

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2018

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Our Mission Statement

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

Our Principles

We are committed to these basic principles:

*Integrity
Courtesy
Fairness
Honesty*

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

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

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

Our Vision

We will provide leadership in preparing for the future.

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

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City of Lawrence

FINANCE

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CITY MANAGER

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CITY COMMISSION

MAYOR
LISA LARSEN

COMMISSIONERS
JENNIFER ANANDA, JD, MSW
MATTHEW J. HERBERT
LESLIE SODEN
STUART BOLEY

July 22, 2019

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lawrence, Kansas (the City), for the fiscal year ended December 31, 2018.

The responsibility for accuracy, completeness, and fairness of the data presented, including all disclosures, rest with the City. We believe the report, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of the City, on a Government-wide and Fund basis. It is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

This report was prepared by the City's Finance Department staff in accordance with generally accepted accounting principles (GAAP), which are uniform standards and guidelines for financial accounting and reporting in the United States. This report is intended to provide sufficient information to permit the assessment of stewardship and accountability and to demonstrate legal compliance.

The City's financial statements have been audited by RSM US LLP (the Auditor) as required by K.S.A. 75-1122. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for fiscal year ended December 31, 2018 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 Auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP. The 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 was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report. The costs of an internal control should not exceed the benefits to be derived. The objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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 the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report from the Auditor.

In evaluating the City as a reporting entity, management has considered all potential component units. Determination of whether an entity is controlled by, or dependent on, the City is made on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, or the City's obligation to fund any deficit that may occur. As required by GAAP, the City has included the Lawrence Housing Authority, the Lawrence Memorial Hospital, and the Lawrence Public Library in its financial statements as discretely presented component units. The City has also included eXplore Lawrence as a blended component unit. For additional information on the City's component units, refer to Note 2 to the basic financial statements.

Profile of the City

Lawrence is the county seat of Douglas County and the sixth-largest city in Kansas. It is located in the northeastern sector of the state, astride Interstate 70, between the Kansas and Wakarusa Rivers. The City encompasses approximately 34.3 square miles and had an estimated population of 100,736 as of July 1, 2018. Lawrence was founded by the New England Emigrant Aid Company (NEEAC) in 1854, and was named for Amos Adams Lawrence, a Republican abolitionist originally from Massachusetts, who offered financial aid and support for the settlement. Lawrence is a college town and the home to both the University of Kansas and Haskell Indian Nations University.

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

The City provides a full range of services which include police and fire protection, construction and maintenance of infrastructure, community development and planning, and recreational and cultural activities. The City also operates water, wastewater, and storm water utilities. In addition, the City provides both residential and commercial solid waste removal services to its citizens.

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

Factors affecting financial conditions

Local Economy The City continues to grow with an average of almost 3 new residents every day over the past ten years. The recent addition of the Venture Park business park will provide space for new businesses and jobs. The economy is varied and diverse, producing a wide variety of products and services. Approximately 20% of the sales taxes generated in the City come from retail sales. About 13% comes from food and beverage stores, and about 12% comes from food service and drinking establishments. At the end of 2018, the City's unemployment rate was 2.8% compared to the 3.3% for the State of Kansas and the national rate of 3.9%.

Long-term financial planning The City prepares a five-year Capital Improvement Plan (CIP). The CIP includes estimated costs for constructing, upgrading, and replacing the City's physical infrastructures. The fiscal year 2019-2023 CIP includes project costs totaling \$276 million. Of the \$69 million of funding for 2019, 69% is projected to come from funding sources other than General Obligation debt (i.e. cash and designated revenues). In preparing the capital budget, needs are assessed, public improvements are prioritized, and costs are projected. The budget is reviewed annually as projects are reprioritized and the

financial condition of the City is evaluated. The City Commission has adopted a policy to maintain the unassigned fund balance in the General Fund at a level equal to 25% of expenditures. In addition to the General Fund, the City has been building fund balance in the Debt Service Fund as well as the Water/Waste Water Utility Fund for several years. This helps to keep the mill levy rate fairly consistent, and rates to customers fairly stable. In addition to the infrastructure projects, the City works very diligently to promote economic development by attracting companies to locate in Lawrence and housing projects to be developed. For additional information on the City's economic development activity, refer to Note 15 to the basic financial statements.

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

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

Priority initiatives The City Commission identified eight (8) priority initiatives. For more information, please visit our budget document located at <https://lawrenceks.org/budget/>.

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

The City Commission developed seven (7) Critical Success Factors. These are the elements that must go right for the community to be successful.

1. Effective governance and professional administration
2. Safe, healthy and welcoming neighborhoods
3. Innovative infrastructure and asset management
4. Commitment to core services
5. Sound fiscal stewardship

6. Collaborative solutions
7. Economic growth and security

Awards and acknowledgements

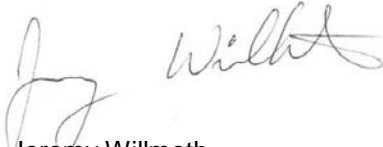
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 27 consecutive years. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the staff of the Finance Department. We want to express our appreciation to all members of the department that contributed to its preparation. Special thanks are extended to Jennifer Werth and Natalia Fairchild, for their primary role in preparation of this CAFR. We would also like to thank the City Commission and City Manager for the direction and support necessary to plan and conduct the financial operations of the City in a responsible, sound manner. Finally, we would like to extend the City's thanks to RSM for the cooperation and professional assistance provided during the audit of the City's 2018 financial records.

Respectfully submitted,



Jeremy Willmoth
Finance Director



Jennifer Werth
Senior Accountant

City of Lawrence, Kansas

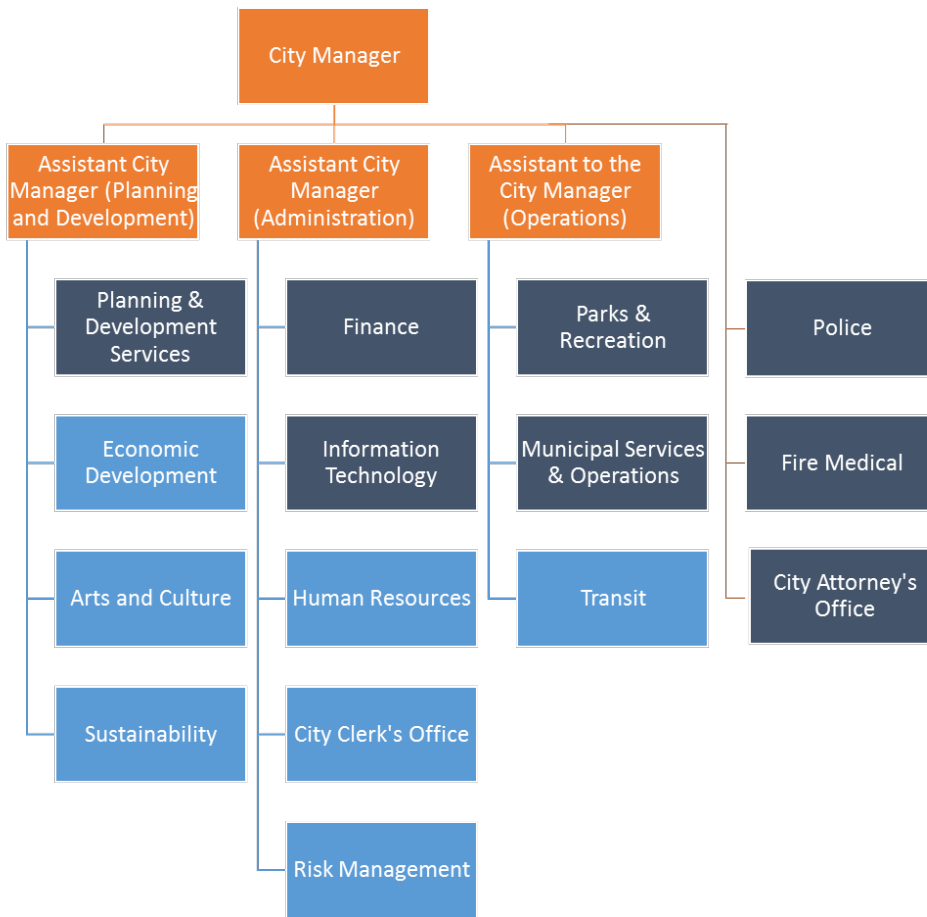
List of Principal Officials

December 31, 2018

Title	Name
Mayor	Stuart Boley
Vice Mayor	Lisa Larsen
Commission Member	Jennifer Ananda
Commission Member	Stuart Boley
Commission Member	Matthew Herbert
Commission Member	Leslie Soden
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
City Attorney	Toni Wheeler
Finance Director	Jeremy Willmoth
Fire Chief	Shaun Coffey (Interim)
Information Technology Director	James Wisdom
Municipal Services and Operations Director	Dave Wagner
Parks & Recreation Director	Derek Rogers
Planning and Development Services	Scott McCullough
Police Chief	Gregory Burns

City of Lawrence, Kansas

Organizational Chart December 31, 2018





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, 2017

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

RSM US LLP

To the Honorable Mayor and
Members of the City Council of the
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 (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrence-Douglas County Housing Authority (the Authority), the Lawrence Memorial Hospital (the Hospital), or the Lawrence Public Library (the Library), discretely presented component units of the City, which collectively represent all of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of eXplore Lawrence, which is a blended component unit and non-major governmental fund of the City. The financial statements of eXplore Lawrence comprise 0.53 percent of total assets and 0.24 percent of total revenues of the aggregate remaining fund information and represent 0.08 percent of total assets and 0.09 percent of total revenues of the governmental activities. 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 Authority, the Hospital, the Library and eXplore Lawrence, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports 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, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the 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

As explained in Notes 12 and 14 to the basic financial statements, the City adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which restated beginning net position of the governmental activities, business-type activities, the aggregate discretely presented component units, the water and sewer fund, the sanitation fund and aggregate remaining fund information, to record the total OPEB liability. Our opinions are not modified with respect to this matter.

Also as explained in Note 14 to the basic financial statements, the City restated beginning net position of the governmental activities to correct certain capital asset transactions from prior years. Beginning net position of the governmental activities and aggregate remaining fund information was also restated to correct certain revenue transactions from prior years. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the pension and postemployment information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors 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. The combining and individual nonmajor fund financial statements and budgetary comparison schedules, listed in the table of contents as supplementary information, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical section, as listed in the table of contents, 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.

RSM US LLP

Kansas City, Missouri
July 22, 2019

Management's Discussion and Analysis

As management of the City of Lawrence, Kansas (City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-iv of this report, the City's basic financial statements which begin on page 11, and the related notes to the basic financial statements which begin on page 25.

Financial Highlights

- The assets and deferred outflows of the City of Lawrence exceeded its liabilities and deferred inflows at the end of 2018 by \$419 million. This is our total net position. Of this amount, \$21.5 million is not specifically assigned for restricted purposes and may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$44.1 million. Increases to net position include: Cash in the Enterprise Funds increasing \$12.8 million; and value of capital assets increasing \$38.4 million. Decreases to net position include: unearned revenue increasing \$3.4 million; and our OPEB obligation increasing \$7.4 million.
- As of December 31, 2018, the City's governmental activities reported combined ending net position of \$234 million, an increase of \$33 million in comparison with the prior year. This was due to an increase in capital assets.
- As of December 31, 2018, the City's business-type activities funds reported combined ending net position of \$184 million, an increase of \$10.5 million in comparison with the prior year. This was due primarily to cash increasing \$12.8 million.
- At December 31, 2018, the fund balance for the general fund was \$25 million or 37% of expenditures.
- The City's total debt, including temporary notes increased by \$0.7 million to a total of \$289.3 million. The key factor in this increase was a \$14 million increase to revenue bonds, and a decrease of \$12.9 million to general obligation debt.
- The total Other Post Employment Benefits (OPEB) liability as of the close of December 31, 2018 is \$14.59 million.
- The net pension liability as of the close of December 31, 2018 is \$69.5 million.

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 City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused vacation leave).

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

The government-wide financial statements include not only the City (known as the primary government), but also the legally separate entities for which the City is financially accountable. The City has 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 government statements as a Special Revenue Fund.

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

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

The City of Lawrence maintains 45 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Debt Service Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 79-86 of this report.

Budgets were adopted by the governing body for 2018 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. The city uses enterprise funds to account for its water and sewer operations, solid waste operations, public parking, storm water, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds 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 fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, storm water, and solid waste operations. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of combining statements on pages 96-104 of this report.

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 to the basic financial statements begin on page 25. They 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$418 million at December 31, 2018. The City's net position increased by \$43 million. Governmental activities increased net position by \$33 million while business-type activities increased net position by \$10 million in 2018.

	Governmental Activities		Business-type Activities		TOTAL	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 142,752,997	\$ 143,330,834	\$ 108,982,234	\$ 93,304,700	\$ 251,735,231	\$ 236,635,534
Capital assets	303,067,848	271,915,016	312,150,813	304,833,711	615,218,661	576,748,727
Total assets	445,820,845	415,245,850	421,133,047	398,138,411	866,953,892	813,384,261
Deferred outflows of resources	11,664,642	13,314,362	1,831,774	2,230,767	13,496,416	15,545,129
Long-term liabilities	163,244,000	169,390,647	219,262,835	206,781,237	382,506,835	376,171,884
Other liabilities	25,096,611	20,767,676	18,067,282	19,486,166	43,163,893	40,253,842
Total liabilities	188,340,611	190,158,323	237,330,117	226,267,403	425,670,728	416,425,726
Deferred inflows of resources	34,590,944	37,034,584	1,097,930	575,322	35,688,874	37,609,906
Net position						
Invested in capital assets	203,909,143	174,116,398	163,615,909	109,887,927	367,525,052	284,004,325
Restricted	22,642,527	16,124,317	7,463,508	2,007,755	30,106,035	18,132,072
Unrestricted	8,002,262	11,126,590	13,457,357	61,630,771	21,459,619	72,757,361
Total net position	<u>\$ 234,553,932</u>	<u>\$ 201,367,305</u>	<u>\$ 184,536,774</u>	<u>\$ 173,526,453</u>	<u>\$ 419,090,706</u>	<u>\$ 374,893,758</u>

The largest portion of the City's net position (87.70%) reflects its investments in capital assets (e.g. land, buildings, infrastructure, machinery, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$30.1 million (7.18%), represents resources that are subject to external restrictions on how they may be used. Future debt service payments of \$18.1 million are restricted. This increased \$4.9 million over the prior year.

The remaining balance of the net position of \$21.5 million (\$8.0 million governmental activities and \$13.5 million business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Lawrence, Kansas						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 18,467,050	\$ 15,867,290	\$ 70,676,124	\$ 62,351,657	\$ 89,143,174	\$ 78,218,947
Operating grants and contributions	11,118,873	12,026,288	-	-	11,118,873	12,026,288
Capital grants and contributions	1,728,558	16,914,876	-	-	1,728,558	16,914,876
General revenues:						
Property taxes	37,134,285	33,414,884	-	-	37,134,285	33,414,884
Other taxes	47,994,021	46,594,971	-	-	47,994,021	46,594,971
Interest	1,069,632	493,557	1,077,026	802,034	2,146,658	1,295,591
Other	1,080,652	4,144,464	858,835	1,310,446	1,939,487	5,454,910
Total Revenues	<u>118,593,071</u>	<u>129,456,330</u>	<u>72,611,985</u>	<u>64,464,137</u>	<u>191,205,056</u>	<u>193,920,467</u>
Expenses:						
General government	23,127,516	23,993,685	-	-	23,127,516	23,993,685
Public safety	44,961,424	44,199,155	-	-	44,961,424	44,199,155
Public works	13,078,042	31,784,194	-	-	13,078,042	31,784,194
Community services	2,784,172	3,930,099	-	-	2,784,172	3,930,099
Culture and recreation	11,767,715	11,851,021	-	-	11,767,715	11,851,021
Economic development & tourism	3,396,667	5,118,029	-	-	3,396,667	5,118,029
Interest on long-term debt	3,399,543	3,440,221	-	-	3,399,543	3,440,221
Water and Sewer	-	-	39,047,713	37,356,134	39,047,713	37,356,134
Sanitation	-	-	11,332,783	11,448,107	11,332,783	11,448,107
Nonmajor business-type activities	-	-	5,037,999	4,772,580	5,037,999	4,772,580
Total expenses	<u>102,515,079</u>	<u>124,316,404</u>	<u>55,418,495</u>	<u>53,576,821</u>	<u>157,933,574</u>	<u>177,893,225</u>
Excess before transfers	<u>16,077,992</u>	<u>5,139,926</u>	<u>17,193,490</u>	<u>10,887,316</u>	<u>33,271,482</u>	<u>16,027,242</u>
Transfers	<u>3,685,635</u>	<u>3,801,983</u>	<u>(3,685,635)</u>	<u>(3,801,983)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>19,763,627</u>	<u>8,941,909</u>	<u>13,507,855</u>	<u>7,085,333</u>	<u>33,271,482</u>	<u>16,027,242</u>
Net position, beginning of year,						
as previously reported	201,367,305	188,038,829	173,526,456	166,366,610	374,893,761	354,405,439
Prior period adjustment	13,423,000	4,386,567	(2,497,537)	74,510	10,925,463	4,461,077
Net position, beginning of year, restated	<u>214,790,305</u>	<u>192,425,396</u>	<u>171,028,919</u>	<u>166,441,120</u>	<u>385,819,224</u>	<u>358,866,516</u>
Net position, end of year	<u>\$ 234,553,932</u>	<u>\$ 201,367,305</u>	<u>\$ 184,536,774</u>	<u>\$ 173,526,453</u>	<u>\$ 419,090,706</u>	<u>\$ 374,893,758</u>

Governmental activities

Governmental activities revenues decreased by \$10.86 million in 2018 (-8.39%). Property taxes increased \$3.7 million (11.13%) due to overall increased property valuations and sales tax increased \$1.16 million (2.95%) due to the smaller tax not being accrued previously. Capital grants and contributions decreased \$15.19 million (-89.78%) mostly due to 2017 special assessments for farmland/venture park presented in the 2017 statement of activities.

Governmental expenses decreased by \$21.80 million (17.54%). Culture and recreation expenses decreased \$83.3 thousand (.70%). Public Works decreased \$18.7 million (-58.85%) primarily due to capital projects being expensed in the governmental fund in FY 2017, but classified as capital assets in FY 2018.

Business-type activities

Business-type activities increased the City's net position by \$11 million (6.43%). A key element of the changes between 2017 and 2018 was due to cash increasing \$12.8 million.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the City. As of December 31, 2018, unassigned fund balance of the general fund was \$24.99 million, and the total fund balance was \$25.45 million which is 37.09% and 37.77% of the total general fund expenditures, respectively.

The fund balance of the City's general fund increased by \$2.07 million (8.86%) during 2018. The revenues increased by \$1.8 million (2.69%). Taxes increased by \$2.2 million (4.18%) and is the main reason for the increase. Expenditures increased by \$0.46 million (0.68%). Public Safety increased by \$2.5 million (6.18%) primarily due to moving emergency communications expense from general government to public safety.

The debt service fund has a total fund balance of \$10.8 million, all of which is restricted for debt service. The net decrease in fund balance during the current year was -\$434 thousand. The primary source of revenue for the debt service fund is property taxes currently at 9.31 mills.

Proprietary funds

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

Unrestricted net position of the Water and Sewer Fund at the end of 2018 was \$428 thousand. The unrestricted net position of the Sanitation Fund at the end of 2018 was \$7.3 million. The change in net position for the Water and Sewer Fund was \$9.7 million. The Sanitation Fund had an increase in net position of \$3.8 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund budgetary highlights

During the year, revenues were more than budgetary estimates by \$643 thousand. Licenses and permit fees was \$544 thousand (34.71%) more than budget. Taxes was \$426 thousand (-0.70%) less than budget. Total expenditures were less than budgetary estimates by \$4.7 million (6.07%).

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, 2018, totaled \$615.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and recreation facilities, storm sewers, roads, bridges, water and sewer lines. For additional information on the City's capital assets, refer to Note 6 to the basic financial statements.

	Governmental Activities		Business-type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,434,737	\$ 16,434,737	\$ 6,983,631	\$ 6,983,631	\$ 23,418,368	\$ 23,418,368
Buildings	111,623,410	100,118,187	89,138,753	88,874,763	200,762,163	188,992,950
Improvements	52,694,081	47,438,076	319,203,811	234,342,952	371,897,892	281,781,028
Equipment	47,422,447	43,566,502	24,401,176	21,837,384	71,823,623	65,403,886
Infrastructure	250,384,704	236,735,282	-	-	250,384,704	236,735,282
Construction in progress	17,862,986	8,165,831	18,981,598	88,649,462	36,844,584	96,815,293
Total capital assets	496,422,365	452,458,615	458,708,969	440,688,192	955,131,334	893,146,807
Less accumulated depreciation	193,354,517	180,543,599	146,558,156	135,854,481	339,912,673	316,398,080
Total capital assets (net)	\$ 303,067,848	\$ 271,915,016	\$ 312,150,813	\$ 304,833,711	\$ 615,218,661	\$ 576,748,727

Major additions to capital assets this year include:

- Wildlife fence at the City airport
- Improvements to Wakarusa Drive and Harvard Road
- Wakarusa Wastewater Treatment Plant
- Energy efficient building improvements

Long-term debt

As of December 31, 2018, the City had total bonded debt outstanding of \$283.4 million. Of this amount, \$101 million is comprised of debt backed by the full faith and credit of the City (general obligation debt). The remainder of the City's bonded debt represents bonds secured solely by revenue generated by specific revenue sources (revenue bonds). For additional information on the city's debt, refer to Note 5 to the basic financial statements.

	Governmental Activities		Business-type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
General obligation	\$ 89,610,000	\$ 99,057,483	\$ 11,800,000	\$ 15,251,517	\$ 101,410,000	\$ 114,309,000
Revenue	-	-	181,965,000	168,340,000	181,965,000	168,340,000
Total bonded debt	\$ 89,610,000	\$ 99,057,483	\$ 193,765,000	\$ 183,591,517	\$ 283,375,000	\$ 282,649,000

The City's total debt increased \$726 thousand (0.26%) during 2018. In governmental activities, \$9.4 million in general obligation bonds was retired. In business-type activities, \$3.5 million in general obligation bonds was retired. \$20.07 million in revenue bonds were issued to finance water and sewer improvements, and \$6.4 million in revenue bonds was retired.

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, 2018 the debt limitation for the City of Lawrence was \$311 million. The City's general obligation debt as of December 31, 2018 was \$101.4 million. This is only 30% 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>.

