122,733
Public safety	7,371,902	6,746,080	398,548	453,968	403,121	503,123	563,446	427,146	5,773,962	6,866,750
Culture and recreation	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	3,343,028
Other activities	382,777	442,116	547,979	471,492	370,832	440,872	571,777	461,508	1,599,985	534,779
Operating grants and contributions	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	12,026,288
Capital grants and contributions	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	16,914,876
Total governmental activities program revenues	<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>	<u>44,808,454</u>
Business-type activities:										
Charges for services:										
Water and sewer	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	42,930,470
Sanitation	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	13,634,852
Public parking	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	1,563,008
Stormwater	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	3,238,658
Golf course	916,239	919,416	780,840	718,419	820,444	753,198	772,843	733,798	747,031	984,669
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<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>	<u>62,351,657</u>
Total primary government program revenues	<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>	<u>\$ 107,160,111</u>

Table 2, cont.

CITY OF LAWRENCE, KANSAS

Changes in Net Position, Continued

Last Ten Fiscal Years
(accrual basis of accounting)

	<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>	<u>2017</u>
Net [expense]/revenue										
Governmental activities	\$ [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]	\$ [79,507,950]
Business-type activities	<u>2,331,918</u>	<u>3,875,495</u>	<u>5,761,452</u>	<u>5,584,970</u>	<u>7,301,200</u>	<u>5,735,706</u>	<u>5,020,924</u>	<u>5,991,564</u>	<u>7,543,334</u>	<u>8,774,836</u>
Total primary government net expense	<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>	<u>[70,733,114]</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	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	33,414,884
Franchise taxes	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	7,229,327
Sales taxes	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	39,365,644
Unrestricted grants and contributions	740,882	760,511	723,125	645,080	691,768	689,082	732,100	720,387	764,798	783,431
Investment earnings	2,890,086	1,177,409	337,284	134,306	210,102	202,023	223,756	100,697	390,171	493,557
Miscellaneous	125,372	31,107	6,512	185,909	425,033	136,700	255,075	2,580,346	3,385,152	3,361,033
Transfers	<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>	<u>3,801,983</u>
Total governmental activities	<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>	<u>88,449,859</u>
Business-type activities:										
Unrestricted grants and contributions	-	6,325	5,148	3,303	-	-	-	-	-	-
Investment earnings	1,489,597	206,643	44,953	105,578	121,636	105,283	26,824	233,589	500,878	802,034
Miscellaneous	580,267	399,962	509,320	620,900	638,793	906,393	796,713	767,015	564,790	1,310,446
Transfers	<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>	<u>[3,801,983]</u>
Total business-type activities	<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>	<u>[1,689,503]</u>
Total primary government	<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>	<u>86,760,356</u>
Change in Net Position										
Governmental activities	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	8,941,909
Business-type activities	<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>	<u>7,085,333</u>
Total primary government	<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>	<u>\$ 16,027,242</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
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
2017	30,401,649	39,365,643	7,229,327	2,912,075	101,162	80,009,856	1,631,773,470

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

Table 4

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<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>	<u>2017</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	489,385	458,016	444,230	418,924	483,882	626,605	666,212
Unassigned	-	-	-	12,764,449	12,807,728	12,987,191	13,203,510	12,718,338	20,009,047	22,713,597
Reserved	919,854	266,473	556,401	-	-	-	-	-	-	-
Unreserved	<u>12,224,367</u>	<u>12,564,947</u>	<u>12,747,754</u>	-	-	-	-	-	-	-
Total General Fund	<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>	<u>\$ 23,379,809</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 463,176	\$ 461,146	\$ 424,304	\$ 562,959	\$ 562,959	\$ 434,460	\$ 411,460
Restricted	-	-	-	16,727,528	17,198,370	16,924,753	17,578,956	16,468,996	15,742,316	25,226,913
Assigned	-	-	-	20,498,354	22,307,990	28,407,656	29,326,657	25,955,112	25,103,256	28,700,173
Unassigned	-	-	-	[1,820,366]	[1,706,921]	[15,039,302]	[14,022,677]	[8,716,690]	[11,265,210]	[116,324]
Reserved	17,918,096	17,239,307	17,615,379	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	16,938,468	18,602,507	18,002,435	-	-	-	-	-	-	-
Capital projects funds	<u>[2,938,975]</u>	<u>[9,271,901]</u>	<u>[1,871,354]</u>	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 54,222,222</u>

* The City implemented GASB Statement No. 54 in 2011.

