

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2014

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Mission Statement

MISSION

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

VALUES

In order to fulfill our mission, we have established several guidelines:

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.

WE WANT OUR CITIZENS, CLIENTS AND CUSTOMERS TO HAVE HIGH EXPECTATIONS OF GOVERNMENT SERVICE, AND WE WILL DO OUR BEST TO MEET AND EXCEED THOSE EXPECTATIONS.

CITY OF LAWRENCE, KANSAS

Table of Contents

	Page
INTRODUCTORY SECTION (UNAUDITED)	
Transmittal Letter	1
Organizational Chart	8
Principal Officials	9
Certificate of Achievement	10
FINANCIAL SECTION	
Independent Auditors Report	11
Management’s Discussion and Analysis	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements	
Balance Sheet –Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	28
Statement of Net Position– Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Statement of Assets and Liabilities – All Agency Funds	32
Combining Statement of Net Position – Discretely Presented Component Units	33
Combining Statement of Activities – Discretely Presented Component Units	34
Notes to Basic Financial Statements	35
Required Supplementary Information: Schedule of Funding Progress and Schedule of Employer Contributions	63
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Bond and Interest Fund	70
Guest Tax Special Revenue Fund	71
Library Special Revenue Fund	72
Transportation Special Revenue Fund	73
Recreation Special Revenue Fund	74
Special Alcohol Special Revenue Fund	75
Special Gas Tax Special Revenue Fund	76
Special Recreation Special Revenue Fund	77
Combining Statement of Net Position – Nonmajor Enterprise Funds	80

CITY OF LAWRENCE, KANSAS

Table of Contents, Continued

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds	81
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	82
Combining Statement of Net Position – Internal Service Funds	84
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	85
Combining Statement of Cash Flows – Internal Service Funds	86
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	88
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component – Last Ten Fiscal Years	93
Changes in Net Position – Last Ten Fiscal Years	94
General Government Tax Revenues by Source – Last Ten Fiscal Years	97
Fund Balances of Governmental Funds – Last Ten Fiscal Years	98
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	99
Assessed and Estimated Actual Value of Property – Last Ten Fiscal Years	100
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	101
Principal Taxpayers	102
Property Tax Levies and Collections – Last Ten Fiscal Years	103
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	105
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years	106
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds	107
Computation of Legal Debt Margin – Last Ten Fiscal Years	108
Revenue Bond Coverage – Water and Sewer Fund – Last Ten Fiscal Years	109
Demographic Statistics – Last Ten Fiscal Years	111
Principal Employers – Current Year and Nine Years Ago	112
Full Time Equivalent Employees by Function – Last Ten Fiscal Years	114
Operating Indicators by Function – Last Ten Fiscal Years	115
Capital Asset Statistics by Function – Last Ten Fiscal Years	116
SINGLE AUDIT SECTION	
Independent Auditor’s Report On Internal Control Over Financial Reporting On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With “Government Auditing Standards”	117
Independent Auditor’s Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133	119
Schedule of Expenditures Of Federal Awards	121
Schedule Of Findings And Questioned Costs	122

INTRODUCTORY SECTION

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City of Lawrence

DAVID L. CORLISS
CITY MANAGER

City Offices
PO Box 708 66044-0708
www.lawrenceks.org

6 East 6th St
785-832-3000
FAX 785-832-3405

CITY COMMISSION

MAYOR
MIKE AMYX

COMMISSIONERS
JEREMY FARMER
DR. TERRY RIORDAN
ROBERT J. SCHUMM
MICHAEL DEVER

May 5, 2015

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2014 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Mize Houser & Company PA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lawrence for the fiscal year ended December 31, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lawrence's financial statements for the year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



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

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

Profile of the City The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City is located thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 34.3 square miles and had an estimated population in 2014 of 94,586.

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

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

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

A number of study sessions are held throughout the year with city staff and the City Commissioners to discuss various elements of the budget. A goal setting session is held, giving the Commissioners an opportunity to determine priorities for the budget year. Staff in the various departments can then work toward accomplishment of those goals through their daily operations. In 2014, the City Commission goals were economic development, planned growth, community building, environment issues, neighborhood quality, transportation, downtown development, and service delivery.

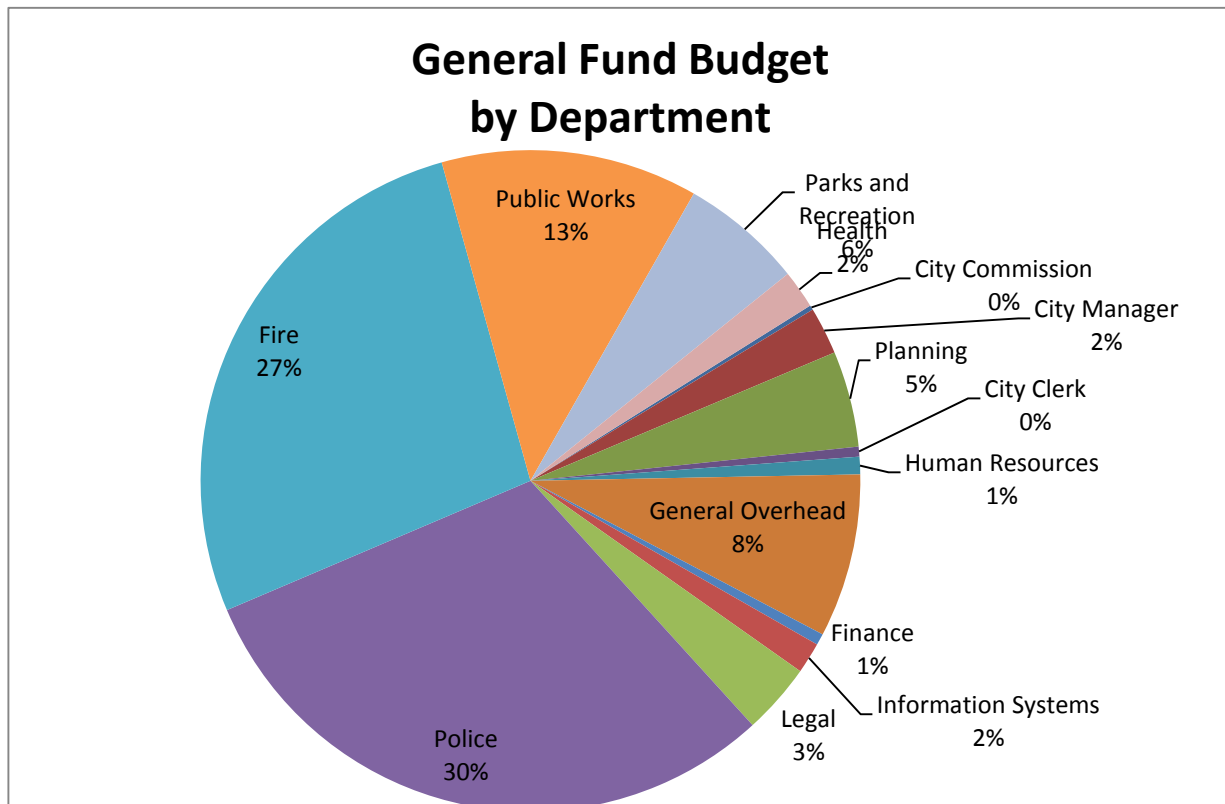
Other sessions are held to discuss the multi-year Capital Improvement Plan, to review Debt, and to provide the City Manager and staff with direction for allocation to contractual agencies.

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

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

The budget is then formatted into a printed document, reproduced and made available for the public. In addition to dollar amounts, this document contains narrative information on the purpose and mission, the accomplishments, goals and objectives, and performance indicators of each department and division.

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



Local Economy The local economy is varied and diverse, producing a wide variety of products and services. Approximately 20.7% of Lawrence’s employment is in the goods-producing industries, 15.2% in trade, transportation and utilities, 32.6% in service-providing industries, and 31.5% in government. Employment opportunities are provided by over 2000 local employers. Major employers include The University of Kansas, Lawrence Public Schools, General Dynamics, Lawrence Memorial Hospital, Berry Plastics, Hallmark Cards, Amarr Garage Doors, Douglas County and K-Mart.

The average unemployment of the Lawrence MSA in 2014 was 3.5% which is down from 4.1% in 2013. The total civilian labor force was 64,041 in December, 2014. The average annual unemployment rate for 2010, 2011, 2012 and 2013 was 6.2%, 5.1%, 5.3% and 4.1% respectively. The number of homes sold in Lawrence during 2014 was 1,059, just under the 1,061 in 2013. The median selling price for a home was \$167,000 during the year representing a 1.8% decrease over the \$170,000 median selling price in 2013.

Annual Average Lawrence MSA Employment by Sector

Sector	2013	2014	12-Month % Change
Civilian Labor Force	61.9	64.0	3.4%
Production Sectors	10.9	11.3	3.7%
Trade, Transportation, and Utilities	8.0	7.7	-3.9%
Service Sectors	17.2	17.1	-0.6%
Government	16.6	17.4	4.8%
Total Non-farm Employment	51.3	53.5	4.3%

Source: U.S Bureau of Labor Statistics, Economy at a Glance
 Number of persons, in thousands, not seasonally adjusted

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

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

Incentive Program		
Incentive Program	Description	Location
Tax Abatements	Amarr	3800 Greenway circle
	PROSOCO	3741 Greenway circle
	Screen-It Graphics/Grandstand	3840 Greenway Circle
	Rock Chalk Park	6100 Rock Chalk Drive
Industrial Revenue Bonds (IRB)	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd Street
	PROSOCO	3741 Greenway circle
	9th & New Hampshire--South Project	9th & New Hampshire
	Rock Chalk Park	Rock Chalk Drive & George Williams Way
	1101/1115 Indiana Street (Here Kansas)	1101/1115 Indiana Street
Neighborhood Revitalization Areas (NRA)	8th and Pennsylvania Street District	720 E 9th Street
	1040 Vermont (Treanor Headquarters)	1040 Vermont Street
	810/812 Pennsylvania (Cider Building)	810/812 Pennsylvania Street
	1106 Rhode Island Street (Hernly Associates)	1106 Rhode Island Street
	1101/1115 Indiana Street (Here Kansas)	1101/1115 Indiana Street
	900 Delaware Street (9 Del Lofts)	900 Delaware St
Tax Increment Financing (TIF)	Downtown 2000 District	9th & New Hampshire area
	Oread Project	1200 Oread Avenue
	9th & New Hampshire TIF District	SEC & NEC, 9th & New Hampshire
	901 New Hampshire (TIF Refund)	901 New Hampshire
Transportation Development Districts (TDD)	Free State (Bauer Farm)	NEC 6th & Wakarusa
	Oread Project	1200 Oread Avenue
	9th & New Hampshire District	SEC & NEC, 9th & New Hampshire

During 2014, Prosoco projected 50 net new positions and realized 69, and Grandstand projected 70 net new positions and realized 97.

Within the first two years of operation, the Bioscience and Technology Business Center (BTBC) on the University of Kansas' West Campus reached 100% capacity. BTBC Phase II: Development of land adjacent to the BTBC is currently planned to become Phase II of the Main Facility, adding 31,000 square feet of tenant space (wet laboratory and office space). In order to raise the necessary capital for the \$10 million project, the City and County took the lead by making a \$1 million commitment each to this expansion. The combined \$2 million was used to leverage additional funding from BTBC stakeholder partners.

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

community, and improving transportation. Several actions were taken in 2014 to promote economic development.

An \$18-million expansion and renovation of the Lawrence Public Library was completed. The expansion will increase the size of the library and provide for additional parking to the public. Construction of the 91 room Marriott Towne Place hotel also was completed in 2013 at 9th and New Hampshire. Construction has begun on completing the South Lawrence Trafficway. The \$182 million project will create a bypass around the southern area of the City and is being funded by the State of Kansas.

The Sports Pavilion of Lawrence was completed in 2014. The \$22.5 million, 181,000 square feet, facility includes 8 basketball courts, 16 volleyball courts, a 1/8 mile indoor track, cardio area, and meeting rooms. The facility is located adjacent to the University of Kansas' new track and field operation.

Long Term Planning As Lawrence continues to experience moderate growth the need to build new infrastructure has lessened, but the need to maintain existing streets and storm sewers remains very important. The city saw a slight decrease in construction activity in 2014, primarily due to fewer single-family homes than the previous year. Unemployment has slightly decreased, and remains below both the state and national averages.