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, 2018

	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	\$ 86,467,260	\$ 31,410,215	\$ 117,877,475	\$ 55,541,457
Receivables (net of allowance for uncollectibles):				
Accounts	1,903,807	7,107,353	9,011,160	39,004,737
Taxes	38,498,398	-	38,498,398	-
Special assessments	14,726,099	-	14,726,099	-
Intergovernmental	2,383,066	-	2,383,066	-
Franchise fees	427,300	-	427,300	-
Loans	275,110	-	275,110	-
Accrued interest	559,615	557,417	1,117,032	-
Internal balances	(2,935,088)	2,935,088	-	-
Inventory	367,083	2,835,840	3,202,923	4,393,839
Due from other entities	-	-	-	2,505,593
Prepays	80,347	506,822	587,169	8,123,459
Other assets	-	-	-	840,401
Total current assets	142,752,997	45,352,735	188,105,732	110,409,486
Noncurrent assets:				
Restricted cash and investments	-	63,629,499	63,629,499	134,663,281
Capital assets, nondepreciable				
Land	16,434,737	6,983,631	23,418,368	13,641,043
Construction in progress	17,862,986	18,981,598	36,844,584	25,322,613
Capital assets, depreciable	462,124,642	432,743,740	894,868,382	276,287,827
Less: accumulated depreciation	(193,354,517)	(146,558,156)	(339,912,673)	(142,801,668)
Total noncurrent assets	303,067,848	375,780,312	678,848,160	307,113,096
Total assets	445,820,845	421,133,047	866,953,892	417,522,582
Deferred outflows of resources:				
Pension related amounts	11,664,642	1,831,774	13,496,416	627,885
OPEB related amounts	-	-	-	23,046
Total deferred outflows of resources	11,664,642	1,831,774	13,496,416	650,931
Total assets and deferred outflows of resources	457,485,487	422,964,821	880,450,308	418,173,513
Liabilities and deferred inflows of resources				
Liabilities:				
Current liabilities:				
Accounts payable	7,551,951	3,628,904	11,180,855	12,016,392
Accrued payroll	1,394,228	435,798	1,830,026	16,787,072
Interest payable	1,048,235	1,342,288	2,390,523	2,265,928
Meter deposits payable	-	1,196,649	1,196,649	-
Due to other entities	-	-	-	1,096,363
Unearned revenue	3,375,549	-	3,375,549	94,471
Other liabilities	-	-	-	1,024,534
Current portion of compensated absences payable	2,847,933	1,003,043	3,850,976	103,740
Current portion of revenue bonds payable	-	7,305,000	7,305,000	386,592
Current portion of general obligation bonds payable	8,726,400	3,155,600	11,882,000	-
Current portion of capital lease payable	152,315	-	152,315	-
Total current liabilities	25,096,611	18,067,282	43,163,893	33,775,092
Noncurrent liabilities:				
Compensated absences payable	3,541,143	1,058,831	4,599,974	257,465
Total OPEB liability	9,975,691	4,614,869	14,590,560	67,395
Net pension liability	57,632,046	11,885,332	69,517,378	3,287,308
Claims payable	1,815,130	-	1,815,130	-
Temporary notes payable	6,018,520	-	6,018,520	-
General obligation bonds payable	83,270,094	9,451,765	92,721,859	-
Revenue bonds payable	-	192,252,038	192,252,038	95,667,817
Capital lease payable	991,376	-	991,376	-
Total noncurrent liabilities	163,244,000	219,262,835	382,506,835	99,279,985
Total liabilities	188,340,611	237,330,117	425,670,728	133,055,077
Deferred inflows of resources:				
Property taxes	31,174,306	-	31,174,306	-
Pension related amounts	3,256,823	1,023,999	4,280,822	278,097
OPEB related amounts	159,815	73,931	233,746	19,857
Total deferred inflows of resources	34,590,944	1,097,930	35,688,874	297,954
Total liabilities and deferred inflows of resources	222,931,555	238,428,047	461,359,602	133,353,031
Net position				
Net investment in capital assets	203,909,143	163,615,909	367,525,052	147,121,137
Restricted for:				
Debt service	10,832,304	7,352,080	18,184,384	183,769
Improvements	11,591,271	111,428	11,702,699	3,992,216
Other purposes	218,952	-	218,952	15,066
Unrestricted	8,002,262	13,457,357	21,459,619	133,508,294
Total net position	\$ 234,553,932	\$ 184,536,774	\$ 419,090,706	\$ 284,820,482

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

City of Lawrence, Kansas

Statement of Activities
Year Ended December 31, 2018

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Total Governmental Activities	Total Business-type Activities	Total	
Governmental activities								
General government	\$ 23,127,516	\$ 5,932,189	\$ 3,913,515	\$ -	\$ (13,281,812)	\$ -	\$ (13,281,812)	\$ -
Public safety	44,961,424	7,382,054	65,111	781,742	(36,732,517)	-	(36,732,517)	-
Public works	13,078,042	1,291,769	2,941,401	860,229	(7,984,643)	-	(7,984,643)	-
Health	1,081,903	143,827	-	-	(938,076)	-	(938,076)	-
Social services	1,702,269	209,150	1,699,790	-	206,671	-	206,671	-
Culture and recreation	11,767,715	3,504,515	796,314	86,587	(7,380,299)	-	(7,380,299)	-
Tourism	1,675,004	3,546	1,702,742	-	31,284	-	31,284	-
Economic development	1,721,663	-	-	-	(1,721,663)	-	(1,721,663)	-
Interest on long-term debt	3,399,543	-	-	-	(3,399,543)	-	(3,399,543)	-
Total governmental activities	102,515,079	18,467,050	11,118,873	1,728,558	(71,200,598)	-	(71,200,598)	-
Business-type activities								
Water and sewer	39,047,713	50,217,334	-	-	-	11,169,621	11,169,621	-
Sanitation	11,332,783	14,618,244	-	-	-	3,285,461	3,285,461	-
Stormwater	2,423,210	3,564,261	-	-	-	1,141,051	1,141,051	-
Public parking	1,764,009	1,345,293	-	-	-	(418,716)	(418,716)	-
Golf course	850,780	930,992	-	-	-	80,212	80,212	-
Total business-type activities	55,418,495	70,676,124	-	-	-	15,257,629	15,257,629	-
Total primary government	157,933,574	89,143,174	11,118,873	1,728,558	(71,200,598)	15,257,629	(55,942,969)	-
Component units								
Lawrence-Douglas County Housing Authority	9,150,869	1,714,413	7,200,134	561,561	-	-	-	325,239
Lawrence Memorial Hospital	271,735,097	277,963,624	-	6,828,958	-	-	-	13,057,485
Lawrence Public Library	4,781,879	175,525	4,828,037	-	-	-	-	221,683
Total component units	285,667,845	279,853,562	12,028,171	7,390,519	-	-	-	13,604,407
General Revenues								
Property tax					37,134,285	-	37,134,285	-
Sales tax					40,528,022	-	40,528,022	-
Franchise tax					7,465,999	-	7,465,999	-
Unrestricted grants and contributions					796,314	-	796,314	-
Interest income					1,069,632	1,077,026	2,146,658	1,820,750
Miscellaneous					284,338	858,835	1,143,173	130,753
Transfers, net					3,685,635	(3,685,635)	-	-
Subtotal general revenues and transfers					90,964,225	(1,749,774)	89,214,451	1,951,503
Change in net position					19,763,627	13,507,855	33,271,482	15,555,910
Net position - beginning, as restated					214,790,305	171,028,919	385,819,224	269,264,572
Net position - ending					\$ 234,553,932	\$ 184,536,774	\$ 419,090,706	\$ 284,820,482

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

City of Lawrence, Kansas

**Balance Sheet
Governmental Funds
December 31, 2018**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 23,071,151	\$ 11,626,435	\$ 36,431,054	\$ 71,128,640
Receivables:				
Taxes	24,048,227	8,721,327	5,728,844	38,498,398
Special assessments	-	14,726,099	-	14,726,099
Intergovernmental	4,644	-	2,378,422	2,383,066
Accounts (net allowance for uncollectibles)	1,189,280	-	648,806	1,838,086
Franchise fees	427,300	-	-	427,300
Loans	-	-	275,110	275,110
Accrued interest	169,027	143,425	237,934	550,386
Due from other funds	746,221	-	-	746,221
Prepaid expenses	-	-	80,347	80,347
Restricted assets, cash	-	-	3,411,130	3,411,130
Total assets	<u>\$ 49,655,850</u>	<u>\$ 35,217,286</u>	<u>\$ 49,191,647</u>	<u>\$ 134,064,783</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 2,341,407	\$ 200	\$ 4,779,626	\$ 7,121,233
Accrued payroll	1,189,094	850	176,147	1,366,091
Due to other funds	-	-	679,574	679,574
Unearned revenue	2,004,586	936,506	434,457	3,375,549
Total liabilities	<u>5,535,087</u>	<u>937,556</u>	<u>6,069,804</u>	<u>12,542,447</u>
Deferred inflows of resources, unavailable revenue	<u>18,668,163</u>	<u>23,447,426</u>	<u>3,784,816</u>	<u>45,900,405</u>
Total liabilities and deferred inflows of resources	<u>24,203,250</u>	<u>24,384,982</u>	<u>9,854,620</u>	<u>58,442,852</u>
Fund balance:				
Nonspendable	-	-	80,347	80,347
Restricted	-	10,832,304	39,277,893	50,110,197
Assigned	456,504	-	-	456,504
Unassigned	24,996,096	-	(21,213)	24,974,883
Total fund balances	<u>25,452,600</u>	<u>10,832,304</u>	<u>39,337,027</u>	<u>75,621,931</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,655,850</u>	<u>\$ 35,217,286</u>	<u>\$ 49,191,647</u>	<u>\$ 134,064,783</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, 2018**

Total governmental fund balances		\$ 75,621,931
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	495,183,326	
Accumulated depreciation	<u>(192,358,021)</u>	302,825,305
Internal service funds are used by the City's management to charge the costs of various services to other funds. The assets and liabilities of certain internal service funds are included with governmental activities.		
		6,285,942
Pension and OPEB related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources - pension		11,563,557
Deferred inflows of resources - pension		(3,198,424)
Deferred inflows of resources - OPEB		(155,332)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		14,726,099
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	(6,246,680)	
Total OPEB liability	(9,695,821)	
Net pension liability	(56,965,705)	
General obligation bonds payable	(91,996,494)	
Temporary note	(6,018,520)	
Capital lease payable	(1,143,691)	
Accrued interest on the bonds	<u>(1,048,235)</u>	(173,115,146)
Net position of governmental activities		<u>\$ 234,553,932</u>

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

City of Lawrence, Kansas

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 55,780,448	\$ 10,569,118	\$ 18,778,740	\$ 85,128,306
Special assessments	-	889,070	-	889,070
Licenses and permits	2,065,644	-	-	2,065,644
Charges for services	7,747,170	-	3,756,890	11,504,060
Fines, forfeitures and penalties	2,173,673	-	63,959	2,237,632
Interest	349,971	235,752	448,367	1,034,090
Intergovernmental	894,921	-	13,040,882	13,935,803
Reimbursements	376,193	203,531	1,042,999	1,622,723
Miscellaneous	86,358	141,711	856,145	1,084,214
Total revenues	69,474,378	12,039,182	37,987,982	119,501,542
Expenditures:				
Current expenditures:				
General government	10,673,450	-	12,489,489	23,162,939
Public safety	43,018,728	-	1,109,182	44,127,910
Public works	7,040,398	-	4,871,615	11,912,013
Health	1,001,065	-	122,876	1,123,941
Social services	-	-	1,604,816	1,604,816
Culture and recreation	5,134,474	-	6,527,880	11,662,354
Tourism	-	-	1,674,768	1,674,768
Economic development	-	-	1,721,663	1,721,663
Capital outlay	516,472	-	15,549,041	16,065,513
Debt service:				
Principal retirement	-	9,314,557	225,318	9,539,875
Interest and fiscal charges	-	3,678,856	8,280	3,687,136
Total expenditures	67,384,587	12,993,413	45,904,928	126,282,928
Excess (deficiency) of revenues over expenditures	2,089,791	(954,231)	(7,916,946)	(6,781,386)
Other financing sources (uses):				
Transfers in	3,657,000	520,000	4,730,554	8,907,554
Transfers out	(3,674,000)	-	(1,544,554)	(5,218,554)
Total other financing sources (uses)	(17,000)	520,000	3,186,000	3,689,000
Net change in fund balance	2,072,791	(434,231)	(4,730,946)	(3,092,386)
Fund balance - beginning, as restated	23,379,809	11,266,535	44,067,973	78,714,317
Fund balance - ending	\$ 25,452,600	\$ 10,832,304	\$ 39,337,027	\$ 75,621,931

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

City of Lawrence, Kansas

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in
Fund Balance with the Government-Wide Statement of Activities
Year Ended December 31, 2018**

Total net change in fund balances - governmental funds	\$	(3,092,386)
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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	27,467,670		
Depreciation expense	<u>(12,831,423)</u>		14,636,247

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial
resource of governmental funds. Neither transaction has any effect on net position. Also,
governmental funds report the effect of premiums, discounts and similar items when debt
is first issued, whereas these amounts are deferred and amortized in the statement of
activities. This amount is the net effect of these differences in the treatment of long-term
debt and related items:

Change in accrued interest payable		123,751	
General obligation and temporary notes principal payments		9,447,483	
Capital lease principal payments		92,392	
Amortization of premiums		163,842	

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.

796,313

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

(1,708,608)

Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences		754,296	
Pension expense		(900,304)	
Change in claims and judgements payable		42,038	
OPEB expense		<u>(591,437)</u>	

Changes in net position of governmental activities

\$ 19,763,627

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

City of Lawrence, Kansas

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget
Revenues				
Taxes	\$ 58,581,000	\$ 58,581,000	\$ 58,155,437	\$ (425,563)
Licenses and permits	1,522,000	1,522,000	2,065,644	543,644
Charges for services	7,220,000	7,220,000	7,747,170	527,170
Fines, forfeitures, and penalties	2,050,000	2,050,000	2,173,673	123,673
Interest	192,000	192,000	349,971	157,971
Intergovernmental	1,329,000	1,329,000	894,921	(434,079)
Miscellaneous	312,000	312,000	462,551	150,551
Total revenues	71,206,000	71,206,000	71,849,367	643,367
Expenditures				
General government	11,456,000	11,456,000	10,653,139	(802,861)
Public safety	45,962,000	45,975,508	42,942,382	(3,033,126)
Public works	7,765,000	7,765,000	7,032,639	(732,361)
Culture and recreation	4,707,000	4,748,000	4,475,577	(272,423)
Health	1,000,000	1,000,000	1,001,066	1,066
Capital outlay	826,000	771,492	912,274	140,782
Total expenditures	71,716,000	71,716,000	67,017,077	(4,698,923)
Excess (deficiency) of revenues over (under) expenditures	(510,000)	(510,000)	4,832,290	5,342,290
Other financing sources (uses)				
Transfers in	3,657,000	3,657,000	3,657,000	-
Transfers out	(6,112,000)	(6,112,000)	(6,083,989)	28,011
Total other financing sources (uses)	(2,455,000)	(2,455,000)	(2,426,989)	28,011
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	\$ (2,965,000)	\$ (2,965,000)	2,405,301	\$ 5,370,301
Fund balance, beginning of year			23,379,809	
Fund balance, beginning of year, budget basis			25,785,110	
Adjustments, encumbrances			(332,510)	
Fund balance, end of year, GAAP basis			\$ 25,452,600	

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, 2018

	Business-Type Activities:				
	Enterprise Funds		Total Enterprise Funds		Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds		
Assets and deferred outflows of resources					
Current assets:					
Cash	\$ 6,657,487	\$ 11,506,896	\$ 4,744,183	\$ 22,908,566	\$ 11,927,490
Receivables (net of allowances for uncollectibles):					
Accounts	5,106,620	1,609,147	391,586	7,107,353	65,721
Accrued interest	467,536	61,955	27,926	557,417	127,128
Inventory	2,828,033	-	7,807	2,835,840	367,083
Prepays	506,822	-	-	506,822	-
Restricted cash:					
Customer deposits	1,175,391	21,258	-	1,196,649	-
Current portion of revenue bonds	7,305,000	-	-	7,305,000	-
Total current assets	24,046,889	13,199,256	5,171,502	42,417,647	12,487,422
Noncurrent assets,					
restricted cash and investments	63,629,499	-	-	63,629,499	-
Total restricted assets	63,629,499	-	-	63,629,499	-
Capital assets:					
Land	4,659,085	-	2,324,546	6,983,631	-
Building and improvements	383,693,653	3,286,243	21,362,668	408,342,564	762,567
Construction in progress	18,981,598	-	-	18,981,598	-
Equipment	8,823,971	11,011,327	4,565,878	24,401,176	476,472
Less: accumulated depreciation	(122,428,493)	(9,388,491)	(14,741,172)	(146,558,156)	(996,496)
Total capital assets	293,729,814	4,909,079	13,511,920	312,150,813	242,543
Total noncurrent assets	357,359,313	4,909,079	13,511,920	375,780,312	242,543
Total assets	381,406,202	18,108,335	18,683,422	418,197,959	12,729,965
Deferred outflows of resources,					
pension related amounts	1,058,411	500,280	273,083	1,831,774	101,085
Total deferred outflows of resources	1,058,411	500,280	273,083	1,831,774	101,085
Total assets and deferred outflows of resources	\$ 382,464,613	\$ 18,608,615	\$ 18,956,505	\$ 420,029,733	\$ 12,831,050
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	\$ 3,054,264	\$ 490,716	\$ 83,924	\$ 3,628,904	\$ 430,718
Interest payable	1,332,234	10,054	-	1,342,288	-
Claims payable	-	-	-	-	1,815,130
Accrued payroll	261,989	127,701	46,108	435,798	28,137
Compensated absences	605,470	271,406	126,167	1,003,043	66,549
Due to other funds	-	-	-	-	66,647
Current portion of general obligation bonds payable	3,115,000	40,600	-	3,155,600	-
Total unrestricted current liabilities	8,368,957	940,477	256,199	9,565,633	2,407,181
Current liabilities payable from restricted assets:					
Customer deposits	1,175,391	21,258	-	1,196,649	-
Current portion of revenue bonds	7,305,000	-	-	7,305,000	-
Total current liabilities payable from restricted assets	8,480,391	21,258	-	8,501,649	-
Total current liabilities	16,849,348	961,735	256,199	18,067,282	2,407,181
Noncurrent liabilities:					
Compensated absences	636,761	263,347	158,723	1,058,831	75,847
General obligation bonds payable	8,702,365	749,400	-	9,451,765	-
Revenue bonds payable	192,252,038	-	-	192,252,038	-
Net pension liability	6,976,926	3,297,807	1,610,599	11,885,332	666,341
Total OPEB liability	2,518,830	1,517,643	578,396	4,614,869	279,870
Total noncurrent liabilities	211,086,920	5,828,197	2,347,718	219,262,835	1,022,058
Total liabilities	227,936,268	6,789,932	2,603,917	237,330,117	3,429,239
Deferred inflows of resources:					
Pension related amounts	611,472	289,027	123,500	1,023,999	58,399
OPEB related amounts	40,352	24,314	9,265	73,931	4,483
Total deferred inflows of resources	651,824	313,341	132,765	1,097,930	62,882
Total liabilities and deferred inflows of resources	\$ 228,588,092	\$ 7,103,273	\$ 2,736,682	\$ 238,428,047	\$ 3,492,121
Net position					
Net investment in capital assets	\$ 145,984,910	\$ 4,119,079	\$ 13,511,920	\$ 163,615,909	\$ 242,543
Restricted for:					
Debt service	7,352,080	-	-	7,352,080	-
Capital outlay	111,428	-	-	111,428	-
Unrestricted	428,103	7,386,263	2,707,903	10,522,269	9,096,386
Total net position	\$ 153,876,521	\$ 11,505,342	\$ 16,219,823	\$ 181,601,686	\$ 9,338,929
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				2,935,088	
Net position of business-type activities				\$ 184,536,774	

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

City of Lawrence, Kansas

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2018**

	Business-Type Activities: Enterprise Funds				
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue					
Charges for services	\$ 49,878,618	\$ 14,618,244	\$ 5,790,062	\$ 70,286,924	\$ 16,970,688
Other sales	338,716	-	27,500	366,216	-
Total operating revenues	50,217,334	14,618,244	5,817,562	70,653,140	16,970,688
Operating expenses					
Continuing operations	70	10,059,089	4,083,061	14,142,220	5,269,764
Transmission and distribution	18,044,759	-	-	18,044,759	-
General administration	5,551,977	169,496	37,636	5,759,109	1,914,742
Health insurance claims	-	-	-	-	9,485,715
Depreciation	8,980,757	886,572	864,991	10,732,320	43,225
Total operating expense	32,577,563	11,115,157	4,985,688	48,678,408	16,713,446
Operating income	17,639,771	3,503,087	831,874	21,974,732	257,242
Nonoperating revenues (expenses)					
Interest income	902,225	117,666	49,022	1,068,913	161,095
Interest expense	(6,173,524)	(38,821)	(646)	(6,212,991)	-
Gain on sale of capital assets	54,504	-	-	54,504	5,029
Miscellaneous	406,556	271,437	97,013	775,006	27,537
Total nonoperating revenues (expenses)	(4,810,239)	350,282	145,389	(4,314,568)	193,661
Income before transfers	12,829,532	3,853,369	977,263	17,660,164	450,903
Transfers in	-	-	-	-	-
Transfers out	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(8,000)
Total transfers	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(8,000)
Change in net position	9,744,532	3,836,369	398,263	13,979,164	442,903
Net position, beginning, as restated	144,131,989	7,668,973	15,821,560	167,622,522	8,896,026
Net position, ending	<u>\$ 153,876,521</u>	<u>\$ 11,505,342</u>	<u>\$ 16,219,823</u>	181,601,686	<u>\$ 9,338,929</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(471,309)	
Change in net position of business-type activities				<u>\$ 13,507,855</u>	

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

City of Lawrence, Kansas

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities: Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	
Cash flows from operating activities:					
Cash received from customers and users	\$ 48,159,576	\$ 14,241,163	\$ 5,668,463	\$ 68,069,202	\$ 16,961,277
Cash paid to suppliers of goods and services	(16,991,667)	(5,980,165)	(2,191,730)	(25,163,562)	(14,944,711)
Cash paid to employees	(8,093,710)	(4,293,481)	(1,588,029)	(13,975,220)	(809,968)
Net cash provided by operating activities	23,074,199	3,967,517	1,888,704	28,930,420	1,206,598
Cash flows from capital and related financing activities:					
Purchase and construction of capital assets	(15,815,030)	(1,249,696)	(984,696)	(18,049,422)	-
Proceeds from sale of capital assets	54,504	-	-	54,504	5,029
Proceeds from other capital activities	406,556	271,437	97,013	775,006	18,455
Proceeds from issuance of debt	21,328,576	-	-	21,328,576	-
Principal payments on general obligation bonds	(2,985,000)	(445,000)	(21,517)	(3,451,517)	-
Principal payments on revenue bonds	(6,445,000)	-	-	(6,445,000)	-
Interest payments on debt	(7,242,925)	(43,150)	(933)	(7,287,008)	-
Net cash provided by (used in) capital and related financing activities	(10,698,319)	(1,466,409)	(910,133)	(13,074,861)	23,484
Cash flows from noncapital financing activities:					
Interfund loan	-	-	-	-	(16,333)
Transfers in	1,638,750	-	-	1,638,750	-
Transfers out	(4,723,750)	(17,000)	(579,000)	(5,319,750)	(8,000)
Net cash used in noncapital financing activities	(3,085,000)	(17,000)	(579,000)	(3,681,000)	(24,333)
Cash flows from investing activities:					
Interest received	549,255	92,179	39,942	681,376	84,758
Net cash provided by investing activities	549,255	92,179	39,942	681,376	84,758
Net increase in cash and cash equivalent	9,840,135	2,576,287	439,513	12,855,935	1,290,507
Cash and cash equivalents, beginning	68,927,242	8,951,867	4,304,670	82,183,779	10,636,983
Cash and cash equivalents, ending	\$ 78,767,377	\$ 11,528,154	\$ 4,744,183	\$ 95,039,714	\$ 11,927,490