** 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
Revenues										
Taxes	\$ 44,406,798	\$ 48,963,008	\$ 51,853,338	\$ 53,602,446	\$ 55,968,894	\$ 57,958,993	\$ 60,669,355	\$ 63,022,436	\$ 78,202,845	\$ 80,009,856
Special assessments	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	2,542,191
Licenses and permits	1,018,198	810,916	871,264	944,702	968,947	1,028,880	974,690	1,525,191	1,873,080	1,647,100
Charges for services	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	12,005,980
Fines, forfeitures and penalties	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	2,214,210
Interest	1,775,604	316,185	322,758	145,314	193,727	188,012	266,269	95,043	366,695	458,254
Intergovernmental	19,757,194	19,522,422	22,662,507	22,013,251	22,164,027	20,230,592	21,868,227	22,501,383	12,617,160	14,376,408
Reimbursements	196,262	375,161	138,393	449,094	335,350	472,548	675,165	1,577,236	4,130,660	1,529,769
Miscellaneous	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	1,831,264
Total Revenues	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	116,615,032
Expenditures										
General government	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	23,929,049
Public safety	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	41,512,350
Public works	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	20,494,795
Health	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	1,318,875
Social services	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	1,658,234
Culture and recreation	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	11,151,720
Tourism	818,561	771,534	885,555	1,051,345	967,620	1,007,438	1,263,707	1,566,103	2,739,874	2,748,422
Airport	132,237	126,740	201,889	377,900	110,908	134,849	194,405	134,062	134,866	128,179
Economic development	-	-	-	-	-	-	-	-	765,183	2,358,798
Capital outlay	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	12,900,993
Debt service:										
Principal retirement	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	9,072,028
Interest and fiscal charges	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	3,349,460
Total expenditures	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	130,622,903
Excess of revenues over [under] expenditures	[5,990,469]	[13,211,253]	[8,870,892]	[3,598,395]	[13,687,037]	[29,870,059]	[32,126,645]	[13,063,302]	[2,747,922]	[14,007,871]
Other financing sources [uses]										
Transfers in	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	4,842,454
Transfers out	[7,064,570]	[9,168,787]	[12,488,235]	[590,519]	[465,500]	[1,108,559]	[450,000]	[200,053]	[9,874,995]	[1,037,454]
Capital lease proceeds	-	-	-	-	-	-	-	-	244,260	1,064,200
Proceeds of general obligation bonds	11,890,000	3,250,000	11,895,000	3,895,000	11,190,000	4,405,000	41,455,000	9,450,000	-	35,034,000
Premiums on general obligation bonds	-	-	-	-	404,633	-	3,136,301	426,956	-	2,036,462
Total other financing sources [uses]	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	41,939,662
Net change in fund balances	\$ 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]	\$ 27,931,791
Debt service as a percentage of noncapital expenditures	15.2%	14.7%	21.4%	14.0%	18.6%	12.9%	13.0%	14.0%	13.6%	10.4%

* 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		
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
2017	944,118,547	8,261,037,286	13,968,253	61,226,480	27,374,301	27,374,301	985,461,101	8,349,638,067	11.8%	33.279

(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						State of Kansas	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Douglas County			School District				
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
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
2017	23.522	9.757	33.279	45.509	0.509	46.018	45.515	10.435	55.950	1.500	136.747

Source: Douglas County Budget Office

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2017

Taxpayer	Type of Business	2017 Assessed Valuation	Rank	Percent of Total Assessed Valuation	2008 Assessed Valuation	Rank	Percent of Total Assessed Valuation
Westar Energy	Electric Utility	\$ 19,277,704	1	2.04%	\$ 8,267,096	1	0.96%
Walmart	Retail Outlet	6,223,217	2	0.66%	3,458,670	7	0.40%
ARC PRLAWKS001 LLC	Real Estate Management	5,306,001	3	0.56%	-	-	-
Cherry Hill Properties LLC	Real Estate Management	4,465,541	4	0.47%	-	-	-
IREIT Lawrence Iowa Street LLC	Real Estate Management	4,352,076	5	0.46%	-	-	-
CH Realty VII/SH Lawrence Connection LLC	Real Estate Management	4,212,450	6	0.45%	-	-	-
Menard Inc	Retail Center	3,916,669	7	0.41%	-	-	-
Black Hills Corp	Gas Utility	3,771,209	8	0.40%	-	-	-
North Creek Investors	Retail Center	3,693,730	9	0.39%	-	-	-
HERE Lawrence Property Owner LLC	Real Estate Management	3,546,872	10	0.38%	-	-	-
Hallmark Cards	Card Manufacturer	-	-	-	4,838,035	4	0.56%
Southwestern Bell	Telephone Utility	-	-	-	5,956,279	2	0.69%
Inland Western Lawrence	Retail Center	-	-	-	3,910,210	6	0.45%
Celliance	Biotechnology	-	-	-	2,948,125	10	0.34%
Lawrence Paper Company	Paper Manufacturer	-	-	-	4,253,185	5	0.49%
Packerware Corp	Plastics Manufacturer	-	-	-	5,149,500	3	0.60%
World Company	Media	-	-	-	3,258,855	9	0.38%
Peoples Natural Gas	Gas Utility	-	-	-	3,282,584	8	0.38%
Total		\$ 58,765,469		6.57%	\$ 45,322,539		5.25%