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

The City Commission has adopted a capital improvement plan for the voter approved sales tax for infrastructure. The plan includes approximately \$29 million in projects. A master plan to determine the improvements needed for the water and sanitary sewer systems has also been approved. The plan identified specific capital projects and will be the basis for future rate calculations.

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

Relevant Policy Changes The City implemented GASB 63 for the 2013 fiscal year's financial reports. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under this new standard, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report *net position* instead of net assets.

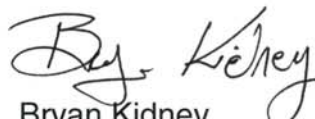
Awards and Acknowledgements The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2013. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

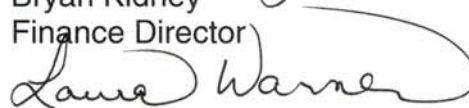
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2014 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

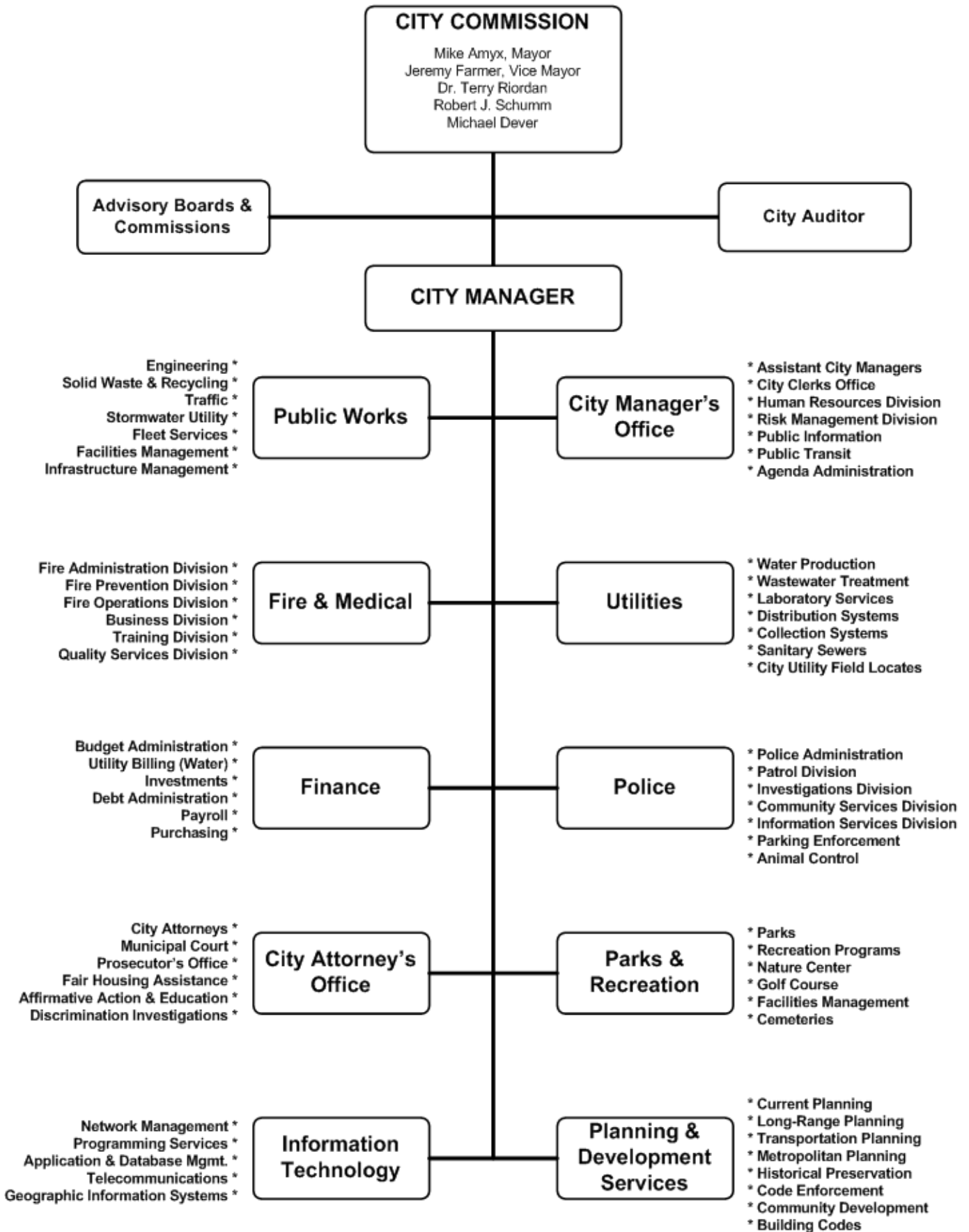


Bryan Kidney
Finance Director



Laura Warner
Accountant

CITY OF LAWRENCE, KANSAS



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2014

Title	Name
Mayor	Mike Amyx
Vice Mayor	Jeremy Farmer
Commission Member	Michael Dever
Commission Member	Dr. Terry Riordan
Commission Member	Robert J. Schumm
City Manager	David Corliss
Assistant City Manager	Casey Toomay
Assistant City Manager	Diane Stoddard
City Clerk	Brandon McGuire
Finance Director (Interim)	Casey Toomay
Fire Chief	Mark Bradford
Information Technology Director	James Wisdom
City Attorney	Toni Wheeler
Parks & Recreation Director (Interim)	Ernie Shaw
Planning and Development Services	Scott McCullough
Police Chief	Tarik Khatib
Public Works Director	Charles Soules
Utilities Director	Dave Wagner



Government Finance Officers Association

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

Presented to

**City of Lawrence
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Mayor and City Commission
City of Lawrence, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2014, 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 Memorial Hospital which statements reflect total assets of \$276,237,912 as of December 31, 2014 and total expenses of \$178,832,824 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$20,197,530 as of December 31, 2014 and total expenses of \$8,541,691 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority is 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Accounting and Audit Guide*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lawrence Memorial Hospital and the Lawrence Public Library were not audited in accordance with *Government Auditing Standards*.

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

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

www.mizehouser.com ■ mhco@mizehouser.com

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

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 20 and the schedule of funding progress on page 63 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 financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with "Government Auditing Standards," we have also issued our report dated May 5, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mize Houser & Company PA

Certified Public Accountants

Lawrence, Kansas
May 5, 2015

Management's Discussion and Analysis

As management of the City of Lawrence, Kansas, we offer readers of the financial statements an overview and analysis of the financial activities of the City of Lawrence for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

Financial Highlights

- The assets and deferred outflows of the City of Lawrence exceeded its liabilities and deferred inflows at the end of 2014 by \$386,150,165. Of this amount, \$65,854,761 may be used to meet the government's ongoing obligations.
- The City's net position increased by over \$14.8 million due in part to a premium received on bond issue Series 2014A and 2014B as well as increases in general revenues and contributions.
- As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$47,068,329, an increase of \$16.4 million in comparison with the prior year. Most of this increase occurred as the result of the permanent financing of construction related expenses of the new library and recreation center in the capital projects fund.
- At the end of 2014, the City's unassigned general fund balance was \$13,203,510 or 22.3% of total general fund expenditures and an increase of \$216,319 from 2013.
- The City's total long term debt increased by nearly \$28 million during the year. The city issued \$43.5 million in tax exempt general obligation bonds for paying the costs of certain street, building, traffic signal and other improvements, including an expansion to the library and associated parking and a new recreation center. The City also issued \$59.9 million of bond anticipation notes for the purpose of temporarily financing the costs of improvements to the water and sanitary sewer system. In addition, the city issued \$19 million in bond anticipation notes to temporarily finance certain street, building, traffic signal and other improvements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

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

	Governmental		Business-type		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other Assets	\$ 140,927	\$ 115,024	\$ 79,243	\$ 80,062	\$ 220,170	\$ 195,086
Capital Assets	<u>224,562</u>	<u>258,418</u>	<u>207,051</u>	<u>234,863</u>	<u>431,613</u>	<u>493,281</u>
Total Assets	<u>\$ 365,489</u>	<u>\$ 373,442</u>	<u>\$ 286,294</u>	<u>\$ 314,925</u>	<u>\$ 651,783</u>	<u>\$ 688,367</u>
Other Liabilities	\$ 65,858	\$ 26,501	\$ 40,701	\$ 70,999	\$ 106,559	\$ 97,500
Long term Liabilities	<u>68,819</u>	<u>101,654</u>	<u>79,281</u>	<u>75,653</u>	<u>148,100</u>	<u>177,307</u>
Total Liabilities	<u>\$ 134,677</u>	<u>\$ 128,155</u>	<u>\$ 119,982</u>	<u>\$ 146,652</u>	<u>\$ 254,659</u>	<u>\$ 274,807</u>
Deferred Inflows	<u>\$ 25,757</u>	<u>\$ 27,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,757</u>	<u>\$ 27,410</u>
Net Position:						
Capital Assets Net of Debt	\$ 142,466	\$ 153,651	\$ 135,413	\$ 142,129	\$ 277,879	\$ 295,780
Restricted	27,610	24,515	-	-	27,610	24,515
Unrestricted	<u>34,980</u>	<u>39,711</u>	<u>30,900</u>	<u>26,144</u>	<u>65,880</u>	<u>65,855</u>
Total Net Position	<u>\$ 205,056</u>	<u>\$ 217,877</u>	<u>\$ 166,313</u>	<u>\$ 168,273</u>	<u>\$ 371,369</u>	<u>\$ 386,150</u>

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

As of the end of 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The deferred inflows in the governmental funds represent taxes that are receivable in the subsequent year.

There was an increase in net position for the governmental type funds due in large part to an increase in capital assets. Capital assets increased by over \$62.0 million due to the construction of the new library and recreation center. The decrease in governmental other liabilities was the result of the issuing of general obligation notes to replace the \$55.5 million in bond anticipation notes issued in 2013. The increase in long term government liabilities was the result of the issuance of \$41.5 million in general obligation bonds less the retirement of \$9.3 million in general obligation bonds from governmental type sources. A total \$9.8 million of the general obligation bonds are payable from Business-type activities.

There was also an increase in net position reported in connection with the business-type activities. The Water and Sewer Fund had an increase in net position of \$2.1 million from operations. The other business-type activities reported combined decreases in net position of slightly more than \$125,000. Current assets increased because of unspent proceeds from the \$59.9 million note issue to temporarily finance capital projects. Other liabilities increased due to the issuance of the temporary notes.

Overall, the City's net position increased by \$14,781,558 during 2014. Operating grants increased from the prior due to a premium on general obligation bonds issued if \$3.1 million. The issue was resized and the premium allocated to construction costs. Revenues in the Water and Sewer Fund increased by \$1.9 million from the prior year due to rate increases. The Water and Sewer is responsible for retiring \$5.9 million in general obligation debt., The Sanitation Fund is responsible for retiring \$2 million in general obligation debt. The Storm Water Utility is responsible for retiring \$1.9 million in general obligation debt. A more complete analysis of the changes in the City's net position is shown below.