(Continued)

City of Lawrence, Kansas

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities: Enterprise Funds				
	Water and Sewer	Sanitation	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 17,639,771	\$ 3,503,087	\$ 831,874	\$ 21,974,732	\$ 257,242
Net cash provided by operating activities:					
Depreciation expense	8,980,757	886,572	864,991	10,732,320	43,225
(Increase) decrease in accounts receivable	(2,074,854)	(375,472)	(149,099)	(2,599,425)	(9,603)
(Increase) decrease in inventory	(243,204)	-	(2,258)	(245,462)	(57,425)
(Increase) decrease in prepaids	(60,481)	-	-	(60,481)	-
(Increase) decrease in deferred outflows	189,218	175,976	33,799	398,993	28,521
Increase (decrease) in meter deposits payable	17,096	(1,609)	-	15,487	-
Increase (decrease) in accounts payable	(1,599,069)	275,577	30,703	(1,292,789)	212,894
Increase (decrease) in claims payable	-	-	-	-	767,747
Increase (decrease) in accrued payroll	66,487	21,306	11,565	99,358	9,225
Increase (decrease) in net pension liability	(381,202)	(707,908)	1,212	(1,087,898)	(96,494)
Increase (decrease) in total OPEB liability	113,292	68,261	26,014	207,567	12,588
Increase (decrease) in deferred inflows	324,787	133,855	63,966	522,608	29,108
Increase (decrease) in accrued compensated absences	101,601	(12,128)	175,937	265,410	9,570
Net cash provided by operating activities	\$ 23,074,199	\$ 3,967,517	\$ 1,888,704	\$ 28,930,420	\$ 1,206,598
Noncash capital activities-capital assets in accounts payable	\$ 1,871,883	\$ 112,145	\$ 27,741	\$ 2,011,769	\$ -
Cash consists of:					
Cash	\$ 6,657,487	\$ 11,506,896	\$ 4,744,183	\$ 22,908,566	\$ 11,927,490
Restricted cash - customer deposits	1,175,391	21,258	-	1,196,649	-
Restricted cash - revenue bonds	7,305,000	-	-	7,305,000	-
Restricted cash - noncurrent	63,629,499	-	-	63,629,499	-
	\$ 78,767,377	\$ 11,528,154	\$ 4,744,183	\$ 95,039,714	\$ 11,927,490

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

City of Lawrence, Kansas

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2018

	Agency Funds
Assets	
Cash	\$ 1,063,074
Total assets	<u>\$ 1,063,074</u>
Liabilities	
Accounts payable	\$ 1,063,074
Total liabilities	<u>\$ 1,063,074</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, 2018

	Lawrence-Douglas County Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Assets and deferred outflows of resources				
Current assets:				
Cash	\$ 6,526,785	\$ 47,643,493	\$ 1,371,179	\$ 55,541,457
Receivables (net of allowances for uncollectibles) accounts	39,530	38,965,207	-	39,004,737
Due from other entities	169,207	2,336,386	-	2,505,593
Inventory	84,145	4,309,694	-	4,393,839
Prepays	90,802	8,032,657	-	8,123,459
Other assets	-	840,401	-	840,401
Restricted cash	186,755	2,265,928	-	2,452,683
Total current assets	7,097,224	104,393,766	1,371,179	112,862,169
Noncurrent assets:				
Restricted cash and investments	-	132,210,598	-	132,210,598
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	12,512,364	-	13,641,043
Construction in progress	679,599	24,643,014	-	25,322,613
Capital assets, depreciable	26,400,513	244,752,056	5,135,258	276,287,827
Less: accumulated depreciation	(14,949,742)	(125,498,853)	(2,353,073)	(142,801,668)
Total capital assets	13,259,049	156,408,581	2,782,185	172,449,815
Total noncurrent assets	13,259,049	288,619,179	2,782,185	304,660,413
Total assets	20,356,273	393,012,945	4,153,364	417,522,582
Deferred outflows of resources:				
Pension related amounts	188,844	-	439,041	627,885
OPEB related amounts	10,264	-	12,782	23,046
Total deferred outflows of resources	199,108	-	451,823	650,931
Total assets and deferred outflows of resources	\$ 20,555,381	\$ 393,012,945	\$ 4,605,187	\$ 418,173,513
Liabilities and deferred inflows of resources				
Liabilities:				
Current liabilities				
Accounts payable	\$ 38,013	\$ 11,946,039	\$ 32,340	\$ 12,016,392
Interest payable	-	2,265,928	-	2,265,928
Accrued payroll and expenses	86,150	16,699,249	1,673	16,787,072
Due to other entities	96,265	1,000,098	-	1,096,363
Unearned revenue	94,471	-	-	94,471
Other liabilities	183,603	840,931	-	1,024,534
Current portion of compensated absences	10,344	-	93,396	103,740
Current portion of revenue bonds payable	-	386,592	-	386,592
Total current liabilities	508,846	33,138,837	127,409	33,775,092
Noncurrent liabilities:				
Compensated absences	93,098	-	164,367	257,465
Revenue bonds payable	-	95,667,817	-	95,667,817
Net pension liability	1,423,156	-	1,864,152	3,287,308
Total OPEB liability	26,659	-	40,736	67,395
Total noncurrent liabilities	1,542,913	95,667,817	2,069,255	99,279,985
Total liabilities	2,051,759	128,806,654	2,196,664	133,055,077
Deferred inflows of resources:				
Pension related amounts	209,559	-	68,538	278,097
OPEB related amounts	14,754	-	5,103	19,857
Total deferred inflows of resources	224,313	-	73,641	297,954
Total liabilities and deferred inflows of resources	\$ 2,276,072	\$ 128,806,654	\$ 2,270,305	\$ 133,353,031
Net position				
Net investment in capital assets	\$ 13,259,058	\$ 131,079,894	\$ 2,782,185	\$ 147,121,137
Restricted for:				
Debt service	-	183,769	-	183,769
Hospital - capital acquisition	-	3,992,216	-	3,992,216
Hospital - specific operating activities	-	15,066	-	15,066
Unrestricted	5,020,251	128,935,346	(447,303)	133,508,294
Total net position	\$ 18,279,309	\$ 264,206,291	\$ 2,334,882	\$ 284,820,482

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

City of Lawrence, Kansas

Statement of Activities
Discretely Presented Component Units
Year Ended December 31, 2018

					Net (Expenses) Revenue and Changes in Net Position											
					Lawrence-Douglas	Lawrence	Lawrence									
					County Housing	Memorial	Public									
					Authority	Hospital	Library	Total								
Expenses					Charges for	Operating	Capital									
					Services	Grants and	Grants and									
						Contributions	Contributions									
Component units																
Lawrence-Douglas County Housing Authority	\$	9,150,869	\$	1,714,413	\$	7,200,134	\$	561,561	\$	325,239	\$	-	\$	-	\$	325,239
Lawrence Memorial Hospital		271,735,097		277,963,624		-		6,828,958		-		13,057,485		-		13,057,485
Lawrence Public Library		4,781,879		175,525		4,828,037		-		-		-		221,683		221,683
Total component units	\$	285,667,845	\$	279,853,562	\$	12,028,171	\$	7,390,519		325,239		13,057,485		221,683		13,604,407
General Revenues																
Interest income																
24,028																
1,762,168																
34,554																
1,820,750																
Miscellaneous																
-																
122,131																
8,622																
130,753																
Subtotal general revenues and transfers																
24,028																
1,884,299																
43,176																
1,951,503																
Change in net position																
349,267																
14,941,784																
264,859																
15,555,910																
Net position - beginning, restated																
17,930,042																
249,264,507																
2,070,023																
269,264,572																
Net position - ending																
18,279,309																
264,206,291																
2,334,882																
284,820,482																

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the 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.

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 due and are expected to be liquidated with expendable available financial resources.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting. Agency funds are used by the City of Lawrence for payroll withholdings, court bonds 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. This is the City's primary operating fund.

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

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.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

A legal annual operating budget is not required for the Capital Projects Fund, Internal Service Funds and some of the Special Revenue Funds. The City prepares and adopts budgets for all funds except for internal service and agency funds, however, only those funds with a legally required budget have been included in this report.

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

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

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 2018:

Capital Improvement Reserve Fund	720 LLC NRA Fund
9 NH South TDD/TIF Fund	City Parks Memorial Fund
9 NH North TDD/TIF Fund	Housing Trust 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.

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pooled cash and investments: The City maintains a cash and investment pool that is available for use by all funds managed by the City, excluding the agency funds, whose cash is not included in the pool. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Receivables and payables:

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

Taxes receivable: Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivables are not available as a resource that can be used to finance the current year operations of the City and, therefore, are susceptible to accrual, but not recognized as revenue until the year for which they are levied. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2019. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

Special assessments receivable: Special assessments receivable reflects the property taxes collectable by the City for the purpose of repaying the Special Assessment debt held by the City. The amount collectable by the City is reduced each year as the taxes are levied against the property and, subsequently, collected by the City. Special assessments receivable is expressed net of allowances for doubtful accounts, based on foreclosed properties. At December 31, 2018, the City had \$14,726,099 in special assessments receivable in the Debt Service Fund. In the governmental funds, this receivable is reported as unavailable revenue, and recognized as revenue in the period the amounts become available.

Interfund activity: Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

The City has the following types of interfund activity:

Due to/from other funds—amounts provided with a requirement for repayment. Advances to other funds are reported as receivables in lender funds and payables in borrower funds, and are considered long-term in nature.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Capital assets: Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life of two or more years and an initial, individual cost of more than \$20,000 for property, plant and equipment, or \$50,000 for infrastructure assets. Such assets are stated at actual or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Depreciation of plant and equipment is provided on the straight-line basis over the estimated useful lives of the respective assets as follows:

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

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond premiums, discounts and issuance costs: In the government-wide and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expense in the year in which the costs were incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and any related premiums or discounts are reported as other financing sources/uses. Issuance costs are reported as a debt service expenditure in the year in which the costs were incurred.

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

Capitalization of interest: Prior to fiscal year 2018, interest costs associated with constructed assets in enterprise funds were capitalized as part of the cost of the asset.

As a result of the adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*, no interest costs were capitalized in the current year and none will be capitalized going forward.

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.

Unearned revenue: Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, revenue is recognized.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The deferred outflow related to pension consists of unrecognized items not yet charged to pension expense related to the net pension obligation, and contributions paid by the City after the measurement date but before the end of the City's reporting period. The deferred outflow related to OPEB consists of unamortized items not yet charged to OPEB expense.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues from two sources: property taxes and special assessments. In the City's government-wide statements, the property tax revenues remain as a deferred inflow of resources and will become an inflow in the year for which the taxes are levied. The City's government-wide and proprietary fund statements include unamortized portion of the difference between expected and actual experience, changes in assumptions and the change in proportion and differences between the City's contribution and proportionate share of contributions all related to the net pension liability. The City's government-wide statements and proprietary fund statements also include unamortized items not yet charged to OPEB expense. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that governmental fund.

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

	<u>Major Governmental Funds</u>		Other	Total
	General Fund	Debt Service Fund	Governmental Funds	Governmental Funds
Fund balances:				
Nonspendable for:				
Prepays	\$ -	\$ -	\$ 80,347	\$ 80,347
Restricted for:				
Capital outlay	-	-	7,661,193	7,661,193
Debt service	-	10,832,304	-	10,832,304
General government	-	-	16,476,409	16,476,409
Public safety	-	-	140,089	140,089
Public works	-	-	11,305,014	11,305,014
Social service	-	-	218,952	218,952
Culture and recreation	-	-	2,053,249	2,053,249
Tourism	-	-	940,026	940,026
Economic development	-	-	482,961	482,961
Assigned for:				
General government	170,646	-	-	170,646
Public safety	54,133	-	-	54,133
Public works	59,257	-	-	59,257
Culture and recreation	172,468	-	-	172,468
Unassigned	24,996,096	-	(21,213)	24,974,883
	<u>\$ 25,452,600</u>	<u>\$ 10,832,304</u>	<u>\$ 39,337,027</u>	<u>\$ 75,621,931</u>

Net position:

Net position classifications: In the government-wide and proprietary fund financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is classified into three components:

Net investment in capital assets—consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position—consisting of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities for which restricted and unrestricted net position is available. Net position restricted through enabling legislation consists of \$18,058,344 for debt service, \$11,492,266 for improvements and \$218,952 for other purposes.

Unrestricted net position—all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 2. Reporting Entity

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

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

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

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

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

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

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 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 Main Street
Lawrence, Kansas 66044

Lawrence Public Library
707 Vermont Street
Lawrence, Kansas 66044

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

Note 3. Deposits and Investments

At December 31, 2018, the City's carrying values of cash and investments are summarized as follows:

Cash and cash equivalents:

Deposits	\$ 25,746,922
Certificates of deposit	116,092,562
Petty cash	7,560
Total cash and cash equivalents	<u>141,847,044</u>

Investments:

Kansas Municipal investment pool	30,154
U.S. Treasury notes	5,442,867
U.S. Federal Agency issues	35,249,983
Total investments	<u>40,723,004</u>

Total cash and investments \$182,570,048

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

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

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the City, the following fair value techniques were utilized in measuring the fair value of its investments:

At December 31, 2018, the City held the following investments:

	Fair Value Measurement	Rating	Maturity	Fair Value Hierarchy Level
Investments by fair value level:				
Federal Agency issues:				
Federal Home Loan Bank (FHLB)	\$12,629,828	Moody's Aaa	01/16/2019 to 11/15/2019	2
Federal Home Loan Mortgage Corporation (FHLMC)	7,694,305	Moody's Aaa	03/27/2019 to 08/15/2019	2
Federal National Mortgage Association (FNMA)	14,925,850	Moody's Aaa	01/28/2019 to 10/24/2019	2
U.S. Treasury notes	5,442,867	Moody's Aaa	02/15/2019 to 05/31/2019	1
	<u>40,692,850</u>			
Investments measured by the net asset value (NAV)				
Kansas Municipal Investment Pool	30,154	N/A	Current	
	<u>\$40,723,004</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, 2018, the City had \$30,154 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 Association of Public Treasurers of the United States and Canada. The policy establishes performance standards, legal authority and procedures for the City's investments.

Interest rate risk: As a means of limiting exposure to fair value losses arising from rising interest rates, the City's investment policy limits its investment maturities to less than four years.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 3. Deposits and Investments (Continued)

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

Concentration of credit risk: The City of Lawrence's investment policy does not allow for more than 30% of the City's cash and investment portfolio to be invested in the certificates of deposit of any one institution. Certificates of deposits held in one institution represent 39% of the City's cash and investment portfolio and certificates of deposit held in another institution represent 32% of the City's cash and investment portfolio.

As of December 31, 2018, the City's investments include FNMA, FHLB and FHLMC, which represent 37%, 31% and 19%, respectively, of total investments.

Custodial credit risk-deposit: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. Under State statute, deposits and certificates of deposit (CD) must be 100% collateralized except during certain limited times when counties are distributing property taxes to underlying taxing jurisdictions. State law permits banks to pledge a wide variety of instruments as collateral, including letters of credit and tradable securities. The City has an FHLB letter of credit pledged as collateral for all deposits held at US Bank. When the City opens a CD with a bank, the bank is required to provide the collateral pledge and the City's investment advisor confirms the value of the collateral using a third-party pricing service and confirms that the collateral pledge is sufficient to cover the amount of the CD. The City's investment advisor also marks to market the collateral each Friday and the last day of the month for all CDs owned by the City. If the value of the collateral has dropped below the required amount, the City's investment advisor coordinates with the appropriate bank to have additional collateral pledged.

Custodial credit risk-investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction the City will not be able to recover the value of investment. The City's investments in government securities are registered in the name of the City and therefore not exposed to custodial credit risk.

Note 4. Tax Revenue

Tax revenue for the year ended December 31, 2018 is as follows:

	Primary Government			Total
	General Fund	Debt Service Fund	Other Governmental Funds	
Property taxes	\$ 19,146,800	\$ 9,764,420	\$ 5,106,053	\$ 34,017,273
Motor vehicle taxes	1,834,287	804,698	375,669	3,014,654
Payment in lieu of taxes	102,358	-	-	102,358
Utility franchise taxes	7,465,999	-	-	7,465,999
Sales tax	27,231,004	-	13,297,018	40,528,022
Total	\$ 55,780,448	\$ 10,569,118	\$ 18,778,740	\$ 85,128,306

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 4. Tax Revenue (Continued)

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2018 were as follows:

	Primary Government			Total
	General Fund	Debt Service Fund	Library Funds	
Levy	\$ 19.928	\$ 9.310	\$ 4.040	\$ 33.278

Note 5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

Type of Issue	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 99,057,483	\$ -	\$ 9,447,483	\$ 89,610,000	\$ 8,726,400
General obligation bonds premium	2,541,076	-	154,582	2,386,494	-
General obligation bonds, net	101,598,559	-	9,602,065	91,996,494	8,726,400
General obligation temporary note	6,000,000	-	-	6,000,000	-
General obligation temporary note premium	27,780	-	9,260	18,520	-
General obligation temporary note, net	6,027,780	-	9,260	6,018,520	-
Capital lease	1,236,083	-	92,392	1,143,691	152,315
Compensated absences	7,133,802	2,458,819	3,203,545	6,389,076	2,847,933
Net pension liability	60,084,361	-	2,452,315	57,632,046	-
Total OPEB liability	9,526,999	448,692	-	9,975,691	-
Total	\$ 185,607,584	\$ 2,907,511	\$ 15,359,577	\$ 173,155,518	\$ 11,726,648
Business-type activities:					
General obligation bonds	\$ 15,251,517	\$ -	\$ 3,451,517	\$ 11,800,000	\$ 3,155,600
General obligation premium	1,130,311	-	322,946	807,365	-
General obligation, net	16,381,828	-	3,774,463	12,607,365	3,155,600
Revenue bonds	168,340,000	20,070,000	6,445,000	181,965,000	7,305,000
Revenue bonds premium	17,187,794	1,258,576	854,332	17,592,038	-
Revenue bonds, net	185,527,794	21,328,576	7,299,332	199,557,038	7,305,000
Compensated absences	1,796,464	1,149,459	884,049	2,061,874	1,003,043
Net pension liability	12,973,230	-	1,087,898	11,885,332	-
Total OPEB liability	4,407,302	207,567	-	4,614,869	-
Total	\$ 221,086,618	\$ 22,685,602	\$ 13,045,742	\$ 230,726,478	\$ 11,463,643

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

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

The general obligation temporary note matures in 2020 and the City does not intend to pay it off early.

Kansas statutes limit the amount of general obligation debt a city may issue to 30% of total assessed valuation. On December 31, 2018 the debt limitation for the City of Lawrence was \$311 million. The City's general obligation debt and temporary notes as of December 31, 2018 was \$107.4 million. This is approximately 30% 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%. Semiannual 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%. Semiannual lease payments of \$62,954 are due each March and September.

The cost and the accumulated depreciation of property under capital lease obligations was \$622,501 and \$245,080 as of December 31, 2018, respectively.

Arbitrage: The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2018.

Debt payable, other than claims and judgments and compensated absences, at December 31, 2018 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2007	2019	4.0-4.25	\$ 11,345,000	\$ 1,150,000	\$ 1,150,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	2,590,000	1,270,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	915,000	295,000
Internal improvement	2010A	2034	4.25-5.7	2,975,000	2,525,000	120,000
Internal improvement	2010B	2022	1.25-3.0	8,920,000	3,210,000	775,000
Internal improvement *	2010C	2023	1.25-3.0	8,305,000	3,320,000	675,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	1,740,000	325,000
Internal improvement	2012A	2024	2.0-3.0	7,710,000	3,145,000	610,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	2,645,000	360,000
Internal improvement *	2014A	2024	2.0-5.0	25,065,000	21,395,000	1,015,000
Internal improvement	2014B	2024	3.0-4.0	18,440,000	15,710,000	740,000
Internal improvement	2015	2030	2.0-3.0	9,450,000	7,850,000	555,000
Internal improvement *	2016	2021	3.0-5.0	13,385,000	7,690,000	2,440,000
Internal improvement	2017A	2027	2.0-2.5	3,030,000	2,770,000	285,000
Green internal improvement	2017B	2039	1.0-3.375	11,375,000	10,605,000	495,000
Internal improvement	2017C	2027	.95-2.4	654,000	595,000	62,000
Internal improvement	2017D	2038	2.875-5.0	13,975,000	13,555,000	710,000
					101,410,000	11,882,000

* The Series 2014A bonds is split with 96% (\$20,605,000) reported in governmental activities and 4% (\$790,000) reported in business-type activities. The Series 2010C and Series 2016 bonds are reported 100% in the business-type activities.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
General obligation temporary note	2017	2020	1.75	6,000,000	6,000,000	-
Revenue bonds:						
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	6,170,000	810,000
Water and sewerage improvement	2015	2040	2.0-5.0	85,375,000	83,020,000	2,450,000
Water and sewerage improvement	2016	2036	2.625-5.0	58,810,000	56,240,000	2,705,000
Water and sewerage improvement	2017	2037	1.32-5.0	17,195,000	16,465,000	655,000
Water and sewerage improvement	2018	2038	3.5-4.0	20,070,000	20,070,000	685,000
					181,965,000	7,305,000
					<u>\$ 289,375,000</u>	<u>\$ 19,187,000</u>

In 2018, the City issued \$20,070,000 in improvement bonds, revenue bond series 2018, for paying the costs of certain water and sewerage system improvements. The Revenue Bonds, Series 2018 are due in annual installments of \$685,000 to \$1,440,000 through November 2038, with interest due in semiannual installments at an interest rate ranging between 3.50% and 5.00%.

The future annual requirements for general obligation bonds outstanding as of December 31, 2018, are as follows:

Year ending:	Governmental Activities		Business-Type Activities		Total Due
	Principal	Interest	Principal	Interest	
2019	\$ 8,726,400	\$ 3,092,198	\$ 3,155,600	\$ 504,830	\$ 15,479,028
2020	7,391,400	2,808,372	3,291,600	365,987	13,857,359
2021	6,261,600	2,572,104	3,437,400	219,905	12,491,009
2022	6,165,600	2,343,478	769,400	63,898	9,342,376
2023	5,549,400	2,110,090	571,600	39,928	8,271,018
2024-2028	24,403,400	7,754,568	261,600	92,558	32,512,126
2029-2033	20,607,200	3,832,595	272,800	44,345	24,756,940
2034-2038	9,630,000	908,189	40,000	-	10,578,189
2039	875,000	29,531	-	-	904,531
	<u>\$ 89,610,000</u>	<u>\$ 25,451,125</u>	<u>\$ 11,800,000</u>	<u>\$ 1,331,451</u>	<u>\$ 128,192,576</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

The future annual requirements for revenue bonds outstanding as of December 31, 2018, are as follows:

Year ending:	Principal Due	Interest Due	Total Due
2019	\$ 7,305,000	\$ 7,275,130	\$ 14,580,130
2020	7,560,000	7,016,338	14,576,338
2021	7,915,000	6,655,038	14,570,038
2022	7,835,000	6,276,388	14,111,388
2023	8,215,000	5,902,238	14,117,238
2024-2028	43,210,000	24,306,838	67,516,838
2029-2033	46,620,000	15,102,075	61,722,075
2034-2038	42,545,000	6,626,713	49,171,713
2039	10,760,000	649,800	11,409,800
	<u>\$181,965,000</u>	<u>\$ 79,810,558</u>	<u>\$261,775,558</u>

The Water and Sewage System Revenue Bonds require that one-sixth of the next interest payment due, one-twelfth of the next principal payment due, and one-sixth of the agent charges next due be set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 120% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000. The City is in compliance with these requirements. For the year ending December 31, 2018, the City did not set aside funds on a monthly basis, but instead has established an internal bond reserve account of \$7,352,080, which is considered sufficient to meet this bond covenant requirement.