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
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
2017	29,742,950	29,220,299	98.24	172,637	29,392,936	98.82	1,191,477	4.01

(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			
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
2017	101,598,559	-	1,236,083	185,527,794	16,381,828	-	-	304,744,264	6.47%	3,063

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

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

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
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
2017	99,496	985,461	117,980,387	11,266,535	106,713,852	10.83	1,073

(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, 2017

Jurisdiction	Bond Issues Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Lawrence	\$ 102,834,642	100%	\$ 102,834,642
Overlapping:			
Douglas County	19,395,000	74%	14,352,300
Unified School District No. 497	116,310,000	86%	100,579,574
	<u>135,705,000</u>		<u>114,931,874</u>
	<u>\$ 238,539,642</u>		<u>\$ 217,766,516</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 residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Sources: Douglas County Budget Office and USD 497 Finance Office

Table 13

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>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>	<u>2017</u>
Total Assessed Valuation of Taxable Property	\$ 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	\$ 1,022,983,962
Debt Limit Percent of Assessed Value	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Debt Limit	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	306,895,189
Total net debt applicable to limit (includes temporary notes)	<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>	<u>105,085,263</u>
Legal Debt Margin	<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>	<u>\$ 201,809,926</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	35.47%	34.74%	33.37%	33.57%	35.47%	43.99%	41.91%	37.83%	26.46%	34.24%

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
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
2017	43,619,415	22,538,928	21,080,487	6,445,000	6,635,356	13,080,356	1.61

Table 15

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)
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%
2017	99,496	4,710,732,000	39,400	26.70	11,970	3.1%

Data Sources:

- (1) City of Lawrence, Kansas Planning Department estimates
- (2) 2008-2017 data from U.S. Bureau of Economic Analysis
- (3) From U.S. Census Bureau 2010 census
- (4) Headcount enrollment for USD 497, Kansas Department of Education
- (5) Bureau of Labor Statistics