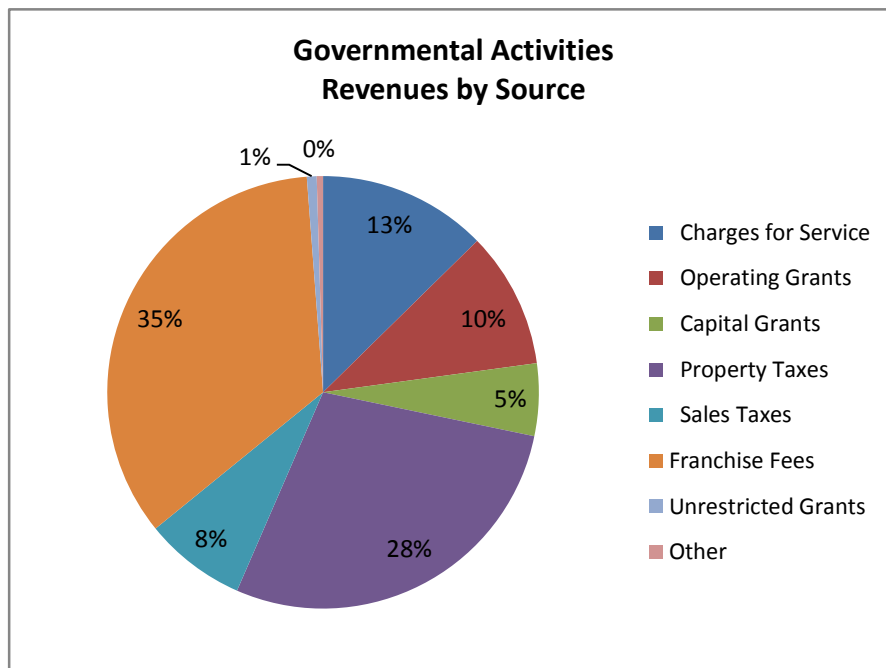
City of Lawrence's Changes in Net Position
(000's)

	Governmental		Business-type		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 12,212	\$ 12,716	\$ 47,951	\$ 50,554	\$ 60,163	\$ 63,270
Operating Grants	9,632	10,229	-	-	9,632	10,229
Capital Grants	413	5,433	-	-	413	5,433
General Revenues:						
Property Taxes	27,775	28,388	-	-	27,775	28,388
Sales Taxes	32,645	34,791	-	-	32,645	34,791
Franchise Fees	6,823	7,646	-	-	6,823	7,646
Unrestricted Grants	689	732	-	-	689	732
Other	340	479	1,011	823	1,351	1,302
Total	<u>90,529</u>	<u>100,414</u>	<u>48,962</u>	<u>51,377</u>	<u>139,491</u>	<u>151,791</u>
Expenses						
General Government	24,460	27,277	-	-	24,460	27,277
Public Safety	31,661	33,404	-	-	31,661	33,404
Public Works	22,043	14,560	-	-	22,043	14,560
Social Services	2,130	1,319	-	-	2,130	1,319
Recreation	9,474	9,747	-	-	9,474	9,747
Health	1,215	1,309	-	-	1,215	1,309
Interest on Debt	1,494	3,860	-	-	1,494	3,860
Water and Sewer	-	-	28,303	29,021	28,303	29,021
Sanitation	-	-	9,797	12,175	9,797	12,175
Public Parking	-	-	1,399	1,498	1,399	1,498
Storm Water	-	-	1,785	1,865	1,785	1,865
Golf	-	-	931	974	931	974
Total expenses	<u>92,477</u>	<u>91,476</u>	<u>42,215</u>	<u>45,533</u>	<u>134,692</u>	<u>137,009</u>
Excess [deficiency]	(1,948)	8,938	6,747	5,844	4,799	14,782
Transfers	<u>4,653</u>	<u>3,883</u>	<u>[4,653]</u>	<u>[3,883]</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,705	12,821	2,094	1,961	4,799	14,782
Beginning Net Position	<u>202,351</u>	<u>205,056</u>	<u>164,218</u>	<u>166,312</u>	<u>366,569</u>	<u>371,368</u>
Ending Net Position	<u>\$ 205,056</u>	<u>\$ 217,877</u>	<u>\$ 166,312</u>	<u>\$ 168,273</u>	<u>\$ 371,368</u>	<u>\$ 386,150</u>

Governmental funds. Governmental funds increased the City’s net position by \$16,350,918 during the year. Key elements of governmental activities during the year are as follows.

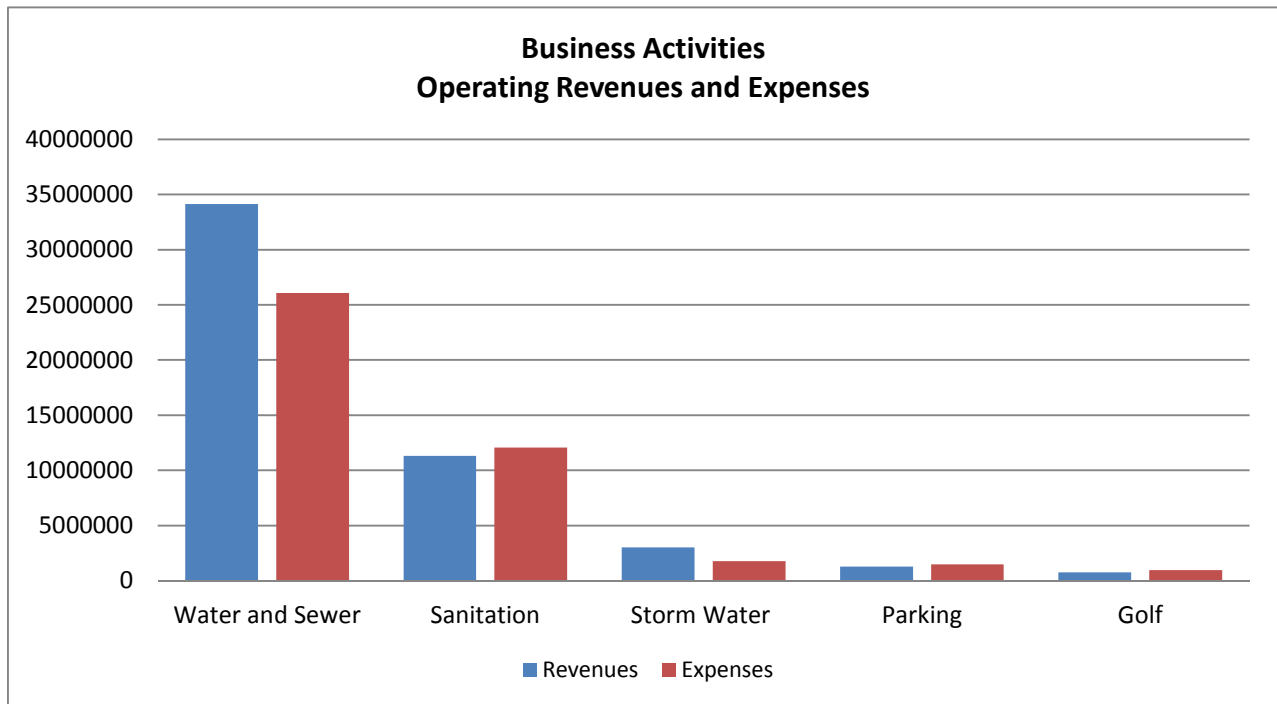
Total governmental revenues increased by \$9.9 million in 2014. Charges for services increased primarily because of greater court fines. Property taxes revenue increased by \$0.6 million because of slight increases in assessed valuations and mill levy. Sales tax revenue increased by 6.6% due to increased sales. Franchise fees increased by 12% because of higher electricity rates and greater natural gas revenue due to colder than normal winter weather at the beginning of the year.

Expenses for governmental purposes increased 3.4%. General government expenses increased largely due to increased salary and pension costs. Non-represented employees were eligible for merit increases funded by a 1.0% pool. Public safety expenses increased 5.2% because of increased equipment and an increase in pension costs. Public Works expenses increased due to \$3.7 million in capital related architectural and engineering expenses and the expenditure of nearly \$400,000 more for road improvements from the general fund.



Business-type activities. Business-type activities increased the City’s net position by \$1,961,476. The Water and Sewer Fund, Sanitation, and Storm Water Funds experienced positive changes in net position while the Public Parking and Golf Course Fund experienced a reduction. The key elements of the changes in net position are as follows:

- Positive change in net position in the Water and Sewer Fund equaling \$2.1 million due to increases in water and sewer rates for 2014.
- Positive net income in the Storm Water Fund equaling \$669,000 due to lower expenses. Storm water fees were not changed in 2014.
- Program revenue increased due to higher water sales from a dryer summer than 2013 increasing demand for water.



Financial Analysis of the Government's Funds

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

- As of December 31, 2014, the City of Lawrence's governmental funds reported combined ending fund balances of \$47,068,329, an increase of \$16,350,918 from the prior year.

The General Fund is the primary operating fund of the City. At the end of 2014, unassigned general fund balance totaled \$13,203,510, while total general fund balance was \$13,622,434. Unassigned general fund balance represents 22.3% of total general fund expenditures, within the 15-30% range established by the City Commission's adopted fund balance policy.

The City of Lawrence adopts its budget on a fund basis. The 2014 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category was more than the budgeted amount with the exception of interest, charges for services and reimbursements. Expenditure adjustments between programs and line items were significant since departments were directed to reduce spending.

Key factors affecting the general fund balance are as follows:

- An increase of 6% in general fund expenditures, driven by compensation increases for public safety employees, increased pension contributions, and additional public safety personnel.
- A 7.88% increase in property taxes, or approximately \$1.2 million, due to a 0.92 increase in the mill levy.
- A 12.1% increase in franchise revenue due to increases in electricity rates and higher natural gas franchise fees because of an extremely cold winter. Natural gas franchise fees are based upon the volume of gas sold.

The debt service fund has a total fund balance of \$10,674,909, all of which is restricted for debt service. The amounts of debt payments are projected to increase in the near future to finance the construction of a new voter approved library.

Proprietary funds. The City's proprietary funds 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 totaled \$16,616,592 at the end of 2014. The unrestricted net position of the Sanitation Fund amounted to \$3,069,590 at the end of 2014. The change in net position for the Water and Sewer Fund was \$2,176,321. The Sanitation Fund had a decrease in net position of \$401,911. This is primarily due to startup costs related to a new recycling program instituted in 2014.

Capital Asset and Debt Administration

Capital assets. The City's investments in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$493,280,758 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 14.3%. (For additional information on the city's capital assets please read Note 8)

Major capital asset additions during the year included the following:

- Library expansion and parking garage \$18,713,540
- New recreation center 11,354,412

City of Lawrence's Capital Assets
(net of depreciation)
(000's)

	Governmental		Business-type		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 16,423	\$ 16,423	\$ 6,483	\$ 6,811	\$ 22,906	\$ 23,234
Buildings	27,688	55,718	66,947	64,948	94,635	120,666
Improvements	17,912	17,077	118,352	119,236	136,264	136,313
Equipment	12,101	12,140	5,370	6,284	17,471	18,424
Infrastructure	124,502	126,252	-	-	124,502	126,252
Construction in Progress	<u>25,936</u>	<u>30,808</u>	<u>9,899</u>	<u>37,584</u>	<u>35,835</u>	<u>68,392</u>
Total	<u>\$ 224,562</u>	<u>\$ 258,418</u>	<u>\$ 207,051</u>	<u>\$ 234,863</u>	<u>\$ 431,613</u>	<u>\$ 493,281</u>

Long-term debt. At the end of 2014, the City of Lawrence had total bonded debt outstanding of \$162,926,688. Of this amount, \$100,595,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the bonded debt represents bonds secured solely by revenue generated by the Water and Sewer utility (revenue bonds). In addition, the City had \$18,301,688 due in accordance with the State Revolving Loan Fund (SRF) program for wastewater projects. (For additional information on the city's debt please read Note 7)

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

	Governmental		Business-type		Total	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
General Obligation	\$ 58,984	\$ 90,795	\$ 8,997	\$ 9,800	\$ 67,981	\$ 100,595
Revenue	-	-	46,390	44,030	46,390	44,030
SRF	-	-	<u>20,577</u>	<u>18,302</u>	<u>20,577</u>	<u>18,302</u>
Total	<u>\$ 58,984</u>	<u>\$ 90,795</u>	<u>\$ 75,964</u>	<u>\$ 72,132</u>	<u>\$ 134,948</u>	<u>\$ 162,927</u>

The City's total outstanding bonded debt increased \$28 million during the year. In governmental activities, \$41.4 million in general obligation bonds was issued while \$9.2 million was retired. The general obligation bonds were issued to construct a new recreation facility, a major library expansion and various street and other improvements. In business-type activities, \$5.9 million in debt was retired with storm water revenue and water and sewer revenue. \$2 million in general obligation was issued to finance equipment purchases in the sanitation fund.

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, 2014 the debt limitation for the City of Lawrence was \$285,424,059, which is significantly in excess of the \$119,625,000 in general obligation debt the City had outstanding as of December 31, 2014.

Economic Factors and 2014 Budget

The average unemployment rate for Lawrence MSA in 2014 was 3.5%, a decrease of .6% from the previous year. This is below the 2014 State average of 4.0%. The City experienced an increase of 2.0% in its assessed valuation in 2014. The 2014 assessed valuation is used to fund the 2014 budget. The City continued to work on the environmental clean-up of the Farmland property through expenditures of \$647,514.

It is expected that projected revenues will exceed projected expenditures by approximately \$351,000 in the General Fund in 2015. Revenues are projected to be \$115,000 above budget. The 2015 budget includes a property tax increase of 1.23 mills for general operating expenses. Because of signs of increased retail activity during the time the 2015 budget was being developed, the budget incorporated a 2.0% increase in sales tax. Other major revenue sources had smaller increases. A total of seventeen new positions were included in the 2015 budget. A 1.50% cost of living increases was provided for represented employees.