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, 2018, total outstanding conduit debt was \$107,247,828.

Pledged revenues: The City has pledged future water and sewer operating revenues, net of specified operating expenses, to repay \$274,907,004 in water and sewer revenue and revenue refunding bonds. The bonds are payable solely from water and sewer net revenues and are payable through 2040. Annual principal and interest payments on the bonds have required an average of 63% of net revenues. The City's debt covenants require that 120% of the annual debt service payment be available in pledged revenues. Principal and interest paid for the current year and total net revenues for the current year were \$13,080,356 and \$20,737,820 respectively. This equates to a net revenue/debt ratio of 1.59 which meets the requirement. The City takes into consideration the 120% covenant requirement when establishing its utility rate model.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term 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.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable:					
Series 2012	\$ 8,275,000	\$ -	\$ 8,275,000	\$ -	\$ -
Series 2013	1,365,000	-	1,365,000	-	-
Series 2018	-	77,520,000	-	77,520,000	-
	9,640,000	77,520,000	9,640,000	77,520,000	-
Unamortized premiums	-	8,096,929	254,085	7,842,844	-
Note from direct borrowing	-	10,000,000	217,555	9,782,445	246,595
Capital lease obligations	-	958,338	49,218	909,120	139,997
Total long-term debt	\$ 9,640,000	\$ 96,575,267	\$ 10,160,858	\$ 96,054,409	\$ 386,592

The City has issued Series 2018 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

Debt Issue	Date Matured	Interest Rate	Original Amount	Balance at End of Year	Due in One Year
Series 2018	2048	3.50%–5.00%	\$ 77,520,000	\$ 77,520,000	\$ -

Note from direct borrowing: The Hospital's outstanding note from direct borrowing of \$9,782,445 is secured by, among other things, the Assignment, Mortgage and other Loan Documents (Security Instruments). This outstanding note contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if any payment of principal and interest or any other required payment is not received by the lender on or before five days after the date that such payment is due; and, (2) a provision that if the Hospital is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Debt service requirements on long-term debt other than capital lease obligations for the Hospital as of December 31, 2018, are as follows:

Year ending December 31,	Total to be Paid	Bonds		Direct Borrowings	
		Principal	Interest	Principal	Interest
2019	\$ 4,128,334	\$ -	\$ 4,128,334	\$ 246,595	\$ 386,809
2020	3,724,813	-	3,724,813	256,641	376,763
2021	5,019,813	1,295,000	3,724,813	267,097	366,307
2022	5,020,063	1,360,000	3,660,063	277,979	355,425
2023	5,022,063	1,430,000	3,592,063	289,305	344,100
2024-2028	25,104,315	8,290,000	16,814,315	1,633,226	1,533,795
2029-2033	25,104,065	10,580,000	14,524,065	1,994,164	1,172,857
2034-2038	25,104,615	13,185,000	11,919,615	2,434,867	732,154
2039-2043	25,692,500	16,900,000	8,792,500	2,382,571	203,831
2044-2048	28,271,500	24,480,000	3,791,500	-	-
	<u>\$ 152,192,081</u>	<u>\$ 77,520,000</u>	<u>\$ 74,672,081</u>	<u>\$ 9,782,445</u>	<u>\$ 5,472,041</u>

Capital lease obligations: The Hospital is obligated under leases for equipment that are accounted for as capital leases. The capital leases are secured by the related assets as collateral. Assets under capital leases at December 31, 2018 total \$908,521, net of accumulated depreciation of \$49,817. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 4% to 6.81% together with the present value of the future minimum lease payments as of December 31, 2018:

	Capital Lease Obligations
2019	\$ 174,953
2020	220,403
2021	242,376
2022	233,772
2023	132,393
	<u>1,003,897</u>
Less amount representing interest	(94,777)
Less current maturities	<u>(139,997)</u>
Noncurrent portion	<u>\$ 769,123</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2018 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	18,023,047	21,584,772	21,744,833	17,862,986
Total capital assets, not being depreciated	34,457,784	21,584,772	21,744,833	34,297,723
Capital assets being depreciated:				
Buildings	100,118,187	11,505,223	-	111,623,410
Improvements other than buildings	47,438,076	5,256,005	-	52,694,081
Machinery and equipment	43,566,502	4,056,467	200,522	47,422,447
Infrastructure	243,574,668	6,810,036	-	250,384,704
Total capital assets, being depreciated	434,697,433	27,627,731	200,522	462,124,642
Less accumulated depreciation for:				
Buildings	45,824,829	3,293,600	-	49,118,429
Improvements other than buildings	20,296,983	1,891,337	-	22,188,320
Machinery and equipment	30,546,184	3,121,484	200,522	33,467,146
Infrastructure	84,012,395	4,568,227	-	88,580,622
Total accumulated depreciation	180,680,391	12,874,648	200,522	193,354,517
Total capital assets being depreciated, net	254,017,042	14,753,083	-	268,770,125
Governmental activities capital assets, net	\$ 288,474,826	\$ 36,337,855	\$ 21,744,833	\$ 303,067,848
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,983,631	\$ -	\$ -	\$ 6,983,631
Construction in progress	88,649,462	13,468,854	83,136,718	18,981,598
Total capital assets, not being depreciated	95,633,093	13,468,854	83,136,718	25,965,229
Capital assets being depreciated:				
Buildings	88,874,763	263,990	-	89,138,753
Improvements other than buildings	234,342,952	84,860,859	-	319,203,811
Machinery and equipment	21,837,384	2,592,663	28,871	24,401,176
Total capital assets, being depreciated	345,055,099	87,717,512	28,871	432,743,740
Less accumulated depreciation for:				
Buildings	29,918,657	1,946,225	-	31,864,882
Improvements other than buildings	90,193,000	6,966,058	-	97,159,058
Machinery and equipment	15,742,824	1,820,037	28,645	17,534,216
Total accumulated depreciation	135,854,481	10,732,320	28,645	146,558,156
Total capital assets being depreciated, net	209,200,618	76,985,192	226	286,185,584
Business-type activities capital assets, net	\$ 304,833,711	\$ 90,454,046	\$ 83,136,944	\$ 312,150,813

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely presented component units:				
Capital assets, not being depreciated:				
Land	\$ 5,069,270	\$ 8,571,773	\$ -	\$ 13,641,043
Construction in progress	5,900,237	21,755,698	2,333,322	25,322,613
Total capital assets, not being depreciated	10,969,507	30,327,471	2,333,322	38,963,656
Capital assets being depreciated:				
Buildings	158,705,502	19,252,492	3,471,464	174,486,530
Improvements other than buildings	3,097,713	369,320	-	3,467,033
Collection	3,157,871	665,394	208,629	3,614,636
Machinery and equipment	105,200,973	6,299,113	16,780,458	94,719,628
Total capital assets, being depreciated	270,162,059	26,586,319	20,460,551	276,287,827
Less accumulated depreciation for:				
Buildings	66,770,351	4,098,365	3,421,222	67,447,494
Improvements other than buildings	2,345,434	155,897	-	2,501,331
Collection	1,049,635	380,588	144,301	1,285,922
Machinery and equipment	82,582,611	5,592,010	16,607,700	71,566,921
Total accumulated depreciation	152,748,031	10,226,860	20,173,223	142,801,668
Total capital assets being depreciated, net	117,414,028	16,359,459	287,328	133,486,159
Component unit capital assets, net	\$ 128,383,535	\$ 46,686,930	\$ 2,620,650	\$ 172,449,815

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

Governmental activities:	
General government	\$ 35,801
Public safety	625,745
Public works	10,637,389
Social services	934,422
Culture and recreation	593,269
Tourism	4,797
	<u>12,831,423</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	43,225
Total depreciation expense, governmental activities	<u>\$ 12,874,648</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 6. Capital Assets (Continued)

Business-type activities:	
Water and sewer	\$ 8,980,757
Sanitation	886,572
Parking	135,961
Stormwater	616,560
Golf course	112,470
Total depreciation expense, business-type activities	<u>\$ 10,732,320</u>
Component units:	
Lawrence-Douglas County Housing Authority	\$ 741,007
Lawrence Memorial Hospital	8,881,314
Lawrence Public Library	604,539
Total depreciation expense, component units	<u>\$ 10,226,860</u>

Note 7. Defined Benefit Pension Plan

Description of pension plan: The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), administered by the Kansas Public Employees Retirement System (KPERs), a body corporate and an instrumentality of the State of Kansas. KPERs provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

Public employees, which includes:

- State/School employees
- Local employees
- Police and 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 the Basic Financial Statements

Note 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 1.20% of total payroll for the fiscal year ended June 30, 2018.

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	8.39%	8.39%
Police and firemen	20.09%	20.09%

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

Member contribution rates as a percentage of eligible compensation for the fiscal year 2018 are 6.00% for Local employees and 7.15% for Police and Firemen.

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, 2018, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2018.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion for the Local employees group was 1.613%, which was a decrease of .109% from its proportion measured at June 30, 2017. At June 30, 2018, the City's proportion for the Police and Firemen group was 4.889%, which was a decrease of .241% from its proportion measured at June 30, 2017.

Net pension liability: At December 31, 2018, the City reported a liability of \$22,476,271 and \$47,041,107 for its total proportionate share of the net pension liability for the Local and Police and Firemen groups, respectively, for a total net pension liability of \$69,517,378 as of December 31, 2018.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018 as the measurement date, using the following actuarial assumptions:

Assumptions	Rate
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 Combined Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2013, through December 31, 2015.

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, 2018 are summarized in the following table:

Asset	Long-Term Allocation	Long-Term Expected Rate of Return
Global equity	47.00%	6.85%
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	2.00	(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 & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Local	\$ 32,964,731	\$ 22,476,271	\$ 13,612,576
Police and firemen	67,042,930	47,041,107	30,295,171
Total	<u>\$ 100,007,661</u>	<u>\$ 69,517,378</u>	<u>\$ 43,907,747</u>

Pension expense: For the year ended December 31, 2018, the City recognized Local pension expense of \$1,817,569 and Police and Firemen pension expense of \$6,236,646, 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.

Deferred outflows of resources and deferred inflows of resources: At December 31, 2018, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Local:		
Differences between actual and expected experience	\$ 81,148	\$ 636,876
Net differences between projected and actual earnings on investments	525,791	-
Changes in assumptions	973,318	108,237
Changes in proportion	621,603	1,224,753
Total	<u>2,201,860</u>	<u>1,969,866</u>
Police and Firemen:		
Differences between actual and expected experience	2,874,344	217,335
Net differences between projected and actual earnings on investments	1,224,248	-
Changes in assumptions	2,477,153	129,835
Changes in proportion	1,021,084	1,963,786
Total	<u>7,596,829</u>	<u>2,310,956</u>
City contributions subsequent to measurement date for both groups	3,697,727	-
Total	<u>\$ 13,496,416</u>	<u>\$ 4,280,822</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 7. Defined Benefit Pension Plan (Continued)

\$3,697,727 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, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Local Deferred (Inflows) Outflows Amount	Year ended December 31,	Police and Firemen Deferred (Inflows) Outflows Amount
2019	\$ 737,235	2019	\$ 2,950,479
2020	357,921	2020	1,860,459
2021	(530,945)	2021	217,930
2022	(260,571)	2022	271,367
2023	(71,646)	2023	(14,362)
	<u>\$ 231,994</u>		<u>\$ 5,285,873</u>

Deferred outflows and inflows of resources related to the difference between expected and actual plan experience, changes in proportionate share and changes in assumptions are being amortized over a closed period equal to the average of the expected service lives of all employees at the beginning of each measurement period. Deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments is being amortized over a closed five-year period.

Note 8. Interfund Transactions

Interfund receivables and payables: At December 31, 2018, the following funds had interfund receivables and payables to the following funds:

Due From	Amount Due to General Fund
Central maintenance fund	\$ 66,647
Home program fund	13,312
Outside agency fund	582,405
Community development fund	5,973
Transportation planning fund	77,884
	<u>\$ 746,221</u>

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 8. Interfund Transactions (Continued)

Interfund transfers: A summary of transfers for the year ended December 31, 2018 follows:

Fund	Transfers Out	Transfers In
General	\$ 3,674,000	\$ 3,657,000
Debt service	-	520,000
Nonmajor governmental	1,544,554	4,730,554
Water and sewer	3,085,000	-
Sanitation	17,000	-
Central maintenance	8,000	-
Nonmajor proprietary	579,000	-
	<u>\$ 8,907,554</u>	<u>\$ 8,907,554</u>

The City uses interfund transfers to share administrative costs between the enterprise and general funds. The water and sewer fund and the sanitation fund transferred \$3,085,000 and \$17,000, respectively, to the general fund in lieu of franchise fees for various utilities. The nonmajor governmental guest tax fund transferred \$1,060,000 tax revenue to the nonmajor governmental eXplore Lawrence fund. The general fund transferred approximately \$2.4 million to nonmajor governmental funds in support of recreational activities, \$375,000 to the Debt Service Fund and \$800,000 to the Housing Trust Fund. Beyond that, the City's policy is to transfer all fund balance in the general fund in excess of 25% to the capital improvement reserve and the equipment reserve annually.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 9. Commitments and Contingencies

Contract commitments: At December 31, 2018, the City had construction contract commitments totaling approximately \$13,260,466. The City expects to receive the contracted services during fiscal year 2019.

Description	Authorized	Expended	Remaining Authority
Construction of Training Tower	\$ 813,364	\$ 541,688	\$ 271,676
Access Layer Switch Replacements	19,320	-	19,320
Police Facility Phase 1	1,361,050	243,578	1,117,472
2018 MPO Transportation Planning	12,579	-	12,579
2018 Parks and Recreation Maintenance Projects	6,696	3,450	3,246
Community Building Improvements	40,762	-	40,762
2018 Lawrence Loop Trail	458	-	458
Downtown Master Plan	110,000	-	110,000
Riverfront Remodel PDS One Stop Shop & Municipal Court	344,162	115,906	228,256
9th, Delaware to Massachusetts Street Reconstruction (Conjunction w/ArtPlace)	2,220,586	969,031	1,251,555
Kasold Drive, BBP to 6th Street, Reconstruction and Geometric Improvements	5,215,579	4,245,041	970,537
Queens Road, 6th Street to N. City Limits	209,475	182,700	26,775
Safe Routes to School, Phase 2	317,392	310,768	6,625
Lawrence Municipal Airport, Wildlife Fence Install	94,800	90,100	4,700
Safe Routes to School 2018	65,415	60,498	4,917
19th and Iowa Underpass	2,757,819	-	2,757,819
23rd, Louisiana to Massachusetts Street, Geometric Improvements	2,119,786	564,083	1,555,703
Downtown Canopy Removal	460,185	-	460,185
COL & University of Kansas, Fiber Redundancy Project	120,000	119,694	307
City Hall Replacement of Carpet	21,985	20,160	1,825
2018 Sidewalk Gaps & ADA Ramps	46,635	30,725	15,910
2018 Bicycle Boulevards	119,595	8,341	111,254
6th and Tennessee Intersection, Geometric Improvements	39,600	35,648	3,952
Taste & Odor and Microtox Water Treatment Eval	562,076	547,586	14,490
Rapid Inflow/Infiltration Reduction	1,581,774	986,524	595,250
Oread Tank Replacement	4,513,790	4,002,168	511,623
Booster Pumping Improvements	142,225	125,251	16,974
19th Street Water/Sewer Relocations Total	78,162	73,385	4,777
Clinton WTP Sludge Building	22,828	-	22,828
Wastewater Flow Optimization	13,646	13,645	1
OSI Soft Analytics	4,650	2,025	2,625
CIS Replacement	1,859,131	900,185	958,946
Kasold WL Replacement (6th St-Bob Billings Pkwy)	629,862	570,153	59,709
Eagle Bend Golf Course Waterline Project	44,014	39,092	4,922
Manhole Rehab	569,370	160,934	408,436
2018 Manhole Replacement & Installation	41,045	37,190	3,856
20th Street & Kasold Drive Sewer Replacement	24,879	22,017	2,862
2018 Flow Monitoring	242,191	188,676	53,515
23rd & Massachusetts St Sewer Replacement	47,892	32,936	14,956
2018 CIPP	1,647,441	574,345	1,073,095
KRWWTWP Bar Screen Replacement	171,611	37,576	134,035
Advanced Metering Infrastructure	58,600	45,211	13,389
W. 9th Waterline Replacement (Arkansas-Emery)	77,509	27,763	49,746
Lawrence Ave Waterline Replacement (8t St - BBPW)	183,957	82,044	101,913
Louisiana St WL Replace (19th-20th; 21st-23rd Strs)	86,393	32,469	53,924
14th St WL Replacement (Mass-Delaware Streets)	99,616	56,991	42,625
Naismith Valley Interceptor & PS8 Abandonment	118,425	94,777	23,648
2018 Vehicle Replacement	116,488	-	116,488
	<u>\$ 29,454,818</u>	<u>\$ 16,194,354</u>	<u>\$ 13,260,466</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 9. Commitments and Contingencies (Continued)

Encumbrance: The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as assigned or restricted fund balance. As of December 31, 2018, the City had a total of \$590,657 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	Assigned	Restricted	Total
General Fund	\$ 332,510	\$ -	\$ 332,510
Nonmajor governmental funds	-	258,147	258,147
	<u>\$ 332,510</u>	<u>\$ 258,147</u>	<u>\$ 590,657</u>

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,288,975 at December 31, 2018 in the general liability and worker's comp liability funds. The primary government's claims liability reported in the Statement of Net Position at December 31, 2018 was \$495,886, for general and worker's comp liabilities. The liability reported in the financial statements at December 31, 2018 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.

	2018	2017
Unpaid claims, January 1	\$ 993,328	\$ 412,134
Incurred claims (including IBNRs)	8,179,634	9,983,064
Claim payments	7,853,718	9,401,870
Unpaid claims, December 31	<u>\$ 1,319,244</u>	<u>\$ 993,328</u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 10. Cost Sharing Arrangements

In 1994, the City and the County agreed to combine their emergency communications services with the costs of the combined operations to be shared as follows: City 66% and County 34%. This agreement was modified in 1997 following the combination of the County emergency medical services and the City fire department in 1996 discussed below. This agreement was last modified in 2002.

In 1996, the County emergency medical services and the City fire department were combined with the City paying 73.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance services and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment, and furniture were transferred to the ownership of the City. This agreement was later modified in 1997, 1998 and 2005. The City received \$6.4 million from the County for this agreement for the year ending December 31, 2018.

The City and County participate in other cost sharing agreements as well, these have not been described as management does not consider them significant to the financial statements.

Note 11. Net Position

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

	Governmental Activities	Business-type Activities	Total
Total net capital assets	\$303,067,848	\$312,150,813	\$615,218,661
Less:			
Current portion of general obligation bonds	(8,726,400)	(3,155,600)	(11,882,000)
Current portion of revenue bonds	-	(7,305,000)	(7,305,000)
Current portion of capital lease payable	(152,315)	-	(152,315)
Noncurrent portion of temporary notes payable	(6,018,520)	-	(6,018,520)
Noncurrent portion of general obligation bonds	(83,270,094)	(9,451,765)	(92,721,859)
Noncurrent portion of revenue bonds	-	(192,252,038)	(192,252,038)
Noncurrent portion of capital lease payable	(991,376)	-	(991,376)
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	-	63,629,499	63,629,499
Net investment in capital assets	\$203,909,143	\$163,615,909	\$367,525,052

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans

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

As a result of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the beginning net position of the governmental activities, business-type activities, water and sewer fund, sanitation fund and aggregate remaining fund information was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is disclosed in Note 14.

Below is a summary of amounts reported by the City:

	City Plan	KPERS Plan	Total
Total OPEB liability	\$ 12,822,450	\$ 1,768,110	\$ 14,590,560
Deferred inflows of resources	133,996	99,750	233,746
OPEB expense	1,098,624	161,628	1,260,252

Lawrence Other Postemployment Benefit Plan

Plan description: The City operates a single employer defined benefit healthcare plan administered by the City. The Employee Benefit Plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group healthcare plan to make participation available to all retirees and dependents until the retirees reaches the age of 65 years. The Health Insurance Fund has been used to liquidate net other postemployment benefit obligations in prior years through charges to other funds. No separate financial report is issued for the Plan. OPEB expenses are paid from the Health Insurance internal services fund.

Benefits provided: The City offers for a continuation of medical, prescription drug, vision and dental insurance benefits to retired employees that have not reached the age of sixty-five.

The City requires the retiree to pay 80% of group plan premium when Single or Family coverage is elected. Otherwise the retiree is required to 100% of the premium. Retirees and spouses have the same benefits as active employees. However, all retiree coverage terminates at the time the retiree became eligible for Medicare or if premium payment is not received on a timely basis. When the retiree attains Medicare eligibility age, it may be a COBRA qualifying event for the spouse.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Contributions: The city does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Retirees who elect to continue coverage in the medical and dental plans offered through Aetna are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the premium each year, the City's share of any premium costs is determined on the basis of a blended rate or implicit rate subsidy calculation. The benefits and benefit levels are governed by City policy. Other postemployment liabilities attributable to governmental activities are generally liquidated by the General fund. The city made contributions of \$236,456 during the current year.

The amount of the monthly premium equivalent is determined actuarially on an annual basis. The city may contribute toward the premium equivalent for retired former employees and their dependents. However, the majority of the premium equivalent shall be paid by the retiree and based on a recommendation by the HealthCare Committee and approved by the City Commission.

Currently the City contributes 20% of the premium for individual and family covered. The retiree + Spouse and retiree + child coverage levels are not subsidized.