Table 16

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Employer	2017			2008		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
The University of Kansas	9,881	1	18.88%	9,396	1	15.47%
Lawrence Public Schools	1,800	2	3.44%	-	-	-
City of Lawrence	1,455	3	2.78%	1,710	2	2.82%
Lawrence Memorial Hospital	1,322	4	2.53%	1,250	4	2.06%
Berry Plastics	739	5	1.41%	1,200	5	1.98%
Hallmark Cards, Inc.	525	6	1.00%	814	6	1.34%
Amarr Garage Doors	461	7	0.88%	-	-	-
Douglas County	435	8	0.83%	588	8	0.97%
Boston Financial Data Services	394	9	0.75%	-	-	-
Olivia Collection	320	10	0.61%	-	-	-
Pearson	-	-	-	1,800	3	2.96%
The World Company	-	-	-	600	7	0.99%
K-Mart Distribution	-	-	-	452	9	0.74%
DCCA Center	-	-	-	425	10	0.70%
Total	<u>17,332</u>		<u>33.12%</u>	<u>18,235</u>		<u>30.03%</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>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>	<u>2017</u>
General Government	98.50	89.83	77.59	76.59	77.10	78.10	88.80	84.50	115.70	97.30
Public Safety	321.00	321.00	319.00	319.00	324.00	327.00	328.00	328.00	330.00	331.00
Public Works	173.75	172.75	172.75	165.75	166.75	167.75	170.50	170.50	187.00	186.00
Culture & Recreation	76.28	71.78	70.78	68.78	68.78	68.78	79.28	79.28	81.00	78.28
Health	1.00	1.00	1.00	1.00	-	-	1.00	1.00	1.00	1.00
Social Services	-	-	-	-	-	-	-	-	3.60	2.70
Water & Sewer	<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>	<u>143.13</u>
Total	<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>	<u>839.41</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>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>	<u>2017</u>
Fire Protection										
Number of Firefighters and Officers	139.5	134.5	139.5	139.5	141	141	141	131	143	143
Number of Fire Calls Answered	2,045	1,864	1,982	1,958	1,970	1,970	1,979	2,200	2,220	2,220
Number of Medical Calls Answered	7,592	7,539	7,763	7,743	8,211	8,734	9,001	9,438	9,514	9,438
Number of Medical Transports	4,789	4,587	4,726	4,808	5,139	7,686	5,320	5,775	5,851	6,207
Number of Inspections Conducted	7,260	6,662	4,643	3,537	5,522	3,728	4,326	6,392	7,241	7,332
Police Protection										
Number of Commissioned Police Officers	142	142	142	147	150	154	154	155	153	154
Number of Full Time Civilians	34	35	33	33	33	33	33	33	33	28
Number of Calls for Service	115,404	107,314	115,383	112,647	112,464	121,599	115,398	107,478	100,142	95,708
Arrests Processed through County Jail	2,775	3,191	4,563	3,409	3,847	4,661	3,668	3,219	2,976	3,324
Officer Issued Traffic Violations	35,543	34,681	39,699	13,277	13,150	4,657	15,631	12,811	10,970	11,614
Officer Issued Parking Violations	92,355	99,091	85,958	29,680	11,882	12,986	37,292	10,988	10,754	10,534
Sewerage System										
Number of Service Connections	31,596	31,728	31,741	31,854	32,075	32,239	32,345	32,395	32,395	32,791
Actual Daily Average of Treatment in Million Gallons Daily	11.5	10.5	10.5	8.7	8.8	8.9	9.0	10.1	9.9	10.3
Water System										
Number of Service Connections	32,241	32,376	32,389	32,504	32,730	32,897	33,005	33,220	33,256	33,547
Daily Average Consumption in Million Gallons	10.4	9.5	9.9	10.7	12.2	10.5	10.2	10.1	10.6	10.3
Maximum Daily Capacity of Plant in Million Gallons	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	41.0

Sources: Various City of Lawrence departments

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

	<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>	<u>2017</u>
Public Works										
Miles of Streets	319.6	319.6	321.3	323.2	323.2	333.6	339.2	356.9	362.9	365.23
Culture and Recreation										
Recreation Centers	5	5	5	4	4	4	7	7	7	7
Parks	52	52	52	54	54	54	56	56	56	56
Park Acreage	3,535	3,535	3,535	3,535	3,535	3,535	3,800	3,800	3,800	3,800
Tennis Courts	19	19	19	11	11	11	16	16	16	16
Fire Protection										
Number of Stations	5	5	5	5	5	5	5	5	5	5
Police Protection										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	35	35	36	30	30	30	32	38	40	40
Sewerage System										
Miles of Sanitary Sewers	425	426	430	433	433	434	443	452	454	457
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	2
Number of Lift Stations	31	33	34	34	34	33	31	31	31	32
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	440	444	452	455	475	499	516	520	523	556
Number of City owned Fire Hydrants	3,081	3,146	3,198	3,218	3,257	3,331	3,413	3,480	3,531	3,599
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	230,846	227,503	224,781	229,777	229,777	229,777	188,867	201,400	207,500	198,257
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	16	16	15	14	14	14	14	14	14	14
Number of Public Elementary School Instructors	480	490	487	429	439	457	467	459	445	435
Number of Public Secondary Schools	6	6	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	375	368	362	465	475	485	499	495	476	456
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	191	191	191	173	173	173	173	174	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 2018, as of May 18, 2018, are as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
VenturePark Spec Warehouse Shell Building, 2325 VenturePark Drive	\$6,500,000
Lawrence Humane Society, 1805 E 19 th Street	\$5,900,000
Fire Station #1 Addition and Remodel, 746 Kentucky Street	\$5,493,715
Southwest Middle School Renovations, 2511 Inverness Drive	\$3,614,241
Plastikon Addition, 3780 Greenway Circle	\$3,400,000
Aldi Demolition and Reconstruction, 3025 Iowa Street	\$2,500,000
Lawrence Memorial Hospital, HVAC upgrades, 325 Maine Street	\$2,482,081
Old Chicago Restaurant, 545 Wakarusa Drive	\$2,000,000
Santa Fe Station Preservation Project, 413 E 7 th Street	\$1,759,584
South Middle School Renovations, 2734 Louisiana Street	\$1,488,875
Dillon's Renovation, 1015 W 23 rd Street	\$1,370,362
Free State Dental, 4111 W 6 th Street	\$1,044,000