The City Commission approved a 6.0% increase in the rate charged for water and 3.0 % increase wastewater rates. There was an increase in \$2.81 per month in residential sanitation rates effective in October 2014 to fund the new curbside recycling program.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF LAWRENCE, KANSAS

Statement of Net Position
December 31, 2014

Assets and Deferred Outflows of Resources	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 28,511,297	16,861,442	45,372,739	24,049,853
Investments	49,542,793	53,502,981	103,045,774	114,386,073
Receivables (net of allowance of \$118,059)	39,827,081	3,438,678	43,265,759	30,817,495
Internal balances	(4,021,653)	4,021,653	—	—
Inventories	282,998	1,802,907	2,085,905	3,664,004
Prepaid items	—	434,653	434,653	5,829,178
Due from other agency fund	881,000	—	881,000	—
Other assets	—	—	—	807,436
Capital assets (Net)				
Land and construction in progress	47,230,803	44,394,950	91,625,753	1,471,940
Other capital assets, net of depreciation	211,186,969	190,468,036	401,655,005	118,947,290
Total assets	<u>373,441,288</u>	<u>314,925,300</u>	<u>688,366,588</u>	<u>299,973,269</u>
Deferred Outflows of Resources:				
Deferred amount on refunding	—	—	—	540,591
Total assets and deferred outflows of resources	<u>\$ 373,441,288</u>	<u>314,925,300</u>	<u>688,366,588</u>	<u>300,513,860</u>
Liabilities and Deferred Inflows of Resources				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,173,950	10,124,232	17,298,182	20,113,750
Temporary notes payable	19,326,714	60,874,573	80,201,287	—
Long-term liabilities				
Due within one year	13,421,677	7,359,276	20,780,953	2,595,000
Due in more than one year	88,232,409	68,293,265	156,525,674	60,525,467
Total liabilities	<u>128,154,750</u>	<u>146,651,346</u>	<u>274,806,096</u>	<u>83,234,217</u>
Deferred inflows of resources:				
Deferred revenue	27,410,327	—	27,410,327	—
Total liabilities and deferred outflows of resources	<u>\$ 155,565,077</u>	<u>146,651,346</u>	<u>302,216,423</u>	<u>83,234,217</u>
Net Position				
Invested in capital assets, net of debt	\$ 153,650,856	142,129,630	295,780,486	56,646,617
Restricted for:				
Debt service	17,047,912	—	17,047,912	1,489,997
Improvements	6,904,047	—	6,904,047	2,860,175
Other purposes	562,959	—	562,959	—
Unrestricted	39,710,437	26,144,324	65,854,761	156,282,854
Total net position	<u>\$ 217,876,211</u>	<u>168,273,954</u>	<u>386,150,165</u>	<u>217,279,643</u>

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

CITY OF LAWRENCE, KANSAS

Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 26,010,819	8,990,118	3,638,135	—	(13,382,566)	—	(13,382,566)	—
Public safety	33,175,448	563,446	108,990	53,830	(32,449,182)	—	(32,449,182)	—
Public works	14,560,490	55,691	2,692,712	4,081,260	(7,730,827)	—	(7,730,827)	—
Health	1,308,714	343,099	—	—	(965,615)	—	(965,615)	—
Social services	1,319,214	162,824	1,645,940	—	489,550	—	489,550	—
Culture and recreation	9,746,664	2,590,218	687,781	1,067,131	(5,401,534)	—	(5,401,534)	—
Tourism	1,266,137	—	1,455,692	16,000	205,555	—	205,555	—
Airport	229,161	10,163	—	—	(218,998)	—	(218,998)	—
Interest on long-term debt	3,860,258	—	—	214,830	(3,645,428)	—	(3,645,428)	—
Total governmental activities	<u>91,476,905</u>	<u>12,715,559</u>	<u>10,229,250</u>	<u>5,433,051</u>	<u>(63,099,045)</u>	<u>—</u>	<u>(63,099,045)</u>	<u>—</u>
Business-type activities:								
Water & sewer	29,021,550	34,130,975	—	—	—	5,109,425	5,109,425	—
Sanitation	12,174,577	11,325,772	—	—	—	(848,805)	(848,805)	—
Parking	1,498,150	1,287,303	—	—	—	(210,847)	(210,847)	—
Stormwater	1,864,838	3,036,886	—	—	—	1,172,048	1,172,048	—
Golf course	973,740	772,843	—	—	—	(200,897)	(200,897)	—
Total business-type activities	<u>45,532,855</u>	<u>50,553,779</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,020,924</u>	<u>5,020,924</u>	<u>—</u>
Total primary government	<u>\$ 137,009,760</u>	<u>63,269,338</u>	<u>10,229,250</u>	<u>5,433,051</u>	<u>(63,099,045)</u>	<u>5,020,924</u>	<u>(58,078,121)</u>	<u>—</u>
Component units:								
Lawrence Housing Authority	\$ 8,541,691	8,444,760	—	325,568	—	—	—	228,637
Lawrence Memorial Hospital	178,832,824	188,287,708	—	271,149	—	—	—	9,726,033
Lawrence Public Library	4,235,392	184,337	1,199,458	—	—	—	—	(2,851,597)
Total component units	<u>\$ 191,609,907</u>	<u>196,916,805</u>	<u>1,199,458</u>	<u>596,717</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,103,073</u>
General Revenues								
Taxes								
Property taxes, levied for general purposes					20,396,296	—	20,396,296	—
Property taxes, levied for debt service					7,991,945	—	7,991,945	—
Franchise taxes					7,645,920	—	7,645,920	—
Sales taxes					34,791,050	—	34,791,050	—
Grants and contributions not restricted to specific programs					732,100	—	732,100	—
Unrestricted investment earnings					223,756	26,824	250,580	2,215,325
Miscellaneous					255,075	796,713	1,051,788	3,388,579
Transfers					3,882,985	(3,882,985)	—	—
Total general revenues and transfers					<u>75,919,127</u>	<u>(3,059,448)</u>	<u>72,859,679</u>	<u>5,603,904</u>
Change in net position					<u>12,820,082</u>	<u>1,961,476</u>	<u>14,781,558</u>	<u>12,706,977</u>
Net position-beginning, as restated					<u>205,056,129</u>	<u>166,312,478</u>	<u>371,368,607</u>	<u>204,572,666</u>
Net position-ending					<u>\$ 217,876,211</u>	<u>168,273,954</u>	<u>386,150,165</u>	<u>217,279,643</u>

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

CITY OF LAWRENCE, KANSAS

Balance Sheet
Governmental Funds
December 31, 2014

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 2,074,568	1,714,379	191,884	15,678,118	19,658,949
Investments	10,012,242	9,528,642	5,499,712	14,500,634	39,541,230
Receivables:					
Taxes	15,496,394	6,867,601	—	3,028,271	25,392,266
Special assessments	—	7,953,002	—	—	7,953,002
Intergovernmental	2,979,275	—	—	734,617	3,713,892
Accounts (net of allowance of \$4,166)	859,104	37,100	—	29,446	925,650
Franchise fees	871,825	—	—	—	871,825
Loans	—	—	—	539,959	539,959
Accrued interest	13,845	4,066	8,269	23,282	49,462
Due from other funds	1,609,000	—	—	—	1,609,000
Restricted assets:					
Cash	—	—	—	1,855,313	1,855,313
Investments	—	—	—	5,002,491	5,002,491
Total assets	\$ 33,916,253	26,104,790	5,699,865	41,392,131	107,113,039
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,561,905	—	330,985	516,968	2,409,858
Accrued payroll	1,957,246	—	—	291,936	2,249,182
Due to other funds	—	—	—	589,000	589,000
Unamortized premium	—	—	296,715	—	296,715
Temporary notes payable	—	—	19,030,000	—	19,030,000
Total liabilities	3,519,151	—	19,657,700	1,397,904	24,574,755
Deferred inflows of resources:					
Unavailable revenue	16,774,668	15,429,881	—	3,265,406	35,469,955
Total liabilities and deferred inflows of resources	20,293,819	15,429,881	19,657,700	4,663,310	60,044,710
Fund balances:					
Nonspendable	—	—	—	562,959	562,959
Restricted	—	10,674,909	—	6,904,047	17,578,956
Assigned	418,924	—	—	29,326,657	29,745,581
Unassigned	13,203,510	—	(13,957,835)	(64,842)	(819,167)
Total fund balances	13,622,434	10,674,909	(13,957,835)	36,728,821	47,068,329
Total liabilities, deferred inflows of resources and fund balances	\$ 33,916,253	26,104,790	5,699,865	41,392,131	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	258,016,795
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,059,628
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	7,849,568
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(103,118,109)

Net assets of governmental activities \$ 217,876,211

The notes to the basic 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, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 35,438,348	7,991,945	—	17,239,062	60,669,355
Special assessments	—	2,735,676	—	—	2,735,676
Licenses and permits	974,690	—	—	—	974,690
Charges for services	4,609,303	—	—	2,375,445	6,984,748
Fines, forfeitures and penalties	3,177,454	—	—	99,648	3,277,102
Interest	98,659	39,434	14,285	113,891	266,269
Intergovernmental	11,335,239	—	53,963	10,479,025	21,868,227
Reimbursements	18,941	—	656,224	—	675,165
Miscellaneous	420,727	177,595	—	1,809,838	2,408,160
Total revenues	56,073,361	10,944,650	724,472	32,116,909	99,859,392
Expenditures:					
Current expenditures:					
General government	16,187,072	—	—	9,160,558	25,347,630
Public safety	31,698,306	—	—	809,943	32,508,249
Public works	6,115,574	—	—	2,294,953	8,410,527
Health	999,112	—	—	309,919	1,309,031
Social services	—	—	—	681,297	681,297
Culture and recreation	3,264,842	—	—	5,913,704	9,178,546
Tourism	—	—	—	1,263,707	1,263,707
Airport	194,405	—	—	—	194,405
Capital outlay	629,178	—	31,000,745	9,935,617	41,565,540
Debt service:					
Principal retirement	—	8,106,321	—	1,167,160	9,273,481
Interest and fiscal charges	—	1,822,819	345,277	85,528	2,253,624
Total expenditures	59,088,489	9,929,140	31,346,022	31,622,386	131,986,037
Excess (deficiency) of revenues over (under) expenditures	(3,015,128)	1,015,510	(30,621,550)	494,523	(32,126,645)
Other financing sources (uses):					
Transfers in	3,656,141	—	—	680,121	4,336,262
Transfers (out)	(450,000)	—	—	—	(450,000)
Issuance of general obligation bonds	—	—	41,455,000	—	41,455,000
Premium on general obligation bonds	—	—	3,136,301	—	3,136,301
Total other financing sources (uses)	3,206,141	—	44,591,301	680,121	48,477,563
Net changes in fund balances	191,013	1,015,510	13,969,751	1,174,644	16,350,918
Fund balance, beginning of year, as restated	13,431,421	9,659,399	(27,927,586)	35,554,177	30,717,411
Fund balance, end of year	\$ 13,622,434	10,674,909	(13,957,835)	36,728,821	47,068,329

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

CITY OF LAWRENCE, KANSAS

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2014**

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

Net changes in fund balances - total governmental funds	\$ 16,350,918
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	33,887,308
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,584,414)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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.	(32,181,519)
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.	(2,306,673)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(345,538)</u>
Change in net position of governmental activities	\$ <u><u>12,820,082</u></u>

The notes to the basic 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, 2014
(With Comparative Actual Amounts for 2013)