Employees covered by benefit terms: At December 31, 2018, the following employees were covered by the benefit terms:

Active employees:

KPERS 1	255
KPERS 2	120
KPERS 3	109
Police and fire	290
Total active employees	<u>774</u>

Inactives:

Retirees/disabled—subscribers	62
Spouses of retirees/disabled	16
Total inactive covered members	<u>78</u>
Total	<u>852</u>

Total OPEB liability: The City's total OPEB liability of \$12,822,450 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018. Standard update procedures were used to rollforward the total OPEB liability to December 31, 2018.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Actuarial methods and assumptions: The total OPEB liability in the January 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Salary increases	2.50% general and 5.50% police and fire
Inflation rate	2.75%
Discount rate	3.68% measurement date 3.24% year preceding measurement date
Health care cost trend rates	7.0% decreasing to 4.5%
Dental cost trend rate	3.50%
Healthy mortality rates	Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2018 Full Generational Improvement
Disabled mortality rates	Society of Actuaries RPH-2014 adjusted to 2006 Disabled Retiree Headcount-weighted Mortality with MP-2018 Full Generational Improvement

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

The financial information is based upon a GASB 75 actuarial valuation performed as of January 1, 2018 using the participant census as of that date. The results of the January 1, 2018 valuation were projected to the end of the year measurement date using standard actuarial techniques.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2017	<u>\$ 12,094,278</u>
Changes for the year:	
Service cost	701,279
Interest	410,745
Changes in benefit terms	-
Changes in assumptions	(147,396)
Benefit payments	<u>(236,456)</u>
Net changes	728,172
Balance as of December 31, 2018	<u><u>\$ 12,822,450</u></u>

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Changes in assumptions: The discount rate was changed from 3.24% at the beginning of the year to 3.68% at the end of the year. The mortality improvement scale was changed from MP-2017 at the beginning of the year to MP-2018 at the end of the year. The retiree contribution premiums, admin fees and stop-loss premiums were updated. This resulted in a reduction of costs by \$147,396.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.68%) or 1-percentage-point higher (4.68%) than the current discount rate:

	1% Decrease 2.68%	Discount Rate 3.68%	1% Increase 4.68%
Total OPEB liability	\$ 13,889,442	\$ 12,822,450	\$ 11,839,725

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0% decreasing to 3.5%) or 1-percentage-point higher (8.0% decreasing to 5.5%) than the current healthcare cost trend rates:

	(6.0% Decreasing to 3.5%)	Health Care Cost Trend Rates (7.0% Decreasing to 4.5%)	(8.0% Decreasing to 5.5%)
Total OPEB liability	\$ 11,435,405	\$ 12,822,450	\$ 14,457,901

OPEB expense and deferred inflows of resources related to OPEB: For the year ended December 31, 2018, the City recognized OPEB expense of \$1,098,624. At December 31, 2018, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Inflow of Resources
Changes of assumptions or other inputs	\$ 133,996

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:

2019	\$ (13,400)
2020	(13,400)
2021	(13,400)
2022	(13,400)
2023	(13,400)
Thereafter	(66,996)
	<u>\$ (133,996)</u>

KPERS Other Postemployment Benefit Plan

Plan description: The City participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis. For GASB Statement No. 75 purposes, the City is considered to be participating in a single employer long-term disability plan.

Benefits: Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60% of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees: The City has the following employees covered by the Plan as of June 30, 2018:

Active members	499
Disabled members	10
	<u>509</u>

Total OPEB liability: The City's total OPEB liability of \$1,768,110 was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018 as the measurement date, using the following actuarial assumptions:

Salary increases	3.50%
Inflation rate	2.75%
Discount rate	3.87% measurement date
	3.58% year preceding measurement date

Mortality rates used for the death benefits were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using Scale AA. Mortality rates used for the disability benefits were based on the RP-2000 Disabled Life Table with generational mortality improvement using Scale AA.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

Changes in total OPEB liability

	Total OPEB Liability
Balance as of December 31, 2017	\$ 1,840,023
Changes for the year:	
Service cost	107,683
Interest	66,254
Effect of economic/demographic gains	(23,557)
Changes in assumptions	(26,501)
Benefit payments	(195,792)
Net changes	(71,913)
Balance as of December 31, 2018	\$ 1,768,110

Changes in assumptions: The discount rate was changed from 3.58% at the beginning of the year to 3.87% at the end of the year.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents The City's total OPEB liability calculated using the discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB liability	\$ 1,859,977	\$ 1,768,110	\$ 1,680,260

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The health care cost trend rates do not affect liabilities related to the long-term disability benefits sponsored by KPERS.

OPEB expense: For the year ended December 31, 2018, The City recognized OPEB expense of \$161,628, which includes the changes in the total OPEB liability, and the amortization of deferred inflows of resources for the current period.

Deferred inflows of resources: At December 31, 2018, The City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual	\$ 21,126
Changes of assumptions or other inputs	78,624
	\$ 99,750

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 12. Postemployment Health Care Plans (Continued)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:

2019	\$ (12,309)
2020	(12,309)
2021	(12,309)
2022	(12,309)
2023	(12,309)
Thereafter	(38,205)
	<u>\$ (99,750)</u>

Note 13. Pollution Remediation

On September 29, 2010, the City of Lawrence obtained the former Farmland site out of bankruptcy. The site includes 463.5 acres located in Northeast Lawrence adjacent to Kansas Highway 10. Of this acreage, 263 acres will require minimal action. Farmland used the location to produce nitrogen fertilizer from 1954 to 2001 and the groundwater, soil, sediments and surface and storm waters contain nitrate and ammonia levels that exceed current drinking water regulations. The City entered into a consent order with the Kansas Department of Health and Environment (KDHE) to remediate the pollution and received \$8.5 million from the Farmland Trust Account to pay the estimated cost of between \$11.2 million and \$11.8 million over 30 years. Originally the KDHE estimate for the remediation over a 30-year period was \$11.2 million with an additional \$2.1 million contingency. The EPA produced an estimate of \$11.8 million.

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

Since approval of the original contract on April 3, 2018, the City has been pursuing changes to the long-term environmental remediation project at the former Farmland Nitrogen Fertilizer Plant. Phase one of this effort includes professional services related to site study, analysis of alternative remediation strategies and regulatory approvals for alternative strategies prepared by the selected firm, GHD Inc.

The project scope, as proposed by GHD in 2018, includes data review, existing remediation systems evaluation, remediation alternative evaluation and recommendation, and community engagement.

The City and GHD have worked continuously to produce a remediation alternative that may be presented to the Kansas Department of Health and Environment (KDHE). The first step in the approved contract with GHD included site data review and development of an updated conceptual site model. During their development of the static 3D model and detailed review of current systems and monitoring data, GHD and the City have identified data gaps and changes to the site conditions, which prevent the completion of the original scope of work as requested. To address these data gaps, the City and GHD prepared a data gap study work plan that was presented to KDHE on November 21, 2018. On January 23, 2019 the City received correspondence indicating that the data gap study work plan had been approved by KDHE.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 13. Pollution Remediation (Continued)

Until the data gap study has been performed, an alternative analysis and recommendation of remedial alternatives cannot be reasonably completed and presented to KDHE for review and approval. Upon completion of the approved data gap study, GHD will complete the static model and submit a final report containing remedial alternatives that will then be presented to KDHE for approval. Until the study is complete, an estimate of the environmental remediation liability is not estimable and therefore no liability has been recorded as of December 31, 2018.

Note 14. Restatement

During 2018, it was discovered that capital assets and certain revenues were incorrectly recorded in 2017. As disclosed in Note 12, beginning net position was restated as a result of the adoption of GASB Statement No. 75. The effects of all the adjustments are as follows:

	Governmental Activities	Business-Type Activities	Water & Sewer	Sanitation	Nonmajor Proprietary - Public Parking System
Net position and fund balance December 31, 2017, as previously reported	\$ 201,367,305	\$ 173,526,456	\$ 145,612,712	\$ 8,373,712	\$ 788,528
Total OPEB liability	(9,526,999)	(4,407,302)	(2,405,538)	(1,449,382)	(267,282)
Removal of net OPEB obligation	5,277,903	1,909,765	924,815	744,643	163,039
Capital assets	16,559,810	-	-	-	-
Revenue	1,112,286	-	-	-	-
Net position and fund balance December 31, 2017, as restated	\$ 214,790,305	\$ 171,028,919	\$ 144,131,989	\$ 7,668,973	\$ 684,285
	Nonmajor Proprietary - Golf Course	Nonmajor Proprietary - Stormwater	Internal Service Fund	Nonmajor governmental Guest Tax Fund	Special Gas Tax Fund
Net position and fund balance December 31, 2017, as previously reported	\$ 83,408	\$ 15,261,699	\$ (483,534)	\$ 703,529	\$ 1,481,775
Total OPEB liability	(98,003)	(187,097)	(267,282)	-	-
Removal of net OPEB obligation	5,872	71,396	-	-	-
Capital assets	-	-	-	-	-
Revenue	-	-	-	461,832	650,454
Net position and fund balance December 31, 2017, as restated	\$ (8,723)	\$ 15,145,998	\$ (750,816)	\$ 1,165,361	\$ 2,132,229

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development

Property tax abatements: In 2018, the City of Lawrence participated in real property tax abatements for four local companies. Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy.

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

Company	Commitments	Type & percent Abatement in 2018	Amount Abated in 2018
Amarr Garage Doors	Job creation/retention	Personal Property Taxes, 55%	\$25,238
3840 Greenway Circle LLC/Screen-It Graphics (Grandstand)	Business relocation and expansion, job creation and retention	Real Property Taxes, 65%	\$102,575
Sunlite Science & Technology, Inc.	Business relocation and expansion, job creation and retention	Real Property Taxes, 50%	\$22,398
RCP, LLC, known as "Rock Chalk Park"	A property tax abatement was authorized to assist the University of Kansas (KU) in pursuing this project. KU would normally enjoy a 100% property tax abatement on their property for the duration of ownership. However, due to the structure of the project with KU Athletics entering into a long term lease with a private developer to construct the facilities, an automatic property tax exemption was not possible.	Real Property Taxes, 100%	\$438,472

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

Neighborhood Revitalization Areas (NRA): During 2018, the City of Lawrence had eight established neighborhood revitalization areas. Six properties were eligible for an NRA rebate for the property taxes levied in 2018. The remaining NRA projects were either under construction or had not commenced construction by the end of the year and were not eligible for a rebate.

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

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2018:

Neighborhood Revitalization Area	Purpose	Duration- percent of Increment Subject to NRA	Rebate Amount in 2018
8th and Pennsylvania District: (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	\$14,117
1040 Vermont (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2018 – Note 2	\$26,512
810/812 Pennsylvania (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	\$26,460
1106 Rhode Island (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%	\$11,753
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%	\$32,416
826 Pennsylvania Street (Mixed-use, Commercial/Residential)	Rehab and redevelopment of dilapidated structure into mixed-use commercial & residential	10Y, 85% County, 50% City	\$60,791
Vermont Place (Mixed-use, Commercial/Residential)	Rehab and development of vacant lot into mixed-use commercial & residential	10Y-75%	Project had not commenced construction in 2018. NRA rebate to start with the first full tax year after project completion.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

Note 1—The 8th & Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per agreement with the City, rebates are due until the maximum amount of \$324,673 has been rebated or 12-31-2032, whichever comes first.

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

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

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2018:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2018
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	\$168,467
The Oread: TIF Property Tax			\$361,989
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	\$112,208
TIF Property Tax: South Project (900 New Hampshire)			\$341,644
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	\$329
TIF Property Tax: North Project (888 New Hampshire)			\$228,303
City retained 5% – Note 2	The City retains 5% of TIF revenues for the Arts Common project, up to \$900,000	2022	\$35,975

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

Note 2—The City retains 5% of TIF revenue for the Arts Common project, up to \$900,000. At the end of 2018, the City had retained a total of \$85,975 in TIF revenue (\$3,880 in 2015, \$21,789 in 2016, \$24,386 in 2017 and \$35,920 in 2018)

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

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

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 15. Economic Development (Continued)

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

The City of Lawrence negotiates TDDs on an individual basis. The City had the TDDs listed below in 2018.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2018
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	\$248,184
9th & New Hampshire			
South Project: 900 New Hampshire St.	Aid in funding transportation improvements related to the 9th & New Hampshire TDD district.	2037	\$0 – Note 1
North Project: 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, 2018, the City had retained the entire amount of distributed 900 New Hampshire TDD tax revenue of \$47,664.

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements

The GASB has issued several statements that are not yet effective and have not yet been implemented by the City of Lawrence, Kansas. The statements which might impact the City are as follows:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending December 31, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

Notes to the Basic Financial Statements

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the City beginning with its fiscal year ending December 31, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending December 31, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the City must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

City of Lawrence, Kansas

Notes to the Basic Financial Statements

Note 16. Pending Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued March 2018, will be effective for the City beginning with its fiscal year ending December 31, 2019, with earlier adoption encouraged. Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt.

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

Note 17. Subsequent Event

On March 26, 2019, the City issued \$3,880,000 in General Obligation Improvement Bonds, Series 2019-A and \$28,655,000 in General Obligation Temporary Notes, Series 2019-I. The notes will mature on May 1, 2021 and bear interest at an annual rate of 2.0%. The bonds will mature on September 1, 2039 and bear interest at an annual rate of 3.0%. The proceeds will be used for the purpose of paying a portion of the cost of certain street, public building and facilities, storm sewer systems and other public improvement projects within the City.

City of Lawrence, Kansas

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios—City Plan

	2018
Total OPEB liability	
Service cost	\$ 701,279
Interest	410,745
Changes of benefit terms	-
Changes of assumptions	(147,396)
Benefit payments	(236,456)
Net change in total OPEB liability	<u>728,172</u>
Total OPEB liability—beginning	12,094,278
Total OPEB liability—ending	<u><u>\$ 12,822,450</u></u>
Covered payroll	<u><u>\$ 46,574,172</u></u>
Total OPEB liability as a percentage of covered payroll	27.53%

Notes to schedule:

Changes of assumptions: The discount rate was changed from 3.24% at the beginning of the year to 3.68% at the end of the year. The mortality improvement scale was changed from MP-2017 to MP-2018 and the retiree contribution premiums, admin fees and stop-loss premiums were updated. This resulted in a reduction of costs by \$147,396.

2018 was the City's first year implementing GASB Statement No. 75 for the OPEB liability. This schedule will become a ten year schedule, as information becomes available, in accordance with GASB Statement No. 75 requirements.

City of Lawrence, Kansas

Required Supplementary Information (Continued)

Schedule of Changes in Total OPEB Liability and Related Ratios—KPERS Plan

	2018
Total OPEB liability	
Service cost	\$ 107,683
Interest	66,254
Effect of economic/demographic gains	(23,557)
Changes of assumptions	(26,501)
Benefit payments	(195,792)
Net change in total OPEB liability	(71,913)
Total OPEB liability—beginning	1,840,023
Total OPEB liability—ending	<u>\$ 1,768,110</u>
Covered payroll	<u>\$ 27,873,554</u>
Total OPEB liability as a percentage of covered payroll	6.34%

Notes to schedule:

Changes of assumptions: The discount rate was changed from 3.58% at the beginning of the year to 3.87% at the end of the year. This resulted in a reduction of costs by \$26,501.

2018 was the City's first year implementing GASB Statement No. 75 for the OPEB liability. This schedule will become a ten year schedule, as information becomes available, in accordance with GASB Statement No. 75 requirements.

City of Lawrence, Kansas

Required Supplementary Information (Continued)

Schedule of the City's Proportionate Share of the Net Pension Liability—KPERs

December 31, 2018

	December 31,	
	Local	Police
	2018	and Firemen
		2018
City's proportion of the net pension liability	1.613%	4.889%
City's proportionate share of the net pension liability	\$ 22,476,271	\$ 47,041,107
City's covered payroll	\$ 28,857,883	\$ 24,857,649
City's proportionate share of the net pension liability as a percentage of its covered payroll	77.89%	189.24%
Plan fiduciary net position as a percentage of the total net pension liability	74.22%	71.53%

The amounts presented for each fiscal year were determined as of December 31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore, 10 years of data in unavailable.

Schedule of the City's Contribution—KPERs

December 31, 2018

	December 31,	
	Local	Police
	2018	and Firemen
		2018
Contractually required contribution	\$ 2,459,149	\$ 5,064,566
Contributions in relation to the contractually required contribution	2,459,149	5,064,566
Contribution deficiency (excess)	\$ -	\$ -
City's covered payroll	\$ 29,310,477	\$ 25,209,388
Contributions as a percentage of covered payroll	8.39%	20.09%

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

December 31,					
Local 2017	Police and Firemen 2017	Local 2016	Police and Firemen 2016	Local 2015	Police and Firemen 2015
1.722%	5.130%	1.683%	4.954%	1.678%	5.068%
\$ 24,948,735	\$ 48,108,856	\$ 26,042,494	\$ 46,013,453	\$ 22,038,579	\$ 36,797,128
\$ 29,272,989	\$ 24,092,226	\$ 29,365,147	\$ 24,053,146	\$ 27,253,827	\$ 22,717,357
85.23%	199.69%	88.69%	191.30%	80.86%	161.98%
72.15%	70.99%	68.55%	69.30%	71.98%	74.60%

December 31,					
Local 2017	Police and Firemen 2017	Local 2016	Police and Firemen 2016	Local 2015	Police and Firemen 2015
\$ 2,463,442	\$ 4,723,704	\$ 2,687,252	\$ 4,919,631	\$ 2,783,814	\$ 5,137,753
2,463,442	4,723,704	2,687,252	4,919,631	2,783,814	5,137,753
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 29,118,723	\$ 24,822,401	\$ 29,272,898	\$ 24,092,226	\$ 29,365,147	\$ 24,053,146
8.46%	19.03%	9.18%	20.42%	9.48%	21.36%

City of Lawrence, Kansas

**Kansas Public Employees Retirement System (KPERs)
Notes to Required Supplementary Information**

Actuarial methods and assumptions used to determine the actuarially determined contributions:

The following actuarial methods and assumptions were used in the December 31, 2018 valuation to determine the actuarially determined contribution.

Valuation timing	December 31, 2017
Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed value
Inflation	2.75%
Salary increases including inflation	Police and firemen 3.50% to 12.00%, including price inflation Local, 3.50% to 10.00%, including price inflation
Long-term rate of return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2014 mortality tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using scale MP-2016.

City of Lawrence, Kansas

Nonmajor Governmental Funds Special Revenue Funds

Budgeted Funds

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

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

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

Recreation Fund—This fund is used to account for user fees derived from recreational and cultural events and the expenditures necessary to carry out the recreation programs.

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

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

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

Nonbudgeted Funds

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

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

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

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).

City of Lawrence, Kansas

Nonmajor Governmental Funds Special Revenue Funds

Nonbudgeted Funds (Continued)

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

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

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

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 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 of Lawrence, Kansas

Nonmajor Governmental Funds Special Revenue Funds

Nonbudgeted Funds (Continued)

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

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

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

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

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

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

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

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

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

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).

Capital Projects Fund—This 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.

City of Lawrence, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation
Assets							
Cash	\$ 520,128	\$ 410,564	\$ 15,021,420	\$ 1,046,871	\$ 208,679	\$ 1,800,032	\$ 488,074
Receivables:							
Taxes	-	3,784,816	835,051	-	-	-	-
Intergovernmental	426,058	-	-	-	-	660,442	-
Accounts (net allowance for uncollectibles)	-	-	-	18,159	-	-	-
Loans	-	-	-	-	-	-	-
Accrued interest	5,251	5,073	106,497	8,363	1,643	20,707	6,114
Prepaid expense	-	77,247	-	-	-	-	-
Restricted assets:							
Cash	-	-	-	-	-	-	-
Total assets	\$ 951,437	\$ 4,277,700	\$ 15,962,968	\$ 1,073,393	\$ 210,322	\$ 2,481,181	\$ 494,188
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable	\$ 3,915	\$ -	\$ 6,270	\$ 82,100	\$ 13,404	\$ 72,529	\$ 33,847
Accrued payroll	2,837	-	1,444	107,531	-	42,206	420
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	406,390	-	-	-	399	-
Total liabilities	6,752	406,390	7,714	189,631	13,404	115,134	34,267
Deferred inflows of resources, unavailable revenue	-	3,784,816	-	-	-	-	-
Total deferred inflows of resources	-	3,784,816	-	-	-	-	-
Total liabilities and deferred inflows of resources	6,752	4,191,206	7,714	189,631	13,404	115,134	34,267
Fund balance:							
Nonspendable	-	77,247	-	-	-	-	-
Restricted	944,685	9,247	15,955,254	883,762	196,918	2,366,047	459,921
Unassigned	-	-	-	-	-	-	-
Total fund balance (deficit)	944,685	86,494	15,955,254	883,762	196,918	2,366,047	459,921
Total liabilities, deferred inflows of resources and fund balances	\$ 951,437	\$ 4,277,700	\$ 15,962,968	\$ 1,073,393	\$ 210,322	\$ 2,481,181	\$ 494,188

Airport Improvement	Capital Improvement Reserve	Equipment 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
\$ 218,515	\$ 9,343,432	\$ 1,355,583	\$ 20,045	\$ 129,409	\$ 264,817	\$ -	\$ -	\$ -	\$ -
-	918,728	83,333	46,285	35,916	24,637	-	-	-	-
-	187,914	17,545	-	-	-	-	-	-	-
19,974	-	75,000	-	4,707	1,612	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,685	57,006	13,499	151	724	1,448	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 240,174	\$ 10,507,080	\$ 1,544,960	\$ 66,481	\$ 170,756	\$ 292,514	\$ -	\$ -	\$ -	\$ -

\$ 465	\$ 1,606,525	\$ 112,830	\$ 20,048	\$ 24,325	\$ 10,451	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
14,275	-	-	-	11,550	918	-	-	-	-
14,740	1,606,525	112,830	20,048	35,875	11,369	-	-	-	-

-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

14,740	1,606,525	112,830	20,048	35,875	11,369	-	-	-	-
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-	-	-	-	-	-	-	-	-	-
225,434	8,900,555	1,432,130	46,433	134,881	281,145	-	-	-	-
-	-	-	-	-	-	-	-	-	-
225,434	8,900,555	1,432,130	46,433	134,881	281,145	-	-	-	-

\$ 240,174	\$ 10,507,080	\$ 1,544,960	\$ 66,481	\$ 170,756	\$ 292,514	\$ -	\$ -	\$ -	\$ -
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(Continued)

City of Lawrence, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
December 31, 2018

	9 NH North TDD/TIF	1106 Rhode Island Street NRA	900 Delaware Street NRA	City Parks Memorial	Farmland Remediation	Cemetery Mausoleum	Housing Trust	Outside Agency
Assets								
Cash	\$ 22,225	\$ -	\$ -	\$ 74,685	\$ -	\$ 12	\$ 749,392	\$ 340
Receivables:								
Taxes	78	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	869,160
Accounts (net allowance for uncollectibles)	-	-	-	-	526,990	-	-	-
Loans	-	-	-	-	-	-	-	-
Accrued interest	142	-	-	602	-	-	3,187	-
Prepaid expense	-	-	-	-	-	-	-	-
Restricted assets:								
Cash	-	-	-	-	3,327,161	-	-	-
Total assets	\$ 22,445	\$ -	\$ -	\$ 75,287	\$ 3,854,151	\$ 12	\$ 752,579	\$ 869,500
Liabilities, deferred inflows of resources and fund balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 11,188	\$ 16,207	\$ -	\$ 525,000	\$ 30,329
Accrued payroll	-	-	-	-	2,915	-	-	5,774
Due to other funds	-	-	-	-	-	-	-	582,405
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	11,188	19,122	-	525,000	618,508
Deferred inflows of resources, unavailable revenue	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	-	-	11,188	19,122	-	525,000	618,508
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	22,445	-	-	64,099	3,835,029	12	227,579	250,992
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	22,445	-	-	64,099	3,835,029	12	227,579	250,992
Total liabilities, deferred inflows of resources and fund balances	\$ 22,445	\$ -	\$ -	\$ 75,287	\$ 3,854,151	\$ 12	\$ 752,579	\$ 869,500

Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eXplore Lawrence	Lawrence Parks & Recreation Endowment	Law Enforcement Trust	Capital Projects	Total Nonmajor Governmental Funds
\$ 145,524	\$ 196,175	\$ 41	\$ -	\$ 37	\$ 322,071	\$ -	\$ 112,862	\$ 3,980,121	\$ 36,431,054
-	-	-	-	-	-	-	-	-	5,728,844
-	17,000	113,011	20,892	66,400	-	-	-	-	2,378,422
-	-	2,364	-	-	-	-	-	-	648,806
-	-	275,110	-	-	-	-	-	-	275,110
1,500	1,353	-	-	-	-	-	338	2,651	237,934
-	-	-	-	-	3,100	-	-	-	80,347
-	-	-	-	-	40,198	43,771	-	-	3,411,130
\$ 147,024	\$ 214,528	\$ 390,526	\$ 20,892	\$ 66,437	\$ 365,369	\$ 43,771	\$ 113,200	\$ 3,982,772	\$ 49,191,647

\$ -	\$ 889	\$ 69,488	\$ -	\$ 5,677	\$ 9,021	\$ -	\$ -	\$ 2,125,118	\$ 4,779,626
-	280	4,493	800	3,214	4,233	-	-	-	176,147
-	-	5,973	13,312	77,884	-	-	-	-	679,574
-	-	50	-	875	-	-	-	-	434,457
-	1,169	80,004	14,112	87,650	13,254	-	-	2,125,118	6,069,804

-	-	-	-	-	-	-	-	-	3,784,816
-	-	-	-	-	-	-	-	-	3,784,816

-	1,169	80,004	14,112	87,650	13,254	-	-	2,125,118	9,854,620
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-	-	-	-	-	3,100	-	-	-	80,347
147,024	213,359	310,522	6,780	-	349,015	43,771	113,200	1,857,654	39,277,893
-	-	-	-	(21,213)	-	-	-	-	(21,213)
147,024	213,359	310,522	6,780	(21,213)	352,115	43,771	113,200	1,857,654	39,337,027

\$ 147,024	\$ 214,528	\$ 390,526	\$ 20,892	\$ 66,437	\$ 365,369	\$ 43,771	\$ 113,200	\$ 3,982,772	\$ 49,191,647
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City of Lawrence, Kansas

Combining Statements of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Nonmajor Governmental Funds
Year Ended December 31, 2018

	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation
Revenues							
Taxes	\$ -	\$ 4,311,085	\$ 4,597,004	\$ 2,374,989	\$ -	\$ -	\$ -
Charges for services	-	-	446,984	3,079,330	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest	6,668	4,608	176,174	14,284	2,514	28,637	7,495
Intergovernmental	1,702,742	-	-	-	796,314	2,842,794	796,314
Reimbursements	10	-	125	-	-	-	3,036
Miscellaneous	-	-	546	109,239	-	962	-
Total revenues	1,709,420	4,315,693	5,220,833	5,577,842	798,828	2,872,393	806,845
Expenditures							
General government	-	4,268,000	3,252,453	-	-	-	-
Public safety	-	-	-	-	803,940	-	-
Public works	-	-	-	-	-	2,378,268	-
Health	-	-	-	-	-	-	-
Social service	-	-	-	-	-	-	-
Culture and recreation	-	-	-	5,557,083	-	-	622,181
Tourism	661,810	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	260,307	111,903
Debt service:							
Principal retirement	201,321	-	-	-	-	-	-
Interest and fiscal charges	6,965	-	-	-	-	-	-
Total expenditures	870,096	4,268,000	3,252,453	5,557,083	803,940	2,638,575	734,084
Excess (deficiency) of revenues over expenditures	839,324	47,693	1,968,380	20,759	(5,112)	233,818	72,761
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(1,060,000)	-	-	(113,000)	-	-	-
Total other financing sources (uses)	(1,060,000)	-	-	(113,000)	-	-	-
Net change in fund balance	(220,676)	47,693	1,968,380	(92,241)	(5,112)	233,818	72,761
Fund balance, beginning of year, as restated	1,165,361	38,801	13,986,874	976,003	202,030	2,132,229	387,160
Fund balance, end of year	\$ 944,685	\$ 86,494	\$ 15,955,254	\$ 883,762	\$ 196,918	\$ 2,366,047	\$ 459,921

Airport Improvement	Capital Improvement Reserve	Equipment 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
\$ -	\$ 4,933,071	\$ 583,333	\$ 294,470	\$ 751,723	\$ 551,537	\$ 28,085	\$ 14,624	\$ 27,636	\$ 26,763	\$ 240,855
158,952	-	-	-	-	-	-	-	-	-	-
-	-	63,959	-	-	-	-	-	-	-	-
2,647	107,619	24,827	148	664	1,441	-	-	-	-	130
-	2,413,600	-	-	-	-	-	-	-	-	-
-	27,000	75,000	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
161,599	7,481,290	747,119	294,618	752,387	552,978	28,085	14,624	27,636	26,763	240,985
-	13,995	337,421	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
13,034	469,277	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	6,000	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	248,185	617,506	455,427	28,085	14,624	27,636	26,763	259,872
18,908	7,913,292	1,006,560	-	-	-	-	-	-	-	-
-	23,997	-	-	-	-	-	-	-	-	-
-	1,315	-	-	-	-	-	-	-	-	-
31,942	8,427,876	1,343,981	248,185	617,506	455,427	28,085	14,624	27,636	26,763	259,872
129,657	(946,586)	(596,862)	46,433	134,881	97,551	-	-	-	-	(18,887)
-	2,319,000	180,000	-	-	-	-	-	-	-	-
-	-	(371,554)	-	-	-	-	-	-	-	-
-	2,319,000	(191,554)	-	-	-	-	-	-	-	-
129,657	1,372,414	(788,416)	46,433	134,881	97,551	-	-	-	-	(18,887)
95,777	7,528,141	2,220,546	-	-	183,594	-	-	-	-	41,332
\$ 225,434	\$ 8,900,555	\$ 1,432,130	\$ 46,433	\$ 134,881	\$ 281,145	\$ -	\$ -	\$ -	\$ -	\$ 22,445

(Continued)

City of Lawrence, Kansas

Combining Statements of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2018

	1106 Rhode Island Street NRA	900 Delaware Street NRA	City Parks Memorial	Farmland Remediation	Cemetery Mausoleum	Housing Trust	Outside Agency
Revenues							
Taxes	\$ 10,504	\$ 33,061	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-
Interest	-	-	1,112	-	-	6,252	-
Intergovernmental	-	-	-	-	-	-	3,890,267
Reimbursements	-	-	312	-	-	20,000	-
Miscellaneous	-	-	53,203	5,250	-	300	14,259
Total revenues	10,504	33,061	54,627	5,250	-	26,552	3,904,526
Expenditures							
General government	-	-	-	-	-	-	3,020,385
Public safety	-	-	-	-	-	-	9,993
Public works	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	122,876
Social service	-	-	-	-	-	678,640	-
Culture and recreation	-	-	26,516	-	-	-	9,232
Tourism	-	-	-	-	-	-	-
Economic development	10,504	33,061	-	-	-	-	-
Capital outlay	-	-	24,726	562,764	-	-	617,211
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	10,504	33,061	51,242	562,764	-	678,640	3,779,697
Excess (deficiency) of revenues over expenditures	-	-	3,385	(557,514)	-	(652,088)	124,829
Other financing sources (uses):							
Transfers in	-	-	-	-	-	800,000	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	800,000	-
Net change in fund balance	-	-	3,385	(557,514)	-	147,912	124,829
Fund balance, beginning of year, as restated	-	-	60,714	4,392,543	12	79,667	126,163
Fund balance, end of year	\$ -	\$ -	\$ 64,099	\$ 3,835,029	\$ 12	\$ 227,579	\$ 250,992

Wee Folks Scholarship	Fair Housing Assistance	Community Development	Home Program	Transportation Planning	eXplore Lawrence	Lawrence Parks & Recreation Endowment	Law Enforcement Trust	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,778,740
-	-	-	-	-	71,624	-	-	-	3,756,890
-	-	-	-	-	-	-	-	-	63,959
2,272	2,379	41	-	37	-	-	814	57,604	448,367
-	17,150	392,515	-	189,186	-	-	-	-	13,040,882
-	-	-	-	-	-	-	-	917,516	1,042,999
32,688	-	173,302	366,713	-	34,847	-	64,836	-	856,145
34,960	19,529	565,858	366,713	189,223	106,471	-	65,650	975,120	37,987,982
-	-	-	-	196,884	-	-	-	1,400,351	12,489,489
-	-	-	-	-	-	-	1,429	293,820	1,109,182
-	-	-	-	-	-	-	-	2,011,036	4,871,615
-	-	-	-	-	-	-	-	-	122,876
-	17,604	564,024	338,548	-	-	-	-	-	1,604,816
38,361	-	-	-	-	-	10,008	-	264,499	6,527,880
-	-	-	-	-	1,012,958	-	-	-	1,674,768
-	-	-	-	-	-	-	-	-	1,721,663
-	-	-	-	-	-	-	-	5,033,370	15,549,041
-	-	-	-	-	-	-	-	-	225,318
-	-	-	-	-	-	-	-	-	8,280
38,361	17,604	564,024	338,548	196,884	1,012,958	10,008	1,429	9,003,076	45,904,928
(3,401)	1,925	1,834	28,165	(7,661)	(906,487)	(10,008)	64,221	(8,027,956)	(7,916,946)
-	-	-	-	-	1,060,000	-	-	371,554	4,730,554
-	-	-	-	-	-	-	-	-	(1,544,554)
-	-	-	-	-	1,060,000	-	-	371,554	3,186,000
(3,401)	1,925	1,834	28,165	(7,661)	153,513	(10,008)	64,221	(7,656,402)	(4,730,946)
150,425	211,434	308,688	(21,385)	(13,552)	198,602	53,779	48,979	9,514,056	44,067,973
\$ 147,024	\$ 213,359	\$ 310,522	\$ 6,780	\$ (21,213)	\$ 352,115	\$ 43,771	\$ 113,200	\$ 1,857,654	\$ 39,337,027

City of Lawrence, Kansas

Debt Service Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 10,180,000	\$ 10,180,000	\$ 10,569,119	\$ 389,119
Special assessment	1,199,700	1,199,700	889,068	(310,632)
Interest	65,000	65,000	235,752	170,752
Miscellaneous	652,000	652,000	345,243	(306,757)
Total revenues	12,096,700	12,096,700	12,039,182	(57,518)
Expenditures				
Principal retirement	12,659,000	12,659,000	9,334,427	(3,324,573)
Interest and fiscal charges	1,407,000	1,407,000	3,658,986	2,251,986
Total expenditures	14,066,000	14,066,000	12,993,413	(1,072,587)
(Deficiency) of revenues (under) expenditures	(1,969,300)	(1,969,300)	(954,231)	1,015,069
Other financing sources (uses), transfers in	520,000	520,000	520,000	-
Total other financing sources (uses)	520,000	520,000	520,000	-
(Deficiency) of revenues (under) expenditures and other sources (uses)	\$ (1,449,300)	\$ (1,449,300)	(434,231)	\$ 1,015,069
Fund balance, beginning of year			11,266,535	
Fund balance, end of year			<u>\$ 10,832,304</u>	

City of Lawrence, Kansas

Guest Tax Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 1,872,000	\$ 1,872,000	\$ 1,702,742	\$ (169,258)
Interest	7,000	7,000	6,668	(332)
Miscellaneous	-	-	10	10
Total revenues	1,879,000	1,879,000	1,709,420	(169,580)
Expenditures				
Tourism - contractual services				
Personal services	379,000	379,000	283,440	(95,560)
Contractual services	1,340,200	1,340,200	1,310,492	(29,708)
Commodities	30,000	30,000	31,451	1,451
Capital outlay	210,000	210,000	96,424	(113,576)
Debt Service				
Principal retirement	201,000	201,000	201,321	321
Interest and fiscal charges	7,000	7,000	8,960	1,960
Total expenditures	2,167,200	2,167,200	1,932,088	(235,112)
Excess (deficiency) of revenues over (under) expenditures	\$ (288,200)	\$ (288,200)	(222,668)	\$ 65,532
Fund balance, beginning of year, restated			1,165,361	
Fund balance, end of year, budget basis			942,693	
Adjustments, encumbrances			1,992	
Fund balance, end of year, GAAP basis			<u>\$ 944,685</u>	

City of Lawrence, Kansas

Library Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 4,230,000	\$ 4,230,000	\$ 4,311,085	\$ 81,085
Interest	-	-	4,608	4,608
Total revenues	4,230,000	4,230,000	4,315,693	85,693
Expenditures				
General government, contractual services	4,268,000	4,268,000	4,268,000	-
Total expenditures	4,268,000	4,268,000	4,268,000	-
Excess (deficiency) of revenues over (under) expenditures	\$ (38,000)	\$ (38,000)	47,693	\$ 85,693
Fund balance, beginning of year			38,801	
Fund balance, end of year			<u>\$ 86,494</u>	

City of Lawrence, Kansas

Transportation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget
Revenues				
Taxes	\$ 4,850,000	\$ 4,850,000	\$ 4,597,004	\$ (252,996)
Charges for services	435,000	435,000	446,983	11,983
Interest	334,000	334,000	440,683	106,683
Total revenues	5,619,000	5,619,000	5,484,670	(134,330)
Expenditures				
General government				
Personal services	94,000	94,000	122,251	28,251
Contractual service	3,631,000	3,631,000	2,481,503	(1,149,497)
Commodities	759,000	759,000	648,697	(110,303)
Total expenditures	4,484,000	4,484,000	3,252,451	(1,231,549)
Excess of revenues over expenditures	\$ 5,619,000	\$ 5,619,000	2,232,219	\$ (229,769)
Fund balance, beginning of year			13,986,874	
Fund balance, end of year, budget basis			16,219,093	
Adjustments, encumbrances			(263,839)	
Fund balance, end of year, GAAP basis			<u>\$ 15,955,254</u>	

City of Lawrence, Kansas

Recreation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget
Revenues				
Taxes	\$ 2,403,000	\$ 2,403,000	\$ 2,374,989	\$ (28,011)
Charges for services	2,946,000	2,946,000	2,829,028	(116,972)
Interest	8,000	8,000	14,285	6,285
Miscellaneous	595,000	595,000	355,836	(239,164)
Total revenues	5,952,000	5,952,000	5,574,138	(377,862)
Expenditures				
Culture and recreation				
Personal services	4,448,000	4,467,000	4,389,186	(77,814)
Contractual service	920,000	963,000	844,536	(118,464)
Commodities	402,000	389,000	323,357	(65,643)
Other	149,000	100,000	-	(100,000)
Total expenditures	5,919,000	5,919,000	5,557,079	(361,921)
(Deficiency) of revenues (under) expenditures	33,000	33,000	17,059	(15,941)
Other financing sources (uses)				
Transfers out	(113,000)	(113,000)	(113,000)	-
Total other financing sources (uses)	(113,000)	(113,000)	(113,000)	-
(Deficiency) of revenues (under) expenditures and other sources (uses)	\$ (80,000)	\$ (80,000)	(95,941)	\$ (15,941)
Fund balance, beginning of year			976,003	
Fund balance, end of year, budget basis			880,062	
Adjustments, encumbrances			3,700	
Fund balance, end of year, GAAP basis			<u>\$ 883,762</u>	

City of Lawrence, Kansas

Special Alcohol Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Intergovernmental	\$ 831,000	\$ 831,000	\$ 796,314	\$ (34,686)
Interest	2,000	2,000	2,514	514
Total revenues	<u>833,000</u>	<u>833,000</u>	<u>798,828</u>	<u>(34,172)</u>
Expenditures				
Public safety, contractual services	<u>816,000</u>	<u>816,000</u>	<u>803,940</u>	<u>(12,060)</u>
Total expenditures	<u>816,000</u>	<u>816,000</u>	<u>803,940</u>	<u>(12,060)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>(5,112)</u>	<u>\$ (22,112)</u>
Fund balance, beginning of year			<u>202,030</u>	
Fund balance, end of year			<u>\$ 196,918</u>	

City of Lawrence, Kansas

**Special Gas Tax Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 2,788,000	\$ 2,788,000	\$ 2,842,794	\$ 54,794
Interest	12,000	12,000	28,637	16,637
Miscellaneous	2,000	2,000	2,870	870
Total revenues	<u>2,802,000</u>	<u>2,802,000</u>	<u>2,874,301</u>	<u>72,301</u>
Expenditures				
Public works				
Personal services	1,902,000	1,902,000	1,741,747	(160,253)
Contractual service	186,000	186,000	180,875	(5,125)
Commodities	492,000	492,000	457,553	(34,447)
Capital outlay	342,000	342,000	260,308	(81,692)
Total expenditures	<u>2,922,000</u>	<u>2,922,000</u>	<u>2,640,483</u>	<u>(281,517)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>	233,818	<u>\$ 353,818</u>
Fund balance, beginning of year, as restated			<u>2,132,229</u>	
Fund balance, end of year			<u>\$ 2,366,047</u>	

City of Lawrence, Kansas
Special Recreation Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 831,000	\$ 831,000	\$ 796,314	\$ (34,686)
Interest	3,000	3,000	7,495	4,495
Intergovernmental	-	-	3,036	3,036
Total revenues	<u>834,000</u>	<u>834,000</u>	<u>806,845</u>	<u>(27,155)</u>
Expenditures				
Culture and recreation				
Personal services	34,000	19,000	11,926	(7,074)
Contractual service	423,000	453,000	427,010	(25,990)
Commodities	116,000	165,000	183,245	18,245
Capital outlay	200,000	136,000	111,903	(24,097)
Total expenditures	<u>773,000</u>	<u>773,000</u>	<u>734,084</u>	<u>(38,916)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 61,000</u>	<u>\$ 61,000</u>	<u>72,761</u>	<u>\$ 11,761</u>
Fund balance, beginning of year			<u>387,160</u>	
Fund balance, end of year			<u>\$ 459,921</u>	

City of Lawrence, Kansas

Nonmajor Proprietary Funds

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

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

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

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

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City of Lawrence, Kansas

Combining Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2018

	Public Parking	Golf Course	Storm Water Utility	Total Nonmajor Proprietary Funds
Assets and deferred outflows of resources				
Current assets:				
Cash	\$ 689,766	\$ 152,685	\$ 3,901,732	\$ 4,744,183
Receivables (net of allowance for uncollectibles)				
Accounts	3,913	2,500	385,173	391,586
Accrued interest	4,189	1,991	21,746	27,926
Inventories	-	7,807	-	7,807
Total current assets	697,868	164,983	4,308,651	5,171,502
Capital assets:				
Land	479,055	-	1,845,491	2,324,546
Building and improvements	4,094,602	3,898,704	13,369,362	21,362,668
Equipment	422,536	258,837	3,884,505	4,565,878
Less: accumulated depreciation	(4,305,398)	(3,846,190)	(6,589,584)	(14,741,172)
Total capital assets	690,795	311,351	12,509,774	13,511,920
Total assets	1,388,663	476,334	16,818,425	18,683,422
Deferred outflows of resources:				
Pension related amounts	160,890	35,940	76,253	273,083
Total deferred outflows of resources	160,890	35,940	76,253	273,083
Total assets and deferred outflows of resources	1,549,553	512,274	16,894,678	18,956,505
Liabilities and deferred inflows of resources				
Current liabilities:				
Accounts payable	28,526	7,733	47,665	83,924
Accrued payroll	15,389	9,262	21,457	46,108
Compensated absences	51,632	27,452	47,083	126,167
Total current liabilities	95,547	44,447	116,205	256,199
Noncurrent liabilities:				
Compensated absences	58,979	42,541	57,203	158,723
Net pension liability	871,038	236,911	502,650	1,610,599
Total OPEB liability	279,870	102,618	195,908	578,396
Total noncurrent liabilities	1,209,887	382,070	755,761	2,347,718
Total liabilities	1,305,434	426,517	871,966	2,603,917
Deferred inflows of resources:				
Pension related amounts	58,684	20,763	44,053	123,500
OPEB related amounts	4,483	1,644	3,138	9,265
Total deferred inflows of resources	63,167	22,407	47,191	132,765
Total liabilities and deferred inflows of resources	1,368,601	448,924	919,157	2,736,682
Net position				
Net investment in capital assets	690,795	311,351	12,509,774	13,511,920
Unrestricted (deficit)	(509,843)	(248,001)	3,465,747	2,707,903
Total net position	\$ 180,952	\$ 63,350	\$ 15,975,521	\$ 16,219,823

City of Lawrence, Kansas

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
Year Ended December 31, 2018

	Public Parking	Golf Course	Stormwater Utility	Total Nonmajor Proprietary Funds
Operating revenues				
Charges for services	\$ 1,328,796	\$ 897,005	\$ 3,564,261	\$ 5,790,062
Other sales	-	27,500	-	27,500
Total operating revenues	<u>1,328,796</u>	<u>924,505</u>	<u>3,564,261</u>	<u>5,817,562</u>
Operating expenses				
Continuing operations	1,628,048	737,846	1,717,167	4,083,061
General administration	-	464	37,172	37,636
Depreciation	135,961	112,470	616,560	864,991
Total operating expenses	<u>1,764,009</u>	<u>850,780</u>	<u>2,370,899</u>	<u>4,985,688</u>
Operating income (loss)	<u>(435,213)</u>	<u>73,725</u>	<u>1,193,362</u>	<u>831,874</u>
Nonoperating revenues (expenses):				
Interest income	8,712	2,503	37,807	49,022
Interest expense	-	-	(646)	(646)
Miscellaneous	100,168	(3,155)	-	97,013
Total nonoperating revenues (expenses)	<u>108,880</u>	<u>(652)</u>	<u>37,161</u>	<u>145,389</u>
Income (loss) before transfers	<u>(326,333)</u>	<u>73,073</u>	<u>1,230,523</u>	<u>977,263</u>
Transfers out	<u>(177,000)</u>	<u>(1,000)</u>	<u>(401,000)</u>	<u>(579,000)</u>
Change in net position	<u>(503,333)</u>	<u>72,073</u>	<u>829,523</u>	<u>398,263</u>
Net position, beginning, as restated	<u>684,285</u>	<u>(8,723)</u>	<u>15,145,998</u>	<u>15,821,560</u>
Net position, ending	<u>\$ 180,952</u>	<u>\$ 63,350</u>	<u>\$ 15,975,521</u>	<u>\$ 16,219,823</u>