The largest permitted projects in 2017 were as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
Best Western Plus, 6101 Rock Chalk Drive	\$10,741,000
USD 497 Facilities and Maintenance Complex, 711 E 23 rd Street	\$4,968,407
Tru by Hilton, 510 Wakarusa Drive	\$4,000,000
Oread Storage Tanks and Booster Pump, 1220 Oread Avenue	\$3,591,000
Country Inn and Suites, 2176 E 23 rd Street	\$3,900,000
Connect Church, 3351 W 31 st Street	\$3,696,313
St. John the Evangelist Catholic Church Addition, 1208 Kentucky Street	\$3,000,000
Bioscience & Technology Business Center Renovation, 2029 Becker Drive	\$2,807,626
Don & Beverly Gardner Center for Great Futures, 2910 Haskell Avenue	\$2,800,000
RP Lawrence Building Addition and Improvements, 1217 Biltmore Drive	\$2,462,000
Alvamar Wellness, 1840 Birdie Way	\$2,233,645
API Foils Building Addition, 3841 Greenway Circle	\$2,200,000
Fields & Ivy Brewing Company, 706 E 23 rd Street	\$2,102,588
Corpus Christi Education Center addition, 6001 Bob Billings Parkway	\$2,000,000
Retail Building renovation, 3311 Iowa Street	\$1,800,000
Single-Family Dwelling, 1722 Lake Alvamar Drive	\$1,750,000
Pi Kappa Phi Fraternity, 1505 Sigma Nu Place	\$1,700,000
RP Lawrence LLC Building Addition, 1217 Biltmore Drive	\$1,489,800
Single-Family Dwelling, 129 N Wilderness Way	\$1,290,000
Single-Family Dwelling, 224 N Running Ridge Road	\$1,221,222
Single-Family Dwelling, 1743 Lake Alvamar Drive	\$1,200,000
Capitol Federal Addition and Renovation, 1025 Iowa Street	\$1,103,871
Multi-Family Dwelling, 1741 Kentucky Street	\$1,100,000
Kaw Water Treatment Plant Basin Repairs, 720 W 3 rd Street	\$1,081,000
New Retail Shell, 565 Wakarusa Drive	\$1,050,000
Hobby Lobby Tenant Renovation, 3311 Iowa Street	\$1,000,900
Indoor Aquatic Center Energy Improvements, 4706 Overland Drive	\$1,000,000
Single-Family Dwelling, 140 N Wilderness Way	\$1,000,000

Labor Force Data

	Annual Average				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Labor Force:					
City of Lawrence	50,774	51,712	52,222	52,444	52,326
Douglas County	63,574	64,754	65,273	65,556	65,199
State of Kansas	1,484,764	1,500,353	1,499,009	1,484,001	1,478,783
Unemployment Rate:					
City of Lawrence	4.8%	4.0%	3.7%	3.6%	3.1%
Douglas County	4.8	4.1	3.7	3.6	3.2
State of Kansas	5.3	4.5	4.2	4.2	3.6

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>	
2018 (to 4-30)	46	\$13,625,727	5	\$ 12,544,000	\$ 51,724,716
2017	172	47,944,746	16	39,056,790	165,923,864
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 for new single family residential and new commercial/industrial projects, the total value includes all other permits issued by the City (i.e. new multi-family, renovations/alterations, additions, heating, lighting, plumbing, 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>613</u>	
Total full-time employees	853	

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 33,547 customers, most of whom are located within the corporate limits of the City. Treated water service is also currently provided on a wholesale basis to six rural water districts (one of which is on an emergency need basis) and the City of Baldwin, Kansas. The water system is capable of drawing on both the Kansas River and the Clinton Reservoir for raw water.