	2014		Actual	Variance Positive (Negative)	2013 Actual
	Original Budget	Final Budget			
Revenues:					
Taxes	\$ 47,608,118	47,608,118	49,361,379	1,753,261	46,810,872
Licenses and permits	1,384,800	1,384,800	974,690	(410,110)	1,028,880
Charges for services	4,914,600	4,914,600	4,609,303	(305,297)	4,608,267
Fines, forfeitures and penalties	2,994,000	2,994,000	3,177,454	183,454	2,979,218
Interest	160,000	160,000	98,659	(61,341)	51,505
Intergovernmental	10,985,750	10,985,750	11,335,239	349,489	10,515,947
Reimbursements	120,000	120,000	18,941	(101,059)	256,184
Miscellaneous	182,000	182,000	420,727	238,727	185,251
Total revenues	<u>68,349,268</u>	<u>68,349,268</u>	<u>69,996,392</u>	<u>1,647,124</u>	<u>66,436,124</u>
Expenditures:					
General government	16,790,665	16,790,665	16,130,531	660,134	15,289,894
Public safety	31,028,968	31,028,968	31,762,579	(733,611)	30,100,801
Public works	6,626,540	6,292,540	6,077,884	214,656	6,282,044
Health	1,033,046	1,033,046	1,006,814	26,232	978,818
Culture and recreation	3,280,169	3,285,320	3,260,311	25,009	3,258,062
Airport	210,038	210,038	194,405	15,633	134,849
Capital outlay	851,200	830,049	658,478	171,571	1,002,086
Total expenditures	<u>59,820,626</u>	<u>59,470,626</u>	<u>59,091,002</u>	<u>379,624</u>	<u>57,046,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,528,642</u>	<u>8,878,642</u>	<u>10,905,390</u>	<u>2,026,748</u>	<u>9,389,570</u>
Other financing sources (uses):					
Transfers in	3,656,751	3,656,751	3,656,141	(610)	3,656,141
Transfers out	<u>(19,873,195)</u>	<u>(20,223,195)</u>	<u>(14,408,031)</u>	<u>5,815,164</u>	<u>(12,866,248)</u>
Total other financing sources (uses)	<u>(16,216,444)</u>	<u>(16,566,444)</u>	<u>(10,751,890)</u>	<u>5,814,554</u>	<u>(9,210,107)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ (7,687,802)</u>	<u>(7,687,802)</u>	153,500	<u>7,841,302</u>	179,463
Fund balance, beginning of year			13,431,421		13,265,744
Net change in reserve for encumbrances			<u>37,513</u>		<u>(13,786)</u>
Fund balance, end of year			<u>\$ 13,622,434</u>		<u>13,431,421</u>

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

CITY OF LAWRENCE, KANSAS

Statement of Net Position
Proprietary Funds
December 31, 2014

Assets	Business-type Activities-Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds		
Current assets:						
Cash	\$ 4,193,588	1,984,877	2,228,463	546,768	8,953,696	6,997,035
Investments	15,500,917	2,000,000	—	—	17,500,917	4,999,072
Receivables:						
Accounts (net of allowance of \$113,893)	2,267,614	947,954	208,641	4,736	3,428,945	373,946
Accrued interest	7,588	2,145	—	—	9,733	7,079
Inventories	1,801,464	—	—	1,443	1,802,907	282,998
Prepaid items	434,653	—	—	—	434,653	—
Restricted cash:						
Customer deposits	1,162,260	19,247	—	—	1,181,507	—
Current portion of revenue bonds	2,455,000	—	—	—	2,455,000	—
Total current assets	<u>27,823,084</u>	<u>4,954,223</u>	<u>2,437,104</u>	<u>552,947</u>	<u>35,767,358</u>	<u>12,660,130</u>
Noncurrent assets						
Restricted cash	4,271,239	—	—	—	4,271,239	—
Restricted investments	36,002,064	—	—	—	36,002,064	—
Total restricted assets	<u>40,273,303</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,273,303</u>	<u>—</u>
Capital assets						
Land	4,486,622	—	1,845,283	479,055	6,810,960	—
Buildings and improvements	259,858,789	1,555,872	13,270,802	7,729,316	282,414,779	762,567
Equipment	7,436,328	8,683,246	2,313,840	652,377	19,085,791	460,432
Construction in progress	37,541,314	31,226	11,450	—	37,583,990	—
Accumulated depreciation	(92,501,478)	(7,049,734)	(4,669,512)	(6,811,810)	(111,032,534)	(822,022)
Total capital assets	<u>216,821,575</u>	<u>3,220,610</u>	<u>12,771,863</u>	<u>2,048,938</u>	<u>234,862,986</u>	<u>400,977</u>
Total noncurrent assets	<u>257,094,878</u>	<u>3,220,610</u>	<u>12,771,863</u>	<u>2,048,938</u>	<u>275,136,289</u>	<u>400,977</u>
Total assets	<u>\$ 284,917,962</u>	<u>8,174,833</u>	<u>15,208,967</u>	<u>2,601,885</u>	<u>310,903,647</u>	<u>13,061,107</u>
Liabilities and Net Position						
Liabilities:						
Current liabilities						
Accounts payable	\$ 6,684,847	312,438	8,258	30,097	7,035,640	373,734
Accrued interest payable	1,080,576	31,889	22,988	—	1,135,453	—
Claims payable	—	—	—	—	—	474,554
Accrued payroll	438,329	250,495	28,732	54,076	771,632	49,522
Accrued vacation and sick pay	560,164	338,657	36,247	65,178	1,000,246	68,523
Due to other funds	—	—	—	—	—	139,000
Unamortized premium	974,573	—	—	—	974,573	—
Temporary notes payable	59,900,000	—	—	—	59,900,000	—
Current portion of general obligation bonds	625,000	270,000	654,279	—	1,549,279	—
Current portion of notes payable	2,354,751	—	—	—	2,354,751	—
Total unrestricted current liabilities	<u>72,618,240</u>	<u>1,203,479</u>	<u>750,504</u>	<u>149,351</u>	<u>74,721,574</u>	<u>1,105,333</u>
Current liabilities payable from restricted assets:						
Customer deposits	1,162,260	19,247	—	—	1,181,507	—
Current portion of revenue bonds	2,455,000	—	—	—	2,455,000	—
Total current liabilities payable from restricted assets	<u>3,617,260</u>	<u>19,247</u>	<u>—</u>	<u>—</u>	<u>3,636,507</u>	<u>—</u>
Total current liabilities	<u>76,235,500</u>	<u>1,222,726</u>	<u>750,504</u>	<u>149,351</u>	<u>78,358,081</u>	<u>1,105,333</u>
Noncurrent liabilities						
Compensated absences	612,406	394,119	47,026	87,408	1,140,959	84,553
General obligation bonds payable	5,260,000	1,780,000	1,211,119	—	8,251,119	—
Revenue bonds payable	41,575,000	—	—	—	41,575,000	—
Notes payable	15,946,937	—	—	—	15,946,937	—
Net OPEB obligation	667,910	537,788	51,563	121,989	1,379,250	—
Total noncurrent liabilities	<u>64,062,253</u>	<u>2,711,907</u>	<u>1,309,708</u>	<u>209,397</u>	<u>68,293,265</u>	<u>84,553</u>
Total liabilities	<u>\$ 140,297,753</u>	<u>3,934,633</u>	<u>2,060,212</u>	<u>358,748</u>	<u>146,651,346</u>	<u>1,189,886</u>
Net position:						
Invested in capital assets, net of debt	\$ 128,003,617	1,170,610	10,906,465	2,048,938	142,129,630	400,977
Unrestricted	16,616,592	3,069,590	2,242,290	194,199	22,122,671	11,470,244
Total net position	<u>\$ 144,620,209</u>	<u>4,240,200</u>	<u>13,148,755</u>	<u>2,243,137</u>	<u>164,252,301</u>	<u>11,871,221</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>4,021,653</u>	
Net assets of business-type activities					<u>\$ 168,273,954</u>	

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

CITY OF LAWRENCE, KANSAS

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities-Enterprise Funds				Total	Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds		Activities- Internal Service Funds
Operating revenues:						
Charges for services	\$ 33,960,797	11,325,772	3,036,886	2,060,146	50,383,601	13,905,549
Other sales	170,178	—	—	—	170,178	—
Total operating revenues	<u>34,130,975</u>	<u>11,325,772</u>	<u>3,036,886</u>	<u>2,060,146</u>	<u>50,553,779</u>	<u>13,905,549</u>
Operating expenses:						
Continuing operations	—	11,432,798	1,326,093	2,118,145	14,877,036	4,455,183
Transmission and distribution	14,782,083	—	—	—	14,782,083	—
General administration	4,853,111	—	—	—	4,853,111	1,527,504
Health insurance claims	—	—	—	—	—	8,911,908
Depreciation and amortization	6,444,168	638,316	457,816	343,965	7,884,265	37,667
Total operating expenses	<u>26,079,362</u>	<u>12,071,114</u>	<u>1,783,909</u>	<u>2,462,110</u>	<u>42,396,495</u>	<u>14,932,262</u>
Operating income (loss)	<u>8,051,613</u>	<u>(745,342)</u>	<u>1,252,977</u>	<u>(401,964)</u>	<u>8,157,284</u>	<u>(1,026,713)</u>
Nonoperating revenues (expenses)						
Interest income	18,815	3,425	2,408	—	24,648	2,955
Interest expense and fiscal charges	(2,905,045)	(61,039)	(83,762)	—	(3,049,846)	—
Gain (loss) on sale of capital assets	9,625	(24,135)	(2,574)	—	(17,084)	4,154
Other	216,330	589,425	—	5,832	811,587	595,215
Total nonoperating revenues (expenses)	<u>(2,660,275)</u>	<u>507,676</u>	<u>(83,928)</u>	<u>5,832</u>	<u>(2,230,695)</u>	<u>602,324</u>
Income (loss) before transfers	5,391,338	(237,666)	1,169,049	(396,132)	5,926,589	(424,389)
Transfers (out)	<u>(3,215,017)</u>	<u>(164,245)</u>	<u>(500,000)</u>	<u>—</u>	<u>(3,879,262)</u>	<u>(7,000)</u>
Change in net position	2,176,321	(401,911)	669,049	(396,132)	2,047,327	(431,389)
Net position, beginning of year	<u>142,443,888</u>	<u>4,642,111</u>	<u>12,479,706</u>	<u>2,639,269</u>		<u>12,302,610</u>
Net position, end of year	<u>\$ 144,620,209</u>	<u>4,240,200</u>	<u>13,148,755</u>	<u>2,243,137</u>		<u>11,871,221</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>(85,851)</u>	
Change in net position of business-type activities					<u>\$ 1,961,476</u>	

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

CITY OF LAWRENCE, KANSAS

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2014

	Business-type Activities-Enterprise Funds				Total	Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds		Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 34,154,113	11,815,520	3,030,442	2,066,772	51,066,847	14,492,200
Payments to suppliers	(3,987,452)	(5,479,040)	(613,731)	(630,263)	(10,710,486)	(13,843,388)
Payments to employees	(10,107,517)	(5,763,798)	(724,184)	(1,501,459)	(18,096,958)	(1,199,765)
Net cash provided by (used in) operating activities	<u>20,059,144</u>	<u>572,682</u>	<u>1,692,527</u>	<u>(64,950)</u>	<u>22,259,403</u>	<u>(550,953)</u>
Cash flows from noncapital financing activities:						
Interfund loan	—	—	—	—	—	139,000
Transfers out	(3,215,017)	(164,245)	(500,000)	—	(3,879,262)	(7,000)
Net cash provided by (used in) noncapital financing activities	<u>(3,215,017)</u>	<u>(164,245)</u>	<u>(500,000)</u>	<u>—</u>	<u>(3,879,262)</u>	<u>132,000</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(33,916,562)	(1,405,135)	(314,488)	(95,336)	(35,731,521)	(89,668)
Proceeds from sales of capital assets	9,625	8,674	—	—	18,299	4,154
Proceeds from issuance of debt	60,775,514	2,050,000	—	—	62,825,514	—
Principal payments on debt	(41,550,791)	—	(631,518)	—	(42,182,309)	—
Interest payments on debt	(2,599,378)	(29,150)	(91,161)	—	(2,719,689)	—
Net cash used in capital and related financing activities	<u>(17,281,592)</u>	<u>624,389</u>	<u>(1,037,167)</u>	<u>(95,336)</u>	<u>(17,789,706)</u>	<u>(85,514)</u>
Cash flows from investing activities:						
Receipt of interest and dividends	27,359	2,059	3,384	—	32,802	7,509
Purchases of investments	(55,031,202)	(2,000,000)	—	—	(57,031,202)	6,021,892
Sales of investments	23,537,909	1,000,000	1,000,000	—	25,537,909	(2,500,000)
Net cash provided by (used in) investing activities	<u>(31,465,934)</u>	<u>(997,941)</u>	<u>1,003,384</u>	<u>—</u>	<u>(31,460,491)</u>	<u>3,529,401</u>
Net increase (decrease) in cash	<u>(31,903,399)</u>	<u>34,885</u>	<u>1,158,744</u>	<u>(160,286)</u>	<u>(30,870,056)</u>	<u>3,024,934</u>
Cash and cash equivalents, beginning of year	<u>43,985,486</u>	<u>1,969,239</u>	<u>1,069,719</u>	<u>707,054</u>	<u>47,731,498</u>	<u>3,972,101</u>
Cash and cash equivalents, end of year	<u>\$ 12,082,087</u>	<u>2,004,124</u>	<u>2,228,463</u>	<u>546,768</u>	<u>16,861,442</u>	<u>6,997,035</u>
Components of cash and cash equivalents at end of year:						
Cash	\$ 4,193,588	1,984,877	2,228,463	546,768	8,953,696	6,997,035
Restricted cash - customer deposits	1,162,260	19,247	—	—	1,181,507	—
Restricted cash - revenue bonds	2,455,000	—	—	—	2,455,000	—
Restricted cash - noncurrent	4,271,239	—	—	—	4,271,239	—
	<u>\$ 12,082,087</u>	<u>2,004,124</u>	<u>2,228,463</u>	<u>546,768</u>	<u>16,861,442</u>	<u>6,997,035</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 8,051,613	(745,342)	1,252,977	(401,964)	8,157,284	(1,026,713)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,444,168	638,316	457,816	343,965	7,884,265	37,667
Other income	216,330	589,425	—	5,832	811,587	595,215
Change in:						
Accounts receivable	2,563	(114,106)	(6,444)	794	(117,193)	(8,564)
Inventories of supplies	(176,250)	—	—	3,558	(172,692)	21,891
Prepaid items	—	—	—	—	—	—
Accounts payable	5,397,083	64,517	(4,065)	(6,699)	5,450,836	(228,306)
Claims payable	—	—	—	—	—	66,954
Accrued payroll	47,633	42,675	(6,040)	2,120	86,388	3,288
Customer deposits	(19,505)	14,429	—	—	(5,076)	—
Accrued vacation and sick pay	57,020	51,810	(4,698)	(19,558)	84,574	(12,385)
Net OPEB obligation	38,489	30,958	2,981	7,002	79,430	—
Total adjustments	<u>12,007,531</u>	<u>1,318,024</u>	<u>439,550</u>	<u>337,014</u>	<u>14,102,119</u>	<u>475,760</u>
Net cash provided by (used in) operating activities	<u>\$ 20,059,144</u>	<u>572,682</u>	<u>1,692,527</u>	<u>(64,950)</u>	<u>22,259,403</u>	<u>(550,953)</u>