City of Lawrence, Kansas

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2018

	Public Parking	Golf Course	Stormwater Utility	Total Nonmajor Proprietary Funds
Cash flows from operating activities:				
Cash received from customers and users	\$ 1,328,822	\$ 922,469	\$ 3,417,172	\$ 5,668,463
Cash paid to suppliers of goods and services	(761,254)	(378,179)	(1,052,297)	(2,191,730)
Cash paid to employees	(686,235)	(358,981)	(542,813)	(1,588,029)
Net cash provided by (used in) operating activities	(118,667)	185,309	1,822,062	1,888,704
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	-	(263,991)	(720,705)	(984,696)
Proceeds from (payments for) other capital activities	100,168	(3,155)	-	97,013
Principal payments on general obligation bonds	-	-	(21,517)	(21,517)
Interest payments on debt	-	-	(933)	(933)
Net cash provided by (used in) capital and related financing activities	100,168	(267,146)	(743,155)	(910,133)
Cash flows from noncapital financing activities:				
Transfers out	(177,000)	(1,000)	(401,000)	(579,000)
Net cash (used in) noncapital financing activities	(177,000)	(1,000)	(401,000)	(579,000)
Cash flows from investing activities:				
Interest received	7,790	1,562	30,590	39,942
Net cash provided by investing activities	7,790	1,562	30,590	39,942
Net increase (decrease) in cash and cash equivalents	(187,709)	(81,275)	708,497	439,513
Cash and cash equivalents, beginning	877,475	233,960	3,193,235	4,304,670
Cash and cash equivalents, ending	<u>\$ 689,766</u>	<u>\$ 152,685</u>	<u>\$ 3,901,732</u>	<u>\$ 4,744,183</u>

City of Lawrence, Kansas

Combining Statement of Cash Flows (Continued)
Nonmajor Proprietary Funds
Year Ended December 31, 2018

	Public Parking	Golf Course	Stormwater Utility	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (435,213)	\$ 73,725	\$ 1,193,362	\$ 831,874
Net cash provided by (used in) operating activities:				
Depreciation expense	135,961	112,470	616,560	864,991
(Increase) decrease in accounts receivable	26	(2,036)	(147,089)	(149,099)
(Increase) decrease in inventory	-	(2,258)	-	(2,258)
(Increase) decrease in deferred outflows	26,179	4,486	3,134	33,799
Increase (decrease) in accounts payable	19,385	(20,190)	31,508	30,703
Increase (decrease) in accrued payroll	2,000	2,626	6,939	11,565
Increase (decrease) in net pension liability	(17,789)	(1,730)	20,731	1,212
Increase (decrease) in total OPEB liability	12,588	4,615	8,811	26,014
Increase (decrease) in deferred inflows	27,585	11,781	24,600	63,966
Increase (decrease) in compensated absences	110,611	1,820	63,506	175,937
Net cash provided by (used in) operating activities	\$ (118,667)	\$ 185,309	\$ 1,822,062	\$ 1,888,704
Noncash capital activities - capital assets in accounts payable	\$ 9,800	\$ 420	\$ 17,521	\$ 27,741

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, 2018

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Assets and deferred outflows of resources:						
Current assets:						
Cash	\$ 1,052,395	\$ 1,252,730	\$ -	\$ 24,874	\$ 9,597,491	\$ 11,927,490
Receivables (net of allowances for uncollectibles):						
Accounts	-	-	-	-	65,721	65,721
Accrued interest	7,429	10,511	-	167	109,021	127,128
Inventory	-	-	367,083	-	-	367,083
Total current assets	1,059,824	1,263,241	367,083	25,041	9,772,233	12,487,422
Capital assets:						
Building and improvements	-	-	762,567	-	-	762,567
Equipment	-	-	476,472	-	-	476,472
Less: accumulated depreciation	-	-	(996,496)	-	-	(996,496)
Total capital assets	-	-	242,543	-	-	242,543
Total assets	1,059,824	1,263,241	609,626	25,041	9,772,233	12,729,965
Deferred outflows of resources:						
Pension related amounts	-	-	101,085	-	-	101,085
Total deferred outflows of resources	-	-	101,085	-	-	101,085
Total assets and deferred outflows of resources	1,059,824	1,263,241	710,711	25,041	9,772,233	12,831,050
Liabilities and deferred inflows of resources:						
Liabilities:						
Current liabilities						
Accounts payable	10,348	3,937	151,467	6,566	258,400	430,718
Claims payable	-	495,886	-	-	1,319,244	1,815,130
Accrued payroll	-	-	28,137	-	-	28,137
Compensated absences	-	-	66,549	-	-	66,549
Due to other funds	-	-	66,647	-	-	66,647
Total current liabilities	10,348	499,823	312,800	6,566	1,577,644	2,407,181
Noncurrent liabilities:						
Compensated absences	-	-	75,847	-	-	75,847
Net pension liability	-	-	666,341	-	-	666,341
Total OPEB liability	-	-	279,870	-	-	279,870
Total noncurrent liabilities	-	-	1,022,058	-	-	1,022,058
Total liabilities	10,348	499,823	1,334,858	6,566	1,577,644	3,429,239
Deferred inflows of resources:						
Pension related amounts	-	-	58,399	-	-	58,399
OPEB related amounts	-	-	4,483	-	-	4,483
Total deferred inflows of resources	-	-	62,882	-	-	62,882
Total liabilities and deferred inflows of resources	10,348	499,823	1,397,740	6,566	1,577,644	3,492,121
Net position						
Net investment in capital assets	-	-	242,543	-	-	242,543
Unrestricted (deficit)	1,049,476	763,418	(929,572)	18,475	8,194,589	9,096,386
Total net position	\$ 1,049,476	\$ 763,418	\$ (687,029)	\$ 18,475	\$ 8,194,589	\$ 9,338,929

City of Lawrence, Kansas

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended December 31, 2018**

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Operating revenue						
Charges for services	\$ 60,000	\$ 622,000	\$ 3,763,561	\$ -	\$ 12,525,127	\$ 16,970,688
Total operating revenues	<u>60,000</u>	<u>622,000</u>	<u>3,763,561</u>	<u>-</u>	<u>12,525,127</u>	<u>16,970,688</u>
Operating expenses						
Continuing operations	170,641	1,462,561	3,636,562	-	-	5,269,764
General administration	-	-	17,071	-	1,897,671	1,914,742
Health insurance claims	-	-	-	-	9,485,715	9,485,715
Depreciation	-	-	43,225	-	-	43,225
Total operating expense	<u>170,641</u>	<u>1,462,561</u>	<u>3,696,858</u>	<u>-</u>	<u>11,383,386</u>	<u>16,713,446</u>
Operating income (loss)	<u>(110,641)</u>	<u>(840,561)</u>	<u>66,703</u>	<u>-</u>	<u>1,141,741</u>	<u>257,242</u>
Nonoperating revenues (expenses)						
Interest income (expense)	2,680	4,134	55	64	154,162	161,095
Miscellaneous	140	27,397	-	-	-	27,537
Gain on sale of capital assets	-	-	5,029	-	-	5,029
Total nonoperating revenues (expenses)	<u>2,820</u>	<u>31,531</u>	<u>5,084</u>	<u>64</u>	<u>154,162</u>	<u>193,661</u>
Income (loss) before transfers	<u>(107,821)</u>	<u>(809,030)</u>	<u>71,787</u>	<u>64</u>	<u>1,295,903</u>	<u>450,903</u>
Transfers out	-	-	(8,000)	-	-	(8,000)
Change in net position	<u>(107,821)</u>	<u>(809,030)</u>	<u>63,787</u>	<u>64</u>	<u>1,295,903</u>	<u>442,903</u>
Net position (deficit), beginning, as restated	<u>1,157,297</u>	<u>1,572,448</u>	<u>(750,816)</u>	<u>18,411</u>	<u>6,898,686</u>	<u>8,896,026</u>
Net position (deficit), ending	<u>\$ 1,049,476</u>	<u>\$ 763,418</u>	<u>\$ (687,029)</u>	<u>\$ 18,475</u>	<u>\$ 8,194,589</u>	<u>\$ 9,338,929</u>

City of Lawrence, Kansas

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2018

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:						
Cash received from customers and users	\$ 60,000	\$ 622,000	\$ 3,764,792	\$ 192	\$ 12,514,293	\$ 16,961,277
Cash paid to suppliers of goods and services	(160,558)	(1,026,033)	(2,935,576)	-	(10,822,544)	(14,944,711)
Cash paid to employees	-	-	(809,968)	-	-	(809,968)
Net cash provided by (used in) operating activities	(100,558)	(404,033)	19,248	192	1,691,749	1,206,598
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	-	-	5,029	-	-	5,029
Proceeds from (payments for) other capital activities	(3,656)	22,137	56	(82)	-	18,455
Net cash provided by (used in) capital and related financing activities	(3,656)	22,137	5,085	(82)	-	23,484
Cash flows from noncapital financing activities:						
Interfund loan	-	-	(16,333)	-	-	(16,333)
Transfers out	-	-	(8,000)	-	-	(8,000)
Net cash (used in) noncapital financing activities	-	-	(24,333)	-	-	(24,333)
Cash flows from investing activities:						
Interest received	3,532	4,930	-	79	76,217	84,758
Net cash provided by investing activities	3,532	4,930	-	79	76,217	84,758
Net increase (decrease) in cash and cash equivalents	(100,682)	(376,966)	-	189	1,767,966	1,290,507
Cash and cash equivalents, beginning	1,153,077	1,629,696	-	24,685	7,829,525	10,636,983
Cash and cash equivalents, ending	\$ 1,052,395	\$ 1,252,730	\$ -	\$ 24,874	\$ 9,597,491	\$ 11,927,490

(Continued)

City of Lawrence, Kansas
Combining Statement of Cash Flows (Continued)
Internal Service Funds
Year Ended December 31, 2018

	General Liability	Workers' Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (110,641)	\$ (840,561)	\$ 66,703	\$ -	\$ 1,141,741	\$ 257,242
Net cash provided by (used in) operating activities						
Depreciation expense	-	-	43,225	-	-	43,225
(Increase) decrease in accounts receivable	-	-	1,231	-	(10,834)	(9,603)
(Increase) decrease in inventory	-	-	(57,425)	-	-	(57,425)
(Increase) decrease in deferred outflows	-	-	28,521	-	-	28,521
Increase (decrease) in accounts payable	10,083	(5,303)	(27,004)	192	234,926	212,894
Increase (decrease) in claims payable	-	441,831	-	-	325,916	767,747
Increase (decrease) in accrued payroll	-	-	9,225	-	-	9,225
Increase (decrease) in net pension liability	-	-	(96,494)	-	-	(96,494)
Increase (decrease) in total OPEB liability	-	-	12,588	-	-	12,588
Increase (decrease) in deferred inflows	-	-	29,108	-	-	29,108
Increase (decrease) in accrued compensated absences	-	-	9,570	-	-	9,570
Net cash provided by (used in) operating activities	\$ (100,558)	\$ (404,033)	\$ 19,248	\$ 192	\$ 1,691,749	\$ 1,206,598

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, 2018**

	Payroll Clearing	Municipal Court	Fire Insurance Proceeds	Total Agency Funds
Assets				
Cash	\$ 689,984	\$ 345,734	\$ 27,356	\$ 1,063,074
Total assets	<u>\$ 689,984</u>	<u>\$ 345,734</u>	<u>\$ 27,356</u>	<u>\$ 1,063,074</u>
Liabilities				
Accounts payable	\$ 689,984	\$ 345,734	\$ 27,356	\$ 1,063,074
Total liabilities	<u>\$ 689,984</u>	<u>\$ 345,734</u>	<u>\$ 27,356</u>	<u>\$ 1,063,074</u>

City of Lawrence, Kansas

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
December 31, 2018**

	Balance January 1 2018	Additions	Deductions	Balance December 31 2018
Payroll Clearing				
Assets				
Cash	\$ 608,331	\$ 49,627,631	\$ 49,545,978	\$ 689,984
Total assets	<u>\$ 608,331</u>	<u>\$ 49,627,631</u>	<u>\$ 49,545,978</u>	<u>\$ 689,984</u>
Liabilities				
Accounts payable	\$ 608,331	\$ 54,319,854	\$ 54,238,201	\$ 689,984
Total liabilities	<u>\$ 608,331</u>	<u>\$ 54,319,854</u>	<u>\$ 54,238,201</u>	<u>\$ 689,984</u>
Municipal Court				
Assets				
Cash	\$ 384,772	\$ 1,323,021	\$ 1,362,059	\$ 345,734
Total assets	<u>\$ 384,772</u>	<u>\$ 1,323,021</u>	<u>\$ 1,362,059</u>	<u>\$ 345,734</u>
Liabilities				
Accounts payable	\$ 384,772	\$ 1,013,241	\$ 1,052,279	\$ 345,734
Total liabilities	<u>\$ 384,772</u>	<u>\$ 1,013,241</u>	<u>\$ 1,052,279</u>	<u>\$ 345,734</u>
Fire Insurance Proceeds				
Assets				
Cash	\$ -	\$ 780,436	\$ 753,080	\$ 27,356
Total assets	<u>\$ -</u>	<u>\$ 780,436</u>	<u>\$ 753,080</u>	<u>\$ 27,356</u>
Liabilities				
Accounts payable	\$ -	\$ 656,965	\$ 629,609	\$ 27,356
Total liabilities	<u>\$ -</u>	<u>\$ 656,965</u>	<u>\$ 629,609</u>	<u>\$ 27,356</u>

City of Lawrence, Kansas

Statistical Section (Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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

Table 1

CITY OF LAWRENCE, KANSAS

Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)

		<u>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>	<u>2018</u>
Governmental Activities											
Net investment in capital assets	\$	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	203,909,143
Restricted		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	22,642,527
Unrestricted		31,166,420	30,723,645	33,582,269	34,040,332	34,979,766	39,710,437	(7,071,563)	(4,515,792)	11,126,590	8,002,262
Total governmental activities net position	\$	<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>	<u>234,553,932</u>
Business-type activities											
Net investment in capital assets	\$	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	163,615,909
Restricted		-	-	-	-	-	-	-	2,007,755	2,007,755	7,463,508
Unrestricted		24,874,340	26,602,323	29,737,496	31,931,406	30,899,856	26,144,324	21,920,645	48,675,637	61,630,771	13,457,357
Total business-type activities net position	\$	<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>	<u>184,536,774</u>
Primary government											
Net investment in capital assets	\$	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	367,525,052
Restricted		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	30,106,035
Unrestricted		56,040,760	57,325,968	63,319,765	65,971,738	65,879,622	65,854,761	14,849,082	44,159,845	72,757,361	21,459,619
Total primary government net position	\$	<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>	<u>419,090,706</u>

Table 2

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
General Government	\$ 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	23,127,516
Public Safety	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	44,961,424
Public Works	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	13,078,042
Health	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	1,081,903
Social Services	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	1,702,269
Culture and Recreation	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	11,767,715
Tourism	771,534	885,555	1,052,713	969,229	1,009,528	1,266,137	1,706,788	2,746,841	2,759,231	1,675,004
Airport	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	1,721,663
Interest on Long-Term Debt	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	3,399,543
Total Governmental Activities Expenses	83,536,074	84,305,233	83,184,610	87,900,299	92,476,174	91,476,905	99,097,368	104,318,035	124,316,404	102,515,079
Business-Type Activities:										
Water & Sewer	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	39,047,713
Sanitation	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	11,332,783
Public Parking	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	2,423,210
Stormwater	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	1,764,009
Golf Course	1,016,011	998,557	917,860	944,149	930,730	973,740	961,517	978,457	1,261,536	850,780
Total Business-Type Activities Expenses	39,735,363	39,494,904	40,986,453	42,809,641	42,215,525	45,532,855	47,272,388	49,740,624	53,576,821	55,418,495
Total Primary Government Expenses	\$ 123,271,437	123,800,137	124,171,063	130,709,940	134,691,699	137,009,760	146,369,756	154,058,659	177,893,225	157,933,574
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 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	5,932,189
Public Safety	6,746,080	398,548	453,968	403,121	503,123	563,446	427,146	5,773,962	6,866,750	7,382,054
Culture and Recreation	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	3,504,515
Other Activities	442,116	547,979	471,492	370,832	440,872	571,777	461,508	1,599,985	534,779	1,648,292
Operating Grants and Contributions	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	11,118,873
Capital Grants and Contributions	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	1,728,558
Total Governmental Activities Program Revenues	23,126,618	36,939,303	26,020,686	26,618,553	22,257,373	28,377,860	24,131,778	28,640,171	44,808,454	31,314,481
Business-Type Activities:										
Charges for Services:										
Water & Sewer	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	50,217,334
Sanitation	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	14,618,244
Parking	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	3,564,261
Stormwater	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	1,345,293
Golf Course	919,416	780,840	718,419	820,444	753,198	772,843	733,798	747,031	984,669	930,992

(continued)

Table 2, cont.

CITY OF LAWRENCE, KANSAS

Changes in Net Position, Continued

Last Ten Fiscal Years
(accrual basis of accounting)

Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	43,610,858	45,256,356	46,571,423	50,110,841	47,951,231	50,553,779	53,263,952	57,283,958	62,351,657	70,676,124
Total Primary Government Program Revenues	\$ 66,737,476	82,195,659	72,592,109	76,729,394	70,208,604	78,931,639	77,395,730	85,924,129	107,160,111	101,990,605
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	(71,200,598)
Business-Type Activities	3,875,495	5,761,452	5,584,970	7,301,200	5,735,706	5,020,924	5,991,564	7,543,334	8,774,836	15,257,629
Total Primary Government Net Expense	\$ (56,533,961)	(41,604,478)	(51,578,954)	(53,980,546)	(64,483,095)	(58,078,121)	(68,974,026)	(68,134,530)	(70,733,114)	(55,942,969)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 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	37,134,285
Franchise Taxes	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	7,465,999
Sales Taxes	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	40,528,022
Unrestricted Grants and Contributions	760,511	723,125	645,080	691,768	689,082	732,100	720,387	764,798	783,431	796,314
Investment Earnings	1,177,409	337,284	134,306	210,102	202,023	223,756	100,697	390,171	493,557	1,069,632
Miscellaneous	31,107	6,512	185,909	425,033	136,700	255,075	2,580,346	3,385,152	3,361,033	284,338
Transfers	4,297,080	4,621,388	4,671,294	4,492,729	4,652,635	3,882,985	3,653,030	2,257,560	3,801,983	3,685,635
Total Governmental Activities	63,838,446	66,177,140	68,120,939	71,190,155	72,923,786	75,919,127	80,419,654	85,052,744	88,449,859	90,964,225
Business-Type Activities:										
Unrestricted Grants and Contributions	6,325	5,148	3,303	-	-	-	-	-	-	-
Investment Earnings	206,643	44,953	105,578	121,636	105,283	26,824	233,589	500,878	802,034	1,077,026
Miscellaneous	399,962	509,320	620,900	638,793	906,393	796,713	767,015	564,790	1,310,446	858,835
Transfers	(4,297,080)	(4,621,388)	(4,671,294)	(4,492,729)	(4,652,635)	(3,882,985)	(3,653,030)	(2,257,560)	(3,801,983)	(3,685,635)
Total Business-Type Activities	(3,684,150)	(4,061,967)	(3,941,513)	(3,732,300)	(3,640,959)	(3,059,448)	(2,652,426)	(1,191,892)	(1,689,503)	(1,749,774)
Total Primary Government	\$ 60,154,296	62,115,173	64,179,426	67,457,855	69,282,827	72,859,679	77,767,228	83,860,852	86,760,356	89,214,451
Change in Net Position										
Governmental Activities	\$ 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	19,763,627
Business-Type Activities	191,345	1,699,485	1,643,457	3,568,900	2,094,747	1,961,476	3,339,138	6,351,442	7,085,333	13,507,855
Total Primary Government	\$ 3,620,335	20,510,695	12,600,472	13,477,309	4,799,732	14,781,558	8,793,202	15,726,322	16,027,242	33,271,482

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
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008	1,257,214,500
2010	22,656,849	20,863,865	6,300,184	1,936,585	95,855	51,853,338	1,236,094,700
2011	23,204,001	21,953,262	6,408,974	1,944,512	91,697	53,602,446	1,291,735,200
2012	24,417,039	23,007,680	6,482,183	1,965,745	96,247	55,968,894	1,359,399,600
2013	25,470,800	23,360,472	6,822,828	2,206,347	98,546	57,958,993	1,388,082,800
2014	25,844,497	24,635,194	7,645,920	2,447,054	96,690	60,669,355	1,445,408,100
2015	27,672,476	36,073,916	7,127,746	2,562,534	96,085	73,532,757	1,512,719,800
2016	28,968,384	38,935,957	7,448,325	2,800,584	101,813	78,255,063	1,596,568,250
2017	30,401,649	39,365,643	7,229,327	2,912,075	101,162	80,009,856	1,631,773,470
2018	34,017,273	40,528,022	7,465,999	3,014,654	102,358	85,128,306	1,644,471,741

*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)

	2009	2010	2011*	2012	2013	2014	2015	2016**	2017	2018
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	489,385	458,016	444,230	418,924	483,882	626,605	666,212	456,504
Unassigned	-	-	12,764,449	12,807,728	12,987,191	13,203,510	12,718,338	20,009,047	22,713,597	24,996,096
Reserved	266,473	556,401	-	-	-	-	-	-	-	-
Unreserved	<u>12,564,947</u>	<u>12,747,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	\$ <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>	<u>25,452,600</u>
All Other Governmental Funds										
Nonspendable	-	-	463,176	461,146	424,304	562,959	562,959	434,460	411,460	80,347
Restricted	-	-	16,727,528	17,198,370	16,924,753	17,578,956	16,468,996	15,742,316	25,226,913	50,110,197
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)	(21,213)
Reserved	\$ 17,239,307	17,615,379	-	-	-	-	-	-	-	-
Unreserved, Reported In:										
Special Revenue Funds	18,602,507	18,002,435	-	-	-	-	-	-	-	-
Capital Projects Funds	<u>(9,271,901)</u>	<u>(1,871,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	\$ <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>	<u>50,169,331</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)

Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016*	2017	2018
Revenues										
Taxes	\$ 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	85,128,306
Special Assessments	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	889,070
Licenses and Permits	810,916	871,264	944,702	968,947	1,028,880	974,690	1,525,191	1,873,080	1,647,100	2,065,644
Charges for Services	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	11,504,060
Fines, Forfeitures and Penalties	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	2,237,632
Interest	316,185	322,758	145,314	193,727	188,012	266,269	95,043	366,695	458,254	1,034,090
Intergovernmental	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	13,935,803
Reimbursements	375,161	138,393	449,094	335,350	472,548	675,165	1,577,236	4,130,660	1,529,769	1,622,723
Miscellaneous	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	1,084,214
Total Revenues	<u>82,752,496</u>	<u>97,707,388</u>	<u>91,453,620</u>	<u>93,717,357</u>	<u>93,213,089</u>	<u>99,859,392</u>	<u>103,285,178</u>	<u>113,372,599</u>	<u>116,615,032</u>	<u>119,501,542</u>
Expenditures										
General Government	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	23,162,939
Public Safety	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	44,127,910
Public Works	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	11,912,013
Health	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	1,123,941
Social Services	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	1,604,816
Culture and Recreation	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	11,662,354
Tourism	771,534	885,555	1,051,345	967,620	1,007,438	1,263,707	1,566,103	2,739,874	2,748,422	1,674,768
Airport	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	1,721,663
Capital Outlay	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	16,065,513
Debt Service:										
Principal Retirement	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	9,539,875
Interest and Fiscal Charges	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	3,687,136
Total Expenditures	<u>95,963,749</u>	<u>106,578,280</u>	<u>95,052,015</u>	<u>107,404,394</u>	<u>123,083,148</u>	<u>131,986,037</u>	<u>116,348,480</u>	<u>116,120,521</u>	<u>130,622,903</u>	<u>126,282,928</u>
Excess of Revenues over (under) Expenditures	<u>(13,211,253)</u>	<u>(8,870,892)</u>	<u>(3,598,395)</u>	<u>(13,687,037)</u>	<u>(29,870,059)</u>	<u>(32,126,645)</u>	<u>(13,063,302)</u>	<u>(2,747,922)</u>	<u>(14,007,871)</u>	<u>(6,781,386)</u>
Other Financing Sources (Uses)										
Transfers In	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	8,907,554
Transfers Out	(9,168,787)	(12,488,235)	(590,519)	(465,500)	(1,108,559)	(450,000)	(200,053)	(9,874,995)	(1,037,454)	(5,218,554)
Capital Lease Proceeds	-	-	-	-	-	-	-	244,260	1,064,200	-
Proceeds of General Obligation Bonds	3,250,000	11,895,000	3,895,000	11,190,000	4,405,000	41,455,000	9,450,000	-	35,034,000	-
Premium on General Obligation Bonds	-	-	-	404,633	-	3,136,301	426,956	-	2,036,462	-
Total Other Financing Sources (Uses)	<u>7,550,776</u>	<u>16,520,174</u>	<u>8,569,874</u>	<u>16,090,840</u>	<u>9,061,141</u>	<u>48,477,563</u>	<u>13,533,097</u>	<u>2,504,837</u>	<u>41,939,662</u>	<u>3,689,000</u>
Net Change in Fund Balances	<u>(5,660,477)</u>	<u>7,649,282</u>	<u>4,971,479</u>	<u>2,403,803</u>	<u>(20,808,918)</u>	<u>16,350,918</u>	<u>469,795</u>	<u>(243,085)</u>	<u>27,931,791</u>	<u>(3,092,386)</u>
Debt Service as a Percentage of Noncapital Expenditures	14.7%	21.4%	14.0%	18.6%	12.9%	13.0%	14.0%	13.6%	10.4%	13.4%

*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

Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value		
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%	26.697
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	66,426,085	852,323,227	7,232,729,346	11.8%	29.530
2013	810,265,700	7,056,749,570	21,615,031	94,744,293	24,426,177	74,018,718	856,306,908	7,225,512,581	11.9%	30.040
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%	31.470
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
2018	995,457,186	8,598,573,020	13,533,461	62,431,469	28,331,792	28,331,792	1,037,322,439	8,689,336,281	11.9%	33.278

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

Table 7

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates							Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Douglas County			School District			State of Kansas	
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
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	21.530	8.510	30.040	37.150	0.000	37.150	47.250	10.540	57.790	1.500	126.480
2014	22.970	8.500	31.470	40.950	0.060	41.010	45.540	10.210	55.750	1.500	129.730
2015	22.984	8.504	31.488	40.591	0.507	41.098	46.833	10.073	56.906	1.500	130.992
2016	23.514	8.504	32.018	43.583	0.509	44.092	43.860	9.500	53.360	1.500	130.970
2017	23.522	9.757	33.279	45.509	0.509	46.018	45.515	10.435	55.950	1.500	136.747
2018	23.968	9.310	33.278	45.507	0.508	46.015	43.506	10.921	54.427	1.500	135.220

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2018

Unaudited

Taxpayer	Type of Business	2018 Assessed Valuation	Rank	Percent of Total Assessed Valuation	2009 Assessed Valuation	Rank	Percent of Total Assessed Valuation
Westar Energy	Electric Utility	\$ 20,115,205	1	2.04 %	\$ 8,068,889	1	0.95 %
Walmart	Retail Outlet	6,223,610	2	0.63	5,438,110	2	0.64
Cherry Hill Properties LLC	Real Estate Management	5,806,315	3	0.59	—	—	—
ARC PRLAWKS001 LLC	Real Estate Management	5,541,126	4	0.56	—	—	—
HERE Lawrence Property Owner LLC	Real Estate Management	4,705,593	5	0.48	—	—	—
IREIT Lawrence Iowa Street LLC	Real Estate Management	4,266,601	6	0.43	—	—	—
Links at Kansas	Rental Apartments	4,147,000	7	0.42	—	—	—
Black Hills Corp	Public Utility	4,078,733	8	0.41	—	—	—
CH Realty VII/SH Lawrence Connection LLC	Real Estate	4,033,280	9	0.41	—	—	—
LMH Board of Trustees	Hospital/Health Care	4,012,500	10	0.41	—	—	—
Southwestern Bell	Telephone Utility	—	—	—	5,322,552	3	0.62
Packerware Corp	Plastics Manufacturer	—	—	—	4,777,935	4	0.56
Hallmark Cards	Card Manufacturer	—	—	—	4,334,070	5	0.51
Lawrence Paper Co.	Paper Manufacturer	—	—	—	4,101,255	6	0.48
Inland Western Lawrence	Retail Center	—	—	—	3,824,265	7	0.45
World Company	Media	—	—	—	3,015,125	8	0.35
Celliance	Biotechnology	—	—	—	2,948,125	9	0.35
Sauer Danfoss US Company	Manufacturer	—	—	—	2,935,485	10	0.34
		<u>\$ 62,929,963</u>		<u>6.39 %</u>	<u>\$ 44,765,811</u>		<u>5.24 %</u>

Source: Douglas County Clerk.

Table 9

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
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	25,358,111	98.45	336,580	25,694,691	99.76	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
2018	34,520,016	32,352,946	93.72	308,224	32,661,170	94.62	756,503	2.19

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

Table 10

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
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
2018	91,996,494	6,018,520	1,143,691	199,557,038	12,607,365	-	-	311,323,107	not available	3,031

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

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

Table 11

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
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
2018	100,736	1,037,322	101,410,000	10,706,264	90,703,736	8.74	900

(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.

Table 12

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2018

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct – City of Lawrence	\$ <u>101,410,000</u>	100 %	\$ <u>101,410,000</u>
Overlapping:			
Douglas County	18,405,000	74	13,619,700
Unified School District No. 497	<u>187,335,000</u>	86	<u>161,998,749</u>
	<u>205,740,000</u>		<u>175,618,449</u>
	\$ <u><u>307,150,000</u></u>		\$ <u><u>277,028,449</u></u>

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

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

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

Table 13

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>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>	<u>2018</u>
Total Assessed Valuation of Taxable Property	\$ 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	\$ 1,037,322,439
Debt Limit Percent of Assessed Value	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Debt Limit	277,949,841	277,499,695	278,590,681	277,486,123	279,780,545	285,424,059	287,437,339	298,776,963	306,895,189	311,196,732
Total net debt applicable to limit (includes temporary notes)	<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>	<u>107,410,000</u>
Legal Debt Margin	<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>	<u>\$ 203,786,732</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	34.74%	33.37%	33.57%	35.47%	43.99%	41.91%	37.83%	26.46%	34.24%	34.52%

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.

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses Less Depreciation</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
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	2,985,423	5,265,423	2.55
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
2018	51,106,079	23,596,806	27,509,273	7,305,000	6,687,187	13,992,187	1.97

Table 15

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
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	4,657,016,000	38,686	26.70	12,106	3.7
2016	97,948	4,567,016,000	38,686	26.70	11,969	3.5
2017	99,496	4,710,732,000	39,400	26.70	11,970	3.2
2018	100,736	not available	not available	27.50	12,051	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	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The University of Kansas	10,116	1	19.53%	9,872	1	16.25%
Lawrence Public Schools	2,015	2	3.89%	1,831	2	3.01%
LMH Health	1,450	3	2.80%	1,251	5	2.06%
General Dynamics Information Technology	1,100	4	2.12%	-	-	-
Hallmark Cards Inc.	900	5	1.74%	814	6	1.34%
City of Lawrence	849	6	1.64%	1,431	4	2.36%
Amarr Garage Doors	800	7	1.54%	480	8	0.79%
Berry Global	750	8	1.45%	-	-	-
Baker University	500	9	0.97%	-	-	-
DST Systems	405	10	0.78%	-	-	-
Douglas County	-	-	-	-	-	-
Vangent	-	-	-	1,500	3	2.47%
The World Company	-	-	-	680	7	1.12%
K-Mart Distribution	-	-	-	475	9	0.78%
DCCA Center	-	-	-	400	10	0.66%
Total	18,885		32.36%	18,734		29.34%

Sources: Lawrence Chamber of Commerce

Table 17

CITY OF LAWRENCE, KANSAS

Full Time Equivalent Employees by Function

Last Ten Fiscal Years

Unaudited

<u>Function/Program</u>	<u>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>	<u>2018</u>
General Government	89.83	77.59	76.59	77.10	78.10	88.80	84.50	115.70	97.30	97.80
Public Safety	321.00	319.00	319.00	324.00	327.00	328.00	328.00	330.00	331.00	332.00
Public Works	172.75	172.75	165.75	166.75	167.75	170.50	170.50	187.00	186.00	186.00
Culture & Recreation	71.78	70.78	68.78	68.78	68.78	79.28	79.28	81.00	78.28	79.28
Health	1.00	1.00	1.00	-	-	1.00	1.00	1.00	1.00	1.00
Social Services	-	-	-	-	-	-	-	3.60	2.70	2.70
Water & Sewer	<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>	<u>142.63</u>
Total	<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>839.40</u>	<u>841.40</u>

Source: City of Lawrence Budget Document

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire Protection										
Number of Firefighters and Officers	137	137	137	137	135	135	139	139	143	143
Number of Fire Calls Answered	1,864	1,982	1,958	1,970	1,970	1,979	2,200	2,220	2,220	2,220
Number of Medical Calls Answered	7,539	7,763	7,743	8,211	8,734	9,001	9,438	9,514	9,438	9,438
Number of Medical Transports	4,587	4,726	4,808	5,139	7,686	5,320	5,775	5,851	6,207	6,207
Number of Inspections Conducted	6,662	4,643	3,537	5,522	3,728	4,326	6,392	7,241	7,332	7,332
Police Protection										
Number of Commissioned Police Officers	142	142	147	150	154	154	155	153	154	154
Number of Full Time Civilians	35	33	33	33	33	33	33	33	28	28
Number of Calls for Service	107,314	115,383	112,647	112,464	121,599	115,398	107,478	100,142	95,708	95,702
Arrests Processed through County Jail	3,191	4,563	3,409	3,847	4,661	3,668	3,219	2,976	3,324	2,994
Officer Issued Traffic Violations	34,681	39,699	13,277	13,150	4,657	15,631	12,811	10,970	11,614	10,742
Officer Issued Parking Violations	99,091	85,958	29,680	11,882	12,986	37,292	10,988	10,754	10,534	8,826
Sewerage System										
Number of Service Connections	31,728	31,741	31,854	32,075	32,239	32,345	32,395	32,395	32,791	33,105
Actual Daily Average of Treatment in Million Gallons Daily	11	11	9	10	10	9	10	10	10	9
Water System										
Number of Service Connections	32,376	32,389	32,504	32,730	32,897	33,005	33,220	33,256	33,547	33,874
Daily Average Consumption in Million Gallons	10	10	11	12	11	10	10	11	10	11
Maximum Daily Capacity of Plant in Million Gallons	37	37	37	37	37	37	37	37	41	41

Sources: Various government departments

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Works										
Miles of Streets	319.6	321.3	323.2	323.2	333.6	339.2	356.9	362.9	365.23	367.19
Culture and Recreation										
Recreation Centers	5	5	4	4	4	7	7	7	7	7
Parks	52	52	54	54	54	56	56	56	56	56
Park Acreage	3,535	3,535	3,535	3,535	3,535	3,800	3,800	3,800	3,800	3,800
Tennis Courts	19	19	11	11	11	16	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	36	30	30	30	32	38	40	40	36
Sewerage System										
Miles of Sanitary Sewers	426	430	433	433	434	443	452	454	457	460
Number of Treatment Plants	1	1	1	1	1	1	1	1	2	2
Number of Lift Stations	33	34	34	34	33	31	31	31	32	32
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	444	452	455	475	499	516	520	523	556	565
Number of City owned Fire Hydrants	3,146	3,198	3,218	3,257	3,331	3,413	3,480	3531	3,599	3,646
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	227,503	224,781	229,777	229,777	229,777	188,867	201,400	207,500	198,257	204,146
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	16	15	14	14	14	14	14	14	14	14
Number of Public Elementary School Instructors	490	487	429	439	457	467	459	445	435	421
Number of Public Secondary Schools	6	6	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	368	362	465	475	485	499	495	476	456	460
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	173	173	173	173	174	174	174	174

Sources: Various government departments

City of Lawrence, Kansas

Continuing Disclosure Information (Unaudited)

Recent Developments

The largest permitted projects in 2019, as of May 17, 2019, are as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
Lawrence High School remodel and addition	\$44,463,425
West Middle School renovations	8,460,000
Bishop Seabury Academy addition	4,400,000
Liberty Memorial Central Middles School renovations	3,800,000
LMH Sterile Processing addition	3,000,000
Casey's General Store	2,500,000
Heritage Tractor	2,500,000
Hetrick Air Services, new airport hangar and business office	2,109,732
Single-Family Dwelling, 1710 Lake Alvamar Drive	1,239,734
Hawker II Clubhouse	1,166,200
New Office Building, 4913 Oread West Drive	1,150,000

The largest permitted projects in 2018 were as follows:

<u>Project Description</u>	<u>Construction Valuation</u>
LMH West new commercial structure	\$72,608,915
Collegiate at Lawrence, multi-family development	31,842,929
Lawrence Freestate High School addition and renovation	12,921,829
Hawker Apartments	10,324,800
Venture Park new warehouse shell building	6,500,000
Lawrence Humane Society	5,900,000
Fire Station #1 Addition and Remodel	5,493,715
Tommy Car Wash Systems	3,763,430
Southwest Middle School remodel	3,614,241
Plastikon Healthcare addition	4,800,000
Aldi demolition and reconstruction	2,500,000
Lawrence Memorial Hospital, HVAC upgrades	2,482,081
Old Chicago Pizza & Taproom	2,000,000
Panda Pediatrics addition and renovations	1,900,000
Santa Fe Station preservation project	1,759,584
South Middle School renovations	1,488,876
Dillons renovation, 1015 W 23rd Street	1,370,362
Residential new single family, 104 Wilderness Way	1,200,000
LMH Cath Lab Remodel	1,200,000
Free State Dental	1,044,000
Residential new single family, 125 N. Running Ridge Road	1,000,000
Residential new single family, 200 N. Running Ridge Road	1,000,000

Source: City of Lawrence, Planning and Development Services

Labor Force Data

	Annual Average				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Labor Force:					
City of Lawrence	51,712	52,222	52,444	52,326	66,068
Douglas County	64,754	65,273	65,556	65,199	66,068
State of Kansas	1,500,353	1,499,009	1,484,001	1,478,783	1,483,590
Unemployment Rate:					
City of Lawrence	4.0%	3.7%	3.6%	3.1%	2.7%
Douglas County	4.1	3.7	3.6	3.2	2.7
State of Kansas	4.5	4.2	4.2	3.6	3.5

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

Permits Issued by the City

Year	New Residential		New Commercial/Industrial		Total Value* (All Permits)
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2019 (to 5/17)	54	\$16,382,825	7	\$9,801,732	\$104,353,427
2018	285	99,343,420	14	\$99,478,244	\$276,589,268
2017	173	60,503,549	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, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, building alterations, etc.).

Source: City of Lawrence, Planning and Development Services

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, 2020
Local 1596 International Association of Firefighters	<u>112</u>	December 31, 2019
Subtotal	240	
Non-unionized employees	<u>616</u>	
Total full-time employees	856	

Source: City of Lawrence, Human Resources

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 33,874 customers, most of whom are located within the corporate limits of the City. Treated water service is also currently provided on a wholesale basis to six rural water districts (one of which is on an emergency need basis) and the City of Baldwin, Kansas. The water system is capable of drawing on both the Kansas River and the Clinton Reservoir for raw water.

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

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

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

The water utility service area is supplied from the Kaw Water Treatment Plant and the Clinton Water Treatment Plant. The Kaw Plant is a 16.0 million gallon per day (mgd) capacity water treatment plant located near the Kansas River at Third and Indiana Streets and has been in operation since 1917. The Clinton Plant is located near the Clinton Reservoir in the southwestern portion of the City and has been in operation since 1980. Subsequent expansions to the Clinton Plant in 2002, 2004, 2009, and to the raw water pump station in 2016 have increased that Plant’s original 10.0 mgd capacity to 25.0 mgd. The distribution system includes over 565 miles of water mains and 3,646 fire hydrants. The daily average volume of water treated was 11.3 mgd in 2018. The highest recorded amount of water treated was 24.6 mgd on July 6, 2012. The City uses conventional water treatment technology including lime softening, coagulation and filtration.

The Wastewater Utility

The wastewater utility provides exclusive service to virtually the same customers that are served by the water utility. The City's wastewater collection system includes over 460 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 2018 was approximately 8.7 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 (2) wastewater treatment plants as needed to meet changing operational needs. The project provides for future community growth, meets the regulatory requirements for wet weather treatment and nutrient removal, and increases system reliability and resiliency in transporting and treating wastewater without negatively impacting the community or the environment.

Capital Improvement Plan

The City's current 2019 capital improvement plan for the System includes approximately \$23.2 million of capital improvements through early 2019. The City currently expects to finance approximately \$21.8 million of this through the issuance of additional Parity Bonds, and approximately \$1.4 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 (2018):

<u>Customer Category</u>	<u>Water Usage (Thousand Gallons)</u>	<u>Amount</u>
Residential	1,850,099	\$ 12,642
Multifamily	363,809	2,025
Commercial	668,711	3,733
Industrial	446,698	1,922
Wholesale	<u>404,839</u>	<u>1,430</u>
Total	3,734,158	\$ 21,753

Historical Customers – Water

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

<u>Year</u>	<u>Average Number of Water Service Connections</u>			
	<u>Residential</u>	<u>Multifamily</u>	<u>Other</u>	<u>Total</u>
2018	30,851	632	2,391	33,874
2017	30,477	677	2,393	33,547
2016	30,029	848	2,379	33,256
2015	29,988	798	2,366	33,152
2014	29,862	807	2,334	33,003

<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>	
2018	1,850,099	363,809	668,711	446,698	404,839	3,734,158
2017	1,690,929	362,423	714,637	390,578	356,486	3,515,054
2016	1,731,312	346,903	690,292	139,651	553,750	3,461,908
2015	1,678,516	322,837	907,480	159,482	338,862	3,407,177
2014	1,727,411	322,304	614,996	159,250	821,537	3,645,498

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>
2018	33,105	8.7
2017	32,791	10.3
2016	32,395	10.5
2015	32,395	10.1
2014	33,003	9.0

Largest Customers

The top ten water consumers during 2018 are as follows:

<u>Customer</u>	<u>Water Sales Volume</u>	<u>% of Total</u>	<u>Water Revenues</u>	<u>% of Total</u>
Kansas University	266,006,500	6.86%	\$1,138,485.46	5.21%
City of Baldwin	196,047,200	5.06	688,893.67	3.15
Rural Water District #5	72,246,900	1.86	251,326.96	1.15
Rural Water District #4	46,500,600	1.20	159,865.22	0.73
Rural Water District #1	45,743,500	1.18	160,442.60	0.73
Packer Plastics	45,219,100	1.17	196,661.41	0.90
Eagle Bend Golf Course*	43,834,000	1.13	-	0.00
Westar Energy	42,119,600	1.09	195,744.56	0.90
Rural Water District #2	30,417,000	0.78	103,308.53	0.47
CH Realty/Lawrence Connection	26,369,800	0.68	139,881.13	0.64
Lawrence Memorial Hospital	26,022,400	0.67	127,573.90	0.58

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

Wholesale Contracts

The City has entered into wholesale contracts with the City of Baldwin, Kansas, and five other rural water districts in the State of Kansas for the sale of treated water. During 2018, the City of Baldwin, Kansas, comprised approximately 3.15% of the total water revenues and 5.06% of the total water sales volume of the System. The City's agreement with the City of Baldwin terminates in 2052. During 2018, Rural Water District #5 comprised approximately 1.15% of the total water revenues and 1.86% 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 are shown below.

Water Service Charges

Monthly volume charges for water service to water service customers, including residential units, institutions, business or industry served by a single water meter, except rural water districts and other municipalities, effective on and after November 15, 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 \$3.66 / 1,000 gallons effective as of November 15, 2018, 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	\$4.15
1	\$4.50	\$4.95
1 ½	\$5.15	\$5.70
2	\$7.15	\$7.90
3	\$21.55	\$23.70

Meter Size (Inches)	Inside City	Outside City
	Effective as of November 15, 2017	Effective as of November 15, 2017
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-sewered 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 position from the Water and Sewer Fund for the last five years. Water and sewage charges have shown steady growth during the period.

	2014	2015	2016	2017	2018
Revenues:					
Water and Sewer Charges	\$ 33,960,797	\$ 35,342,902	\$ 39,023,143	\$ 42,686,814	\$ 49,878,618
Other Revenues	170,178	266,066	210,842	243,656	338,716
Total Operating Revenues	<u>\$ 34,130,975</u>	<u>\$ 35,608,968</u>	<u>\$ 39,233,985</u>	<u>\$ 42,930,470</u>	<u>\$ 50,217,334</u>
Expenses:					
Administrative	\$ 4,853,111	\$ 5,295,449	\$ 4,652,769	\$ 4,722,002	\$ 5,551,977
Continuing operations	-	-	-	-	70
Operation & Maintenance	14,782,083	14,342,540	16,845,348	17,816,926	18,044,759
Depreciation & Amortization	6,444,168	6,665,565	7,096,578	7,554,469	8,980,757
Total Operating Expenses	<u>\$ 26,079,362</u>	<u>\$ 26,303,554</u>	<u>\$ 28,594,695</u>	<u>\$ 30,093,397</u>	<u>\$ 32,577,563</u>
Non-Operating Revenues (Expenses):					
Gain (Loss) on Sale	\$ 9,625	\$ 600	\$ 50,135	\$ 7,045	\$ 54,504
Interest Income	18,815	219,238	452,399	688,945	902,225
Interest Expense	(2,905,045)	(5,692,257)	(5,859,380)	(7,268,743)	(6,173,524)
Transfers	(3,215,017)	(3,084,896)	(3,084,896)	(3,084,000)	(3,085,000)
Reimbursements	216,330	416,156	263,610	573,898	406,556
Total Non-Operating	<u>\$ (5,875,292)</u>	<u>\$ (8,141,159)</u>	<u>\$ (8,178,132)</u>	<u>\$ (9,082,855)</u>	<u>\$ (7,895,239)</u>
Net income	\$ 2,176,321	\$ 1,164,255	\$ 2,461,158	\$ 3,754,218	\$ 9,744,532
Net Position January 1	142,443,888	144,620,209	139,322,828	141,783,986	145,612,712
Restatement	-	(6,461,636)	-	74,508	(1,480,723)
Net Position December 31	<u>\$ 144,620,209</u>	<u>\$ 139,322,828</u>	<u>\$ 141,783,986</u>	<u>\$ 145,612,712</u>	<u>\$ 153,876,521</u>