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

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

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

The water utility service area is supplied from the Kaw Water Treatment Plant and the Clinton Water Treatment Plant. The Kaw Plant is a 16.0 million gallon per day (mgd) capacity water treatment plant located near the Kansas River at Third and Indiana Streets and has been in operation since 1917. The Clinton Plant is located near the Clinton Reservoir in the southwestern portion of the City and has been in operation since 1980. Subsequent expansions to the Clinton Plant in 2002, 2004, and 2009 have increased that Plant’s original 10.0 mgd capacity to 25.0 mgd. The distribution system includes over 556 miles of water mains and 3,599 fire hydrants. The daily average volume of water treated was 10.3 mgd in 2017. The highest recorded amount of finished water was 24.6 mgd on July 6, 2012. The City uses conventional water treatment technology including lime softening, coagulation, and filtration.

The Wastewater Utility

The wastewater utility provides exclusive service to virtually the same customers that are served by the water utility. The City's wastewater collection system includes over 457 miles of sewers and includes lines up to 54 inches in diameter. The Department maintains 32 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 2017 was approximately 9.4 mgd.

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

Capital Improvement Plan

The City's current 2018 capital improvement plan for the System includes approximately \$17.5 million of capital improvements through early 2019. The City financed approximately \$16.0 million of this through the issuance of additional Parity Bonds, and approximately \$1.5 million of this will be paid with operating revenues of the System. The planned improvements are primarily related to maintaining the existing water and wastewater system along with an upgrade to advanced metering infrastructure for the water meter reading 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 (2017):

<u>Customer Category</u>	<u>Water Usage (Thousand Gallons)</u>	<u>Amount</u>
Residential	1,690,929	\$ 11,022
Multifamily	362,423	1,802
Commercial	714,637	3,063
Industrial	390,578	1,706
Wholesale	<u>356,486</u>	<u>1,178</u>
Total	3,515,054	\$18,773

Historical Customers – Water

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

<u>Year</u>	<u>Average Number of Water Service Connections</u>				<u>Total</u>
	<u>Residential</u>	<u>Multifamily</u>	<u>Other</u>		
2017	30,477	677	2,393		33,547
2016	30,029	848	2,129		33,006
2015	29,988	798	2,366		33,152
2014	29,862	807	2,334		33,003
2013	30,028	781	2,088		32,897

<u>Year</u>	<u>Water Sales Volume (Thousand Gallons)</u>					<u>Total</u>
	<u>Residential</u>	<u>Multifamily</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	
2017	1,690,929	362,423	714,637	390,578	356,486	3,515,054
2016	1,731,312	346,903	690,292	344,365	349,162	3,462,036
2015	1,668,516	322,837	907,480	159,482	338,862	3,407,177
2014	1,727,411	322,304	614,996	159,250	821,537	3,645,498
2013	1,795,066	332,023	541,871	148,708	877,713	3,695,381

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 (MGD)</u>
2017	32,791	10.3
2016	32,395	10.5
2015	32,395	10.1
2014	33,003	9.0
2013	32,239	8.9

Largest Customers

The top ten water consumers during 2017 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 Lawrence - Governmental	383,416,400	9.72%	-	0.00%
University of Kansas	211,650,900	5.37%	919,806.34	4.89%
City of Baldwin	173,968,300	4.41%	574,092.42	3.05%
Garney Construction Co*	102,450,100	2.60%	-	0.00%
Rural Water District #5	60,465,100	1.53%	199,534.83	1.06%
Youth Sports Complex	58,347,900	1.48%	-	0.00%
Packer Plastics	44,073,400	1.12%	179,994.87	0.96%
Westar Energy	42,186,900	1.07%	199,465.38	1.06%
Rural Water District #1	38,538,400	0.98%	127,216.06	0.68%
Rural Water District #34	38,243,600	0.97%	126,200.25	0.67%

* *Garney Construction Co used water through hydrant meters for a City-run construction project, 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 2017, the City of Baldwin, Kansas, comprised approximately 3.05% of the total water revenues and 4.41% of the total water sales volume of the System. The City's agreement with the City of Baldwin terminates in 2052. During 2017, Rural Water District #5 comprised approximately 1.06% of the total water revenues and 1.53% 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 completed a rate study to evaluate charges related to the System in consultation with Raftelis Financial Consultants. Before the most recent rate study, the last rate study was performed by a third-party in 2004, and was annually updated by City staff. The governing body of the City approved rate increases for 2018, effective November 15, 2017 as 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, 2017, are shown below:

Customer Class	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
Residential	\$6.10/1,000 gal	\$6.71/1,000 gal
Multifamily	\$4.17/1,000 gal	\$5.95/1,000 gal
Commercial	\$5.03/1,000 gal	\$5.54/1,000 gal
Industrial	\$4.19/1,000 gal	\$4.61/1,000 gal
Irrigation	\$6.10/1,000 gal	\$6.71/1,000 gal

Monthly charges for water service to rural water districts and other municipalities are currently set at \$3.52/1,000 gallons effective as of November 15, 2017, or at such rates as contracted by the City.