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

CITY OF LAWRENCE, KANSAS

Statement of Assets and Liabilities
All Agency Funds

December 31, 2014

Assets		
Cash	\$	717,825
Receivables		880,831
Restricted assets - court receivables		<u>131,401</u>
Total assets	\$	<u><u>1,730,057</u></u>
Liabilities		
Accounts payable	\$	717,656
Court bonds payable		131,401
Due to other funds		<u>881,000</u>
Total liabilities	\$	<u><u>1,730,057</u></u>

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Net Position - Discretely Presented Component Units
December 31, 2014

Assets and Deferred Outflows of Resources	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Assets:				
Cash	\$ 2,629,211	20,202,399	1,218,243	24,049,853
Investments	3,950,975	110,435,098	—	114,386,073
Receivables (net)	350,274	30,467,221	—	30,817,495
Inventories	71,832	3,592,172	—	3,664,004
Prepaid items	84,074	5,745,104	—	5,829,178
Other assets	16,159	791,277	—	807,436
Capital assets (net)				
Land and construction in progress	1,471,940	—	—	1,471,940
Other capital assets, net of depreciation	11,623,065	104,464,050	2,860,175	118,947,290
Total assets	<u>20,197,530</u>	<u>275,697,321</u>	<u>4,078,418</u>	<u>299,973,269</u>
Deferred Outflows of Resources:				
Deferred amount on refunding	—	540,591	—	540,591
Total assets and deferred outflows of resources	<u>\$ 20,197,530</u>	<u>276,237,912</u>	<u>4,078,418</u>	<u>300,513,860</u>
Liabilities and Net Position				
Accounts payable and accrued expenses	\$ 458,230	19,412,302	243,218	20,113,750
Long-term liabilities				
Due within one year	—	2,595,000	—	2,595,000
Due in more than one year	112,605	60,406,202	6,660	60,525,467
Total liabilities	<u>\$ 570,835</u>	<u>82,413,504</u>	<u>249,878</u>	<u>83,234,217</u>
Net Position				
Invested in capital assets, net of debt	\$ 11,038,215	45,608,402	—	56,646,617
Restricted for:				
Debt service	—	1,489,997	—	1,489,997
Capital acquisitions	—	—	2,860,175	2,860,175
Unrestricted	8,588,480	146,726,009	968,365	156,282,854
Total net position	<u>\$ 19,626,695</u>	<u>193,824,408</u>	<u>3,828,540</u>	<u>217,279,643</u>

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Activities - Discretely Presented Component Units
For the Year Ended December 31, 2014

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Expenses	\$ 8,541,691	178,832,824	4,235,392	191,609,907
Program revenues:				
Charges for services	8,444,760	188,287,708	184,337	196,916,805
Operating grants and contributions	—	—	1,199,458	1,199,458
Capital grants and contributions	325,568	271,149	—	596,717
Net (expense) revenue	228,637	9,726,033	(2,851,597)	7,103,073
General Revenues				
Unrestricted investment earnings	18,655	2,192,087	4,583	2,215,325
Miscellaneous	—	—	3,388,579	3,388,579
Total general revenues and transfers	18,655	2,192,087	3,393,162	5,603,904
Change in net position	247,292	11,918,120	541,565	12,706,977
Net position-beginning, restated	19,379,403	181,906,288	3,286,975	204,572,666
Net position-ending	\$ 19,626,695	193,824,408	3,828,540	217,279,643

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

(1) Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all 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 certain 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 major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, 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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

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

The internal service funds account for operations that provide services to other departments or 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 payment of health insurance claims.

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

The City reports the following major governmental funds:

- *General Fund* is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.
- *Debt Service Fund* is used to account for the accumulation of resources and payment of general obligation bond principal, interest and other related costs from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for this payment.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

The City reports the following major proprietary funds:

- *Water and Sewer Fund* is used to account for the operations of the City's water and sewer operations.
- *Sanitation Fund* is used to account for the operations of the City's refuse collection service.
- *Storm Water Utility Fund* is used to account for the storm water fees and expenses for repair and maintenance of the storm water system .

C. Inventories

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

D. Budgetary Procedures

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended December 31, 2014.

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.

E. Pooled Cash and Investments

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

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

F. Receivables and Payables

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

Taxes Receivable. Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2015. 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 statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due to the County November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. The City receives 10% in December and then all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

G. Capital Assets

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

H. Bond Discounts/Issuance Costs

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

I. Compensated Absences

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

J. Capitalization of Interest

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. There was no interest capitalized during 2014.

K. Use of Estimates

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

L. Deferred Revenue

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

M. Comparative Data / Reclassifications

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

N. Deferred Outflows/Inflows of Resources

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 has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue for special assessments, is reported only in the governmental funds balance sheet. The government funds report unavailable revenues from two sources: property taxes and special assessments. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Fund Equity

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to remain 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 resolution or ordinance passed by 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 Manager'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 is 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 Basic Financial Statements

December 31, 2014

	<u>Major Governmental Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>		
Fund Balances:					
Nonspendable for:					
Donor restriction	\$ -	-	-	23,000	23,000
Loans	-	-	-	539,959	539,959
Restricted for:					
Capital outlay	-	-	-	6,904,047	6,904,047
Debt service	-	10,674,909	-	-	10,674,909
Assigned for:					
General government	62,736	-	-	4,735,585	4,798,321
Public Safety	180,090	-	-	288,057	468,147
Public Works	114,311	-	-	1,050,168	1,164,479
Health	7,702	-	-	-	7,702
Social services	-	-	-	353,411	353,411
Culture and recreation	54,085	-	-	5,929,031	5,983,116
Tourism	-	-	-	1,125,455	1,125,455
Airport	-	-	-	208,371	208,371
Capital outlay	-	-	-	15,636,579	15,636,579
Unassigned	13,203,510	-	(13,957,835)	(64,842)	(819,167)
	<u>\$ 13,622,434</u>	<u>10,674,909</u>	<u>(13,957,835)</u>	<u>36,728,821</u>	<u>47,068,329</u>

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(2) Reporting Entity

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

1. The primary government (in this case the City of Lawrence) is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

organization and there 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 program, 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 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 a component unit because it satisfies criterion 1 above.

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

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

Lawrence Housing Authority 1600 Haskell Avenue Lawrence, Kansas 66044	Lawrence Public Library 707 Vermont Lawrence, Kansas 66044	Lawrence Memorial Hospital 325 Maine Lawrence, Kansas 66044
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(3) Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$103,118,109 difference are as follows:

Bonds payable	\$	91,131,797
Accrued interest payable		1,617,099
Claims and judgments payable		148,000
Compensated absences		6,409,463
Net OPEB obligation		<u>3,811,750</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>103,118,109</u></u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$33,887,308 difference are as follows:

Capital outlay	\$	43,206,938
Depreciation expense		(9,319,630)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	33,887,308

Another element of that reconciliation explains that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$32,181,519 difference are as follows:

Debt issued:		
Issuance of general obligation bonds	\$	(41,455,000)
Principal repayments:		
General obligation debt		9,273,481

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	(32,181,519)

Another element of that reconciliation explains that “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.” The details of this \$2,306,673 difference are as follows:

Compensated absences	\$	(332,469)
Claims and judgments		(148,000)
Accrued interest		(1,640,353)
Premium amortization		33,719
Net OPEB obligation		(219,570)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	(2,306,673)

(4) Budgetary Accounting

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

The accounting principles employed by the City in its budgetary accounting and reporting differ from those used to present financial statements in accordance with generally accepted accounting principles due to the inclusion of encumbrances and reimbursements with expenditures in the budgetary basis statement.

(5) Deposits and Investments

Deposits – At December 31, 2014, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity Less Than 5 years</u>
Certificate of Deposit	\$ 37,000,000	n/a	37,000,000
FHLB	9,996,149	AAA	9,996,149
FFCB	4,002,596	AAA	4,002,596
FNMA	2,002,491	AAA	2,002,491
Money Market	50,032,449		50,032,449
Kansas Municipal Investment Pool	<u>12,089</u>	AAA	12,089
	<u>\$ 103,045,774</u>		

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

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

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

(6) Tax Revenue

Tax revenue for the year ended December 31, 2014 is as follows:

	Primary Government			Total
	General Fund	Special Revenue Funds	Debt Service Funds	
Property taxes	\$ 15,528,280	3,029,020	7,287,197	25,844,497
Motor vehicle tax	1,455,295	287,011	704,748	2,447,054
Payment in lieu of tax	96,690	-	-	96,690
Utility franchise taxes	7,645,920	-	-	7,645,920
Sales taxes*	10,712,163	13,923,031	-	24,635,194
Tax revenue	\$ 35,438,348	17,239,062	7,991,945	60,669,355

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

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2014 were as follows:

Fund	Levy
Primary government:	
General	\$ 18.017
Library	3.512
Debt Service	8.513
Total primary government	\$ 30.042

(7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2014:

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 58,613,084	41,455,000	9,273,482	90,794,602	10,555,721
Premium on bonds issued	370,914	-	33,719	337,195	33,719
Estimated claims and judgements payable	-	648,688	500,688	148,000	-
Accrued vacation and sick pay	6,242,455	3,950,723	3,630,639	6,562,539	2,832,237
Net OPEB obligation	3,592,180	785,701	566,131	3,811,750	-
Total primary government	\$ <u>68,818,633</u>	<u>46,840,112</u>	<u>14,004,659</u>	<u>101,654,086</u>	<u>13,421,677</u>
Business-type activities:					
General obligation bonds	\$ 8,996,916	2,050,000	1,246,518	9,800,398	1,549,279
Revenue bonds	46,390,000	-	2,360,000	44,030,000	2,455,000
Long term notes payable	20,577,479	-	2,275,791	18,301,688	2,354,751
Accrued vacation and sick pay	2,056,631	1,358,414	1,273,840	2,141,205	1,000,246
Net OPEB obligation	1,299,820	284,299	204,869	1,379,250	-
Total primary government	\$ <u>79,320,846</u>	<u>3,692,713</u>	<u>7,361,018</u>	<u>75,652,541</u>	<u>7,359,276</u>

The following is a summary of general obligation temporary note transactions for the year ended December 31, 2014:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	\$ 55,475,000	19,030,000	55,475,000	19,030,000
Governmental activities-Premium	663,959	137,999	505,244	296,714
Business-type activities	36,300,000	59,900,000	36,300,000	59,900,000
Business-type activities-Premium	99,059	2,923,719	2,048,205	974,573
	\$ <u>92,538,018</u>	<u>81,991,718</u>	<u>94,328,449</u>	<u>80,201,287</u>

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

Debt payable, other than claims and judgments and compensated absences, at December 31, 2014 is composed of the following:

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2003	2015	2.5-3.8	\$ 3,145,000	\$ 335,000	\$ 335,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	330,000	330,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	2,030,000	995,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	310,000	150,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	3,150,000	1,015,000
Internal improvement	2006	2018	4.00	17,130,000	6,475,000	1,530,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	5,315,000	985,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	7,265,000	1,110,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	2,010,000	265,000
Internal improvement	2010	2034	4.25-5.7	2,975,000	2,975,000	110,000
Internal improvement	2010	2022	1.25-3.0	8,920,000	6,145,000	715,000
Internal improvement	2010	2023	1.25-3.0	8,305,000	5,885,000	625,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	3,000,000	305,000
Internal improvement	2012	2024	2.0-3.0	7,710,000	6,045,000	830,000
Internal improvement	2012	2016	1.5-2.0	3,480,000	1,765,000	880,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	4,055,000	350,000
Internal improvement	2014	2034	2.0-5.0	25,065,000	25,065,000	895,000
Internal improvement	2014	2034	3.0-4.0	18,440,000	18,440,000	680,000
					<u>100,595,000</u>	<u>12,105,000</u>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	25,910,000	12,720,000	1,820,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	18,960,000	140,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	3,300,000	180,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	9,050,000	315,000
					<u>44,030,000</u>	<u>2,455,000</u>
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	18,301,688	2,354,751
					<u>18,301,688</u>	<u>2,354,751</u>
Total primary government					\$ <u>162,926,688</u>	<u>16,914,751</u>

In 2014, the City issued \$25,065,000 in general obligation bonds for paying the costs of certain street, building, and equipment improvements. The General Obligation Bonds, Series 2014A, are due in annual installments of \$880,000 to \$1,710,000 with interest due in semiannual installments at an average rate of 3.56% through September 2034.

In 2014, the City issued \$18,440,000 in general obligation bonds for paying the costs of certain street, building, and equipment improvements. The General Obligation Bonds, Series 2014B, are due in annual installments of \$655,000 to \$1,230,000 with interest due in semiannual installments at an average rate of 3.45% through September 2034.

In 2014, the City issued three series of general obligation temporary notes. The Series 2014-I notes in the amount of \$59,900,000 were for certain water and wastewater projects and mature on May 1, 2015. The notes have an interest rate of .15%. The Series 2014-II notes mature October 1, 2015 and were issued in the amount

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

of \$5,560,000 to fund certain street and equipment improvements and bear an interest rate of 0.28%. The Series 2014-III notes in the amount of \$13,470,000 were for certain road and facility improvements and mature October 1, 2015. The notes bear a net interest rate of .19%. The unamortized premium on these notes at December 31, 2014 is \$1,271,287.

The City intends to redeem all temporary notes outstanding at December 31, 2014 in 2015 from proceeds of revenue bonds, general obligation bonds and/or other temporary notes issued to finance the improvements.

General obligation bonds to be paid with tax levies:

Year		Principal Due	Interest Due	Total Due
2015	\$	10,555,721	3,027,336	13,583,057
2016		10,110,819	2,788,681	12,899,500
2017		8,199,579	2,443,596	10,643,175
2018		7,843,483	2,145,113	9,988,596
2019		6,355,000	1,868,486	8,223,486
2020-2024		19,995,000	6,861,313	26,856,313
2025-2029		12,985,000	3,978,830	16,963,830
2030-2034		<u>14,750,000</u>	<u>1,628,635</u>	<u>16,378,635</u>
Total	\$	<u>90,794,602</u>	<u>24,741,990</u>	<u>115,536,592</u>

General obligation bonds to be paid with enterprise revenues:

Year		Principal Due	Interest Due	Total Due
2015	\$	1,549,279	305,407	1,854,686
2016		1,579,181	264,909	1,844,090
2017		1,435,421	213,722	1,649,143
2018		976,517	167,629	1,144,146
2019		980,000	137,169	1,117,169
2020-2024		<u>3,280,000</u>	<u>232,025</u>	<u>3,512,025</u>
Total	\$	<u>9,800,398</u>	<u>1,320,861</u>	<u>11,121,259</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

Total general obligation bonds:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2015	\$ 12,105,000	3,332,743	15,437,743
2016	11,690,000	3,053,590	14,743,590
2017	9,635,000	2,657,318	12,292,318
2018	8,820,000	2,312,742	11,132,742
2019	7,335,000	2,005,655	9,340,655
2020-2024	23,275,000	7,093,338	30,368,338
2025-2029	12,985,000	3,978,830	16,963,830
2030-2034	<u>14,750,000</u>	<u>1,628,635</u>	<u>16,378,635</u>
Total	\$ <u>100,595,000</u>	<u>26,062,851</u>	<u>126,657,851</u>

Revenue bonds:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2015	\$ 2,455,000	2,039,260	4,494,260
2016	2,550,000	1,941,260	4,491,260
2017	2,520,000	1,832,035	4,352,035
2018	2,610,000	1,722,013	4,332,013
2019	2,725,000	1,607,020	4,332,020
2020-2024	13,950,000	6,169,830	20,119,830
2025-2029	10,320,000	3,199,338	13,519,338
2030-2034	<u>6,900,000</u>	<u>925,105</u>	<u>7,825,105</u>
Total	\$ <u>44,030,000</u>	<u>19,435,861</u>	<u>63,465,861</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

Long-term notes payable, State Revolving Loan Fund:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2015	\$ 2,354,751	565,205	2,919,956
2016	2,436,451	489,442	2,925,893
2017	2,520,986	411,051	2,932,037
2018	2,608,454	329,940	2,938,394
2019	2,698,956	246,015	2,944,971
2020-2024	<u>5,682,090</u>	<u>228,505</u>	<u>5,910,595</u>
Total	<u>\$ 18,301,688</u>	<u>2,270,158</u>	<u>20,571,846</u>

The Water and Sewage System Revenue Bonds require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due 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 all requirements.

Conduit Debt: The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2014, total outstanding conduit debt was \$107,326,089.

Lawrence Memorial Hospital Component Unit Debt:

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

Changes in long term debt transactions:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 64,665,961	-	2,580,307	62,085,654	2,595,000
Retirement plan obligation	<u>715,960</u>	<u>199,588</u>	<u>-</u>	<u>915,548</u>	<u>-</u>
	<u>\$ 65,381,921</u>	<u>199,588</u>	<u>2,580,307</u>	<u>63,001,202</u>	<u>2,595,000</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

<u>Debt Issue</u>	<u>Date Matured</u>	<u>Interest Rate</u>	<u>Original Amount</u>		<u>Balance At End of Year</u>	<u>Due in One Year</u>
Series 2006	2019	5.0-5.25	51,845,000	\$	46,405,000	830,000
Series 2012	2036	2.53	10,500,000		9,645,000	445,000
Series 2013	2021	1.06	6,865,000		5,380,000	1,320,000
Total Revenue Bonds					61,430,000	2,595,000
Unamortized premiums					655,654	-
				\$	<u>62,085,654</u>	<u>2,595,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2014 are as follows:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2015	\$	2,595,000	2,679,659	5,274,659
2016		2,670,000	2,610,658	5,280,658
2017		2,745,000	2,538,524	5,283,524
2018		2,815,000	2,463,669	5,278,669
2019		1,515,000	2,385,827	3,900,827
2020-2024		15,910,000	10,350,044	26,260,044
2025-2029		11,475,000	7,349,620	18,824,620
2030-2034		14,715,000	4,109,182	18,824,182
2035-2036		6,990,000	539,463	7,529,463
Total	\$	<u>61,430,000</u>	<u>35,026,646</u>	<u>96,456,646</u>

Arbitrage – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer’s tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2014.

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2014

(8) Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 16,423,212	-	-	16,423,212
Construction in progress	<u>25,935,656</u>	<u>41,009,094</u>	<u>(36,137,159)</u>	<u>30,807,591</u>
Total capital assets, not being depreciated	<u>42,358,868</u>	<u>41,009,094</u>	<u>(36,137,159)</u>	<u>47,230,803</u>
Capital assets, being depreciated:				
Buildings	62,155,889	30,313,957	-	92,469,846
Improvements other than buildings	32,790,502	414,592	-	33,205,094
Machinery and equipment	33,626,851	2,311,284	(511,466)	35,426,669
Infrastructure	<u>191,816,664</u>	<u>5,384,838</u>	<u>-</u>	<u>197,201,502</u>
Total capital assets being depreciated	<u>320,389,906</u>	<u>38,424,671</u>	<u>(511,466)</u>	<u>358,303,111</u>
Less accumulated depreciation for:				
Buildings	34,467,674	2,284,421	-	36,752,095
Improvements other than buildings	14,878,561	1,249,466	-	16,128,027
Machinery and equipment	21,525,504	2,189,942	(428,058)	23,287,388
Infrastructure	<u>67,315,163</u>	<u>3,633,469</u>	<u>-</u>	<u>70,948,632</u>
Total accumulated depreciation	<u>138,186,902</u>	<u>9,357,298</u>	<u>(428,058)</u>	<u>147,116,142</u>
Total capital assets, being depreciated, net	<u>182,203,004</u>	<u>29,067,373</u>	<u>(83,408)</u>	<u>211,186,969</u>
Governmental activities capital assets, net	<u>\$ 224,561,872</u>	<u>70,076,467</u>	<u>(36,220,567)</u>	<u>258,417,772</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,483,225	327,735	-	6,810,960
Construction in progress	9,898,777	33,989,151	(6,303,938)	37,583,990
Total capital assets, not being depreciated	16,382,002	34,316,886	(6,303,938)	44,394,950
Capital assets, being depreciated:				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	187,966,854	5,573,165	-	193,540,019
Machinery and equipment	17,362,089	2,145,423	(421,725)	19,085,787
Total capital assets being depreciated	294,203,706	7,718,588	(421,725)	301,500,569
Less accumulated depreciation for:				
Buildings	21,928,093	1,998,493	-	23,926,586
Improvements other than buildings	69,614,205	4,689,594	-	74,303,799
Machinery and equipment	11,992,312	1,196,177	(386,342)	12,802,148
Total accumulated depreciation	103,534,610	7,884,264	(386,342)	111,032,533
Total capital assets, being depreciated, net	190,669,096	(165,675)	(35,383)	190,468,036
Business-type activities capital assets, net	\$ 207,051,098	34,151,212	(6,339,321)	234,862,986

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

Governmental activities:	
General government	\$ 32,363
Public safety	389,392
Public works	7,736,407
Social services	624,249
Culture and recreation	500,399
Tourism	2,430
Airport	34,391
Total governmental funds	9,319,631
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
	37,667
Total depreciation expense - governmental activities	\$ 9,357,298
Business-type activities:	
Water & sewer	\$ 6,444,168
Sanitation	638,316
Parking	145,949
Storm water	457,816
Golf course	198,015
Total proprietary funds	\$ 7,884,264

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

(9) Defined Benefit Pension Plan

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen’s Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS; 611 South Kansas Avenue, Topeka, KS 66603.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2014 was 9.69%. The City’s employer contributions to KPERS for the years ending December 31, 2014, 2013, and 2012 were \$2,640,896, \$2,338,186, and \$2,165,501, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2014 was 19.92%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City contributions to KP&F for the years ending December 31, 2014, 2013, and 2012 were \$4,525,297, \$3,875,412, and \$3,580,641, respectively, equal to the required contributions for each year.

(10) Interfund Transactions

Interfund Receivables and Payables

At December 31, 2014, the following funds had interfund receivables and payables to the following funds:

		General Fund
Special Revenue Funds:		
Outside Agency Grants	\$	392,000
Community Development		150,000
Home		5,000
Transportation Planning		42,000
		589,000
Internal Service Funds		
Central Maintenance		139,000
Agency Funds		
Payroll Clearing		854,000
Economic Development Escrow		27,000
		881,000
	\$	1,609,000

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

Interfund Transfers

A summary of transfers for the year ended December 31, 2014 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ <u>3,656,141</u>	<u>450,000</u>
Special Revenue Funds:		
Capital Improvement Reserve	580,121	-
Equipment Reserve	<u>100,000</u>	<u>-</u>
	<u>680,121</u>	<u>-</u>
Enterprise Funds:		
Water and Sewer	-	3,215,017
Sanitation	-	164,245
Stormwater	-	<u>500,000</u>
	<u>-</u>	<u>3,879,262</u>
Internal Service - Central Maintenance	<u>-</u>	<u>7,000</u>
	\$ <u><u>4,336,262</u></u>	<u><u>4,336,262</u></u>

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

(11) Commitments and Contingencies

A. Contract Commitments

At December 31, 2014, the City had construction contract commitments totaling approximately \$21,205,357. The City expects to receive the contracted services during fiscal year 2014.