Monthly water service charges per water meter, effective on and after November 15, 2017, are shown below:

Meter Size (Inches)	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
5/8	\$3.75	\$4.12
1	\$4.50	\$4.95
1 ½	\$5.15	\$5.70
2	\$7.15	\$7.90

Meter Size (Inches)	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
3	\$21.55	\$23.70
4	\$26.80	\$29.50
6	\$39.90	\$43.90
8	\$53.55	\$58.95
10	\$70.35	\$77.40
12	\$81.90	\$90.10
15	\$109.20	\$120.15

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-sewer water use.

Monthly volume charges for sewer service to wastewater customers, effective on and after November 15, 2017, are shown below:

Monthly Water Use	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
Volume Charge	\$6.86/1,000 gal	\$8.92/1,000 gal

Monthly sewer service charges per water meter, effective on and after November 15, 2017, are shown below:

Meter Size (Inches)	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
All Meter Sizes	\$12.75	\$14.00

Surcharges are applied if the biochemical oxygen demand (“BOD”) strength or total suspended solids (“TSS”) strength of wastewater exceeds certain levels. The surcharges, effective on and after January 1, 2018, are shown below:

Effective Date	Inside City Unit Charge for BOD in dollars per pound	Inside City Unit Charge for TSS in dollars per pound	Outside City Unit Charge for BOD in dollars per pound	Outside City Unit Charge for TSS in dollars per pound
January 1, 2018	ICBOD	ICTSS	OCBOD	OCTSS
	\$0.9194	\$0.5741	\$1.0113	\$0.6315

Historic Revenues and Expenses

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

	2013	2014	2015	2016	2017
Revenues:					
Water and Sewer Charges	\$ 32,026,001	\$ 33,960,797	\$ 35,342,902	\$ 39,023,143	\$ 42,686,814
Water Tap Extensions	-	-	-	-	-
Other Revenues	233,757	170,178	266,066	210,842	243,656
Total Operating Revenues	<u>\$ 32,259,758</u>	<u>\$ 34,130,975</u>	<u>\$ 35,608,968</u>	<u>\$ 39,233,985</u>	<u>\$ 42,930,470</u>
Expenses:					
Administrative	\$ 4,486,658	\$ 4,853,111	\$ 5,295,449	\$ 4,652,769	\$ 4,722,002
Operation & Maintenance	14,438,767	14,782,083	14,342,540	16,845,348	17,816,926
Depreciation & Amortization	6,269,342	6,444,168	6,665,565	7,096,578	7,554,469
Total Operating Expenses	<u>\$ 25,194,767</u>	<u>\$ 26,079,362</u>	<u>\$ 26,303,554</u>	<u>\$ 28,594,695</u>	<u>\$ 30,093,397</u>
Non-Operating Revenues (Expenses):					
Gain (Loss) on Sale	\$ 12,907	\$ 9,625	\$ 600	\$ 50,135	\$ 7,045
Interest Income	81,544	18,815	219,238	452,399	688,945
Interest Expense	(2,985,423)	(2,905,045)	(5,692,257)	(5,859,380)	(7,268,743)
Transfers	(3,084,896)	(3,215,017)	(3,084,896)	(3,084,896)	(3,084,000)
Reimbursements	608,004	216,330	416,156	263,610	573,898
Total Non-Operating	<u>\$ (5,367,864)</u>	<u>\$ (5,875,292)</u>	<u>\$ (8,141,159)</u>	<u>\$ (8,178,132)</u>	<u>\$ (9,082,855)</u>
Net income	\$ 1,697,127	\$ 2,176,321	\$ 1,164,255	\$ 2,461,158	\$ 3,754,218
Net Position January 1	140,746,761	142,443,888	144,620,209	139,322,828	141,783,986
Restatement	-	-	(6,461,636)	-	74,508
Net Position December 31	<u>\$142,443,888</u>	<u>\$ 144,620,209</u>	<u>\$ 139,322,828</u>	<u>\$ 141,783,986</u>	<u>\$ 145,612,712</u>

CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$ 917,620
Federal Transit Formula Grants	20.507	2,050,938
Passed Through Kansas Department of Transportation:		
Federal Highway Administration	20.219	62,767
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	313,279
Highway Safety Cluster:		
State and Community Highway Safety	20.600	37,004
National Priority Safety Programs	20.616	9,754
Total U.S. Department of Transportation		<u>3,391,362</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	1,055,660
Emergency Solutions Grants Program	14.231	158,114
HOME Investments Partnership Program	14.239	514,318
Fair Housing Initiatives Program	14.401	36,278
Passed Through Kansas Department of Commerce		
Community Development Block Grants	14.228	<u>116,732</u>
Total U.S. Department of Housing and Urban Development		<u>1,881,102</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	10,152
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>24,614</u>
Total U.S. Department of Justice		<u>34,766</u>
Total Expenditures of Federal Awards		<u>\$ 5,307,230</u>

CITY OF LAWRENCE, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

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, 2017.

5. Outstanding Loans

The City did not have any outstanding loans under federal grants at December 31, 2017.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

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? X Yes 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? X Yes 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

14.218
20.106

Community Development Block Grant
Airport Improvement Program

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, 2017

Section II - Financial Statement Findings

Current Year Finding

17-01 – Financial Reporting – Significant Deficiency

Criteria

Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles. Management is also responsible for ensuring that all transactions are properly authorized, captured, and reported in the financial statements.

Under professional standards, we have to assess the City's capability of preparing the financial statements including assessing the skills and competencies necessary to prevent or detect and correct a material misstatement. A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. Control deficiencies exist when the City does not have controls over preparation of the financial statements which would prevent or detect and correct a misstatement in the financial statements.

Condition/Cause

While performing our procedures, we determined that adjustments were required to the financial statements. These adjustments arose, in part, because of the following deficiencies in internal control over financial reporting and other circumstances. We consider these deficiencies, both individually and in the aggregate, to constitute significant deficiencies in internal control over financial reporting.

Reconciliations of accounts, including accounts, taxes and interest receivable, deferred revenue, compensated absences, long term debt payable, amortization of bond premiums and discounts, capital asset accounts, compensated absences, other post employment benefits payable, accounts payable and retainage payable, required under GAAP, were either not made timely or were not made completely and accurately in the original trial balance received from the City.

Effect

A number of adjustments were required to the financial statements that were not recorded in the original trial balance provided to us at the beginning of our audit or were not identified by the City's internal controls over financial reporting. A number of the required adjustments were identified as the auditor's began the initial review of the provided audit schedules. After this audit review and audit notification to the City, adjustments were made to correct the general ledger and provided audit schedules.

Recommendation

We suggest that management evaluate and revise internal controls over identifying and recording non-routine accounting transactions including enhancing interdepartmental communications. We also suggest that management review the processes, procedures, and controls used to prepare routine journal entries, reconciliations and accruals. Significant accounts should be reconciled on a timely and monthly basis. Additionally, we suggest that management evaluate the process used to complete the year end trial balance and revise policies procedures to ensure that all areas are reviewed and adjusted as part of this process. Lastly, we recommend that the City more thoroughly review and approve all adjustments made throughout the year.

Corrective Action Plan/Management's Response

Management has implemented procedural changes to ensure proper preparation of the year-end financial statements in order to ensure the accuracy of information when providing the trial balance to the auditors. In addition to better prepare for the annual audit, management will continue to provide proper supporting documentation and review internal controls.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
December 31, 2017

Prior Year Finding

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

17-02 CDBG, CFDA No. 14.218

Criteria

The City is required to file a SF-425, Federal Financial Report for the CDBG grant on a quarterly basis.

Condition

The City did not have controls in place to ensure the SF-425, Federal Financial Report was filed timely for the first three quarters of 2017.

Cause

The City did not have controls in place to ensure the SF-425, Federal Financial Report was filed timely.

Effect

The City was not in compliance with the reporting requirements of the grant.

Questioned Costs

\$-0-

Recommendation

We recommend that the City develop formal procedures to ensure the SF-425, Federal Financial Report is filed timely.

Corrective Action Plan/Management's Response

Management has implemented procedural changes to ensure proper quarterly reporting for the CDBG Grant. Management has and will continue to file the SF-425 form, the Federal Financial Report for the CDBG Grant, to U.S. Department of Housing and Urban Development in a timely manner.

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2018. 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, listed as Finding 17-01 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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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*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

June 13, 2018

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, 2017. 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, 2017.

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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 17-02, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Mike Houser: Company PA

Certified Public Accountants
Lawrence, Kansas

June 13, 2018