B. Encumbrances

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as assigned fund balance. As of December 31, 2014 the City had a total of \$1,061,268 in encumbrances which were reported as part of the government fund balance sheet as follows:

	<u>Assigned</u>
General Fund	\$ 418,924
Nonmajor Governmental Funds	<u>642,344</u>
	<u>\$ 1,061,268</u>

C. 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 \$2,652,700 at December 31, 2014. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2014 was \$148,000. The liability reported in the financial statements at December 31, 2014 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 the 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.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

	<u>2014</u>	<u>2013</u>
Unpaid claims, January 1	\$ 353,545	414,702
Incurred claims (including IBNRs)	8,993,714	7,950,267
Claim payments	<u>8,926,760</u>	<u>8,011,424</u>
Unpaid claims, December 31	<u>\$ 420,499</u>	<u>353,545</u>

(12) Fund Deficit

The Capital Project Fund had a deficit of \$13,957,835 due to projects for which permanent financing has not yet been obtained. The Transportation Planning Fund had a deficit for \$64,842 due to grant expenditures which had not yet been received.

(13) Cost Sharing Arrangements

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

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

In 1996, the County emergency medical services and the City fire department were combined with the City paying 74.36% 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 service and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment and furniture were transferred to the ownership of the City. This agreement was later modified in 1997, 1998 and 2005.

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

Also, the County pays 1/6th of the cost of the City's planning department.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

(14) Net Assets

The amounts reported on the statement of net assets identified as invested in capital assets, net of related debt as follows:

	<u>Governmental</u>	<u>Business Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Total net capital assets	\$ 258,417,772	234,862,986	493,280,758
Less:			
Current portion of general obligation bonds	(10,589,440)	(1,549,279)	(12,138,719)
Current portion of notes payable	-	(2,354,751)	(2,354,751)
Current portion of revenue bonds	-	(2,455,000)	(2,455,000)
Temporary notes payable	(19,326,714)	(60,874,573)	(80,201,287)
Noncurrent portion of general obligation debt	(80,542,358)	(8,251,119)	(88,793,477)
Noncurrent portion of revenue bonds payable	-	(41,575,000)	(41,575,000)
Noncurrent portion of notes payable	-	(15,946,937)	(15,946,937)
Add:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	<u>5,691,596</u>	<u>40,273,303</u>	<u>45,964,899</u>
Net assets-invested in capital assets, net of related debt	<u>\$ 153,650,856</u>	<u>142,129,630</u>	<u>295,780,486</u>

(15) Postemployment Healthcare Plan

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

Funding Policy. The contribution requirements of plan participants and the City are established by the City. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended December 31, 2014, the City contributed \$771,000 to the Plan. (approximately 65% of total contributions). Plan participants contributed \$407,534 to the Plan (approximately 35% of total contributions) through their required contributions of 80% of premiums, ranging from \$256 to \$865 per month for coverage.

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

Annual required contribution	\$	1,152,000
Interest on Net OPEB obligation		171,000
Adjustment to annual required contribution		<u>(253,000)</u>
Annual OPEB cost		1,070,000
Contributions Made		<u>(771,000)</u>
Increase in Net OPEB obligation		299,000
Net OPEB obligation - beginning of year		<u>4,892,000</u>
Net OPEB obligation - end of year	\$	<u><u>5,191,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of ARC Contributed	OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 2,066,000	4%	85,000	4,468,000
December 31, 2013	1,077,000	60.7%	653,000	4,892,000
December 31, 2014	1,070,000	72.1%	771,000	5,191,000

Funding Status and Funding Progress. As of January 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$9,414,166 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,414,166. The covered payroll (annual payroll of active employees covered by the plan) was \$43,500,165, and the ratio of the UAAL to the covered payroll was 21.6%. A Schedule of Funding Progress is shown on page 63 and provides multi-year information about the City's OPEB.

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

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

As of January 1, 2013, the most recent actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and initial annual healthcare cost trends of 7% for medical, 7% for

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

drugs and 3.5% for dental, reduced by decrements to ultimate rates of 5.5%, 5.25% and 5% after eight years. Projected salary increases are 1.5% and the projected rate of inflation is 2.5%. Post-retirement benefits are not projected to change. The UAAL is being amortized as a level % over a closed thirty-year period.

(16) Pollution Remediation

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

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

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

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

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
1/1/2007	\$ -	\$ 5,521,200	\$ 5,521,200	\$ -	\$ 40,195,095	13.7%
1/1/2009	-	16,186,403	16,186,403	-	43,646,468	37.1%
1/1/2011	-	21,303,407	21,303,407	-	42,671,173	49.9%
1/1/2013	-	9,414,166	9,414,166	-	43,500,165	21.6%

Schedule of Employers Contributions

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Percentage Of ARC Contributed	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 2,066,000	2,063,000	4%	85,000	4,468,000
December 31, 2013	1,077,000	1,152,000	60.7%	653,000	4,892,000
December 31, 2014	1,070,000	1,152,000	72.1%	771,000	5,191,000

Nonmajor Governmental Funds

Special Revenue Funds **Fund Descriptions**

BUDGETED FUNDS

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

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

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

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

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

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

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

NONBUDGETED FUNDS

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

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

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

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

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

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

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

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

Housing Trust Fund – This fund is used to acquire, construct, and rehabilitate affordable housing (K.S.A. 12-16,114).

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

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

Assets	Special Revenue												
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Sales Tax Reserve	City Parks Memorial
Cash	\$ 385,844	402,106	3,995,549	1,125,701	147,991	1,142,862	247,736	208,491	2,718,900	1,726,793	763,132	1,987,767	75,028
Investments	—	—	500,000	—	—	—	—	—	8,000,992	3,500,000	—	2,499,642	—
Receivables:													
Taxes	—	3,028,271	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	40,608	—	—	—	—
Accounts	—	—	68	823	—	—	—	455	—	25,560	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	8,116	3,794	—	3,740	—
Restricted assets													
Cash	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	<u>\$ 385,844</u>	<u>3,430,377</u>	<u>4,495,617</u>	<u>1,126,524</u>	<u>147,991</u>	<u>1,142,862</u>	<u>247,736</u>	<u>208,946</u>	<u>10,768,616</u>	<u>5,256,147</u>	<u>763,132</u>	<u>4,491,149</u>	<u>75,028</u>
Liabilities, Deferred Inflows of Resources and Fund Balances													
Liabilities:													
Accounts payable	\$ 15,267	—	668	41,054	—	14,919	22,243	120	387,784	400	8,254	17,689	—
Accrued payroll	—	—	2,374	158,293	13,071	77,775	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	<u>15,267</u>	<u>—</u>	<u>3,042</u>	<u>199,347</u>	<u>13,071</u>	<u>92,694</u>	<u>22,243</u>	<u>120</u>	<u>387,784</u>	<u>400</u>	<u>8,254</u>	<u>17,689</u>	<u>—</u>
Deferred inflows of resources:													
Unavailable revenue	—	3,261,520	68	823	—	—	—	455	—	—	—	—	—
Total liabilities and deferred inflows of resources	<u>15,267</u>	<u>3,261,520</u>	<u>3,110</u>	<u>200,170</u>	<u>13,071</u>	<u>92,694</u>	<u>22,243</u>	<u>575</u>	<u>387,784</u>	<u>400</u>	<u>8,254</u>	<u>17,689</u>	<u>—</u>
Fund balances:													
Nonspendable	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted	—	—	—	—	—	—	—	—	—	—	—	—	—
Assigned	370,577	168,857	4,492,507	926,354	134,920	1,050,168	225,493	208,371	10,380,832	5,255,747	754,878	4,473,460	75,028
Unassigned	—	—	—	—	—	—	—	—	—	—	—	—	—
Total fund balances	<u>370,577</u>	<u>168,857</u>	<u>4,492,507</u>	<u>926,354</u>	<u>134,920</u>	<u>1,050,168</u>	<u>225,493</u>	<u>208,371</u>	<u>10,380,832</u>	<u>5,255,747</u>	<u>754,878</u>	<u>4,473,460</u>	<u>75,028</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 385,844</u>	<u>3,430,377</u>	<u>4,495,617</u>	<u>1,126,524</u>	<u>147,991</u>	<u>1,142,862</u>	<u>247,736</u>	<u>208,946</u>	<u>10,768,616</u>	<u>5,256,147</u>	<u>763,132</u>	<u>4,491,149</u>	<u>75,028</u>

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet
Nonmajor Governmental Funds, Continued
December 31, 2014

Assets	Farmland Remediation	Cemetery		Housing Trust	Outside Agency	Wee Folks Scholarship	Fair	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law	Total Nonmajor Governmental Funds
		Perpetual Care	Cemetery Mausoleum				Housing Assistance						Enforcement Trust	
Cash	\$ 69,246	68,781	3,230	102,672	582	156,685	194,380	51	367	2	596	489	153,137	15,678,118
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—	14,500,634
Receivables:														
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	3,028,271
Intergovernmental	—	—	—	—	450,573	—	—	—	97,679	—	63,281	82,476	—	734,617
Accounts	—	—	—	—	—	—	—	—	2,540	—	—	—	—	29,446
Loans	—	—	—	—	—	—	—	—	539,959	—	—	—	—	539,959
Accrued interest	7,632	—	—	—	—	—	—	—	—	—	—	—	—	23,282
Restricted assets														
Cash	1,832,313	22,000	1,000	—	—	—	—	—	—	—	—	—	—	1,855,313
Investments	5,002,491	—	—	—	—	—	—	—	—	—	—	—	—	5,002,491
Total assets	\$ <u>6,911,682</u>	<u>90,781</u>	<u>4,230</u>	<u>102,672</u>	<u>451,155</u>	<u>156,685</u>	<u>194,380</u>	<u>51</u>	<u>640,545</u>	<u>2</u>	<u>63,877</u>	<u>82,965</u>	<u>153,137</u>	<u>41,392,131</u>
Liabilities, Deferred Inflows of Resources and Fund Balances														
Liabilities:														
Accounts payable	\$ 1,784	—	—	—	1,420	—	—	—	851	—	—	4,515	—	516,968
Accrued payroll	5,851	—	—	—	11,336	—	505	—	12,037	—	2,066	8,628	—	291,936
Due to other funds	—	—	—	—	392,000	—	—	—	150,000	—	5,000	42,000	—	589,000
Total liabilities	<u>7,635</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>404,756</u>	<u>—</u>	<u>505</u>	<u>—</u>	<u>162,888</u>	<u>—</u>	<u>7,066</u>	<u>55,143</u>	<u>—</u>	<u>1,397,904</u>
Deferred inflows of resources:														
Unavailable revenue	—	—	—	—	—	—	—	—	2,540	—	—	—	—	3,265,406
Total liabilities and deferred inflows of resources	<u>7,635</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>404,756</u>	<u>—</u>	<u>505</u>	<u>—</u>	<u>165,428</u>	<u>—</u>	<u>7,066</u>	<u>55,143</u>	<u>—</u>	<u>4,663,310</u>
Fund balances:														
Nonspendable	—	22,000	1,000	—	—	—	—	—	539,959	—	—	—	—	562,959
Restricted	6,904,047	—	—	—	—	—	—	—	—	—	—	—	—	6,904,047
Unrestricted	—	68,781	3,230	102,672	46,399	156,685	193,875	51	—	2	56,811	27,822	153,137	29,326,657
Unassigned	—	—	—	—	—	—	—	—	(64,842)	—	—	—	—	(64,842)
Total fund balances	<u>6,904,047</u>	<u>90,781</u>	<u>4,230</u>	<u>102,672</u>	<u>46,399</u>	<u>156,685</u>	<u>193,875</u>	<u>51</u>	<u>475,117</u>	<u>2</u>	<u>56,811</u>	<u>27,822</u>	<u>153,137</u>	<u>36,728,821</u>
Total liabilities and fund balances	\$ <u>6,911,682</u>	<u>90,781</u>	<u>4,230</u>	<u>102,672</u>	<u>451,155</u>	<u>156,685</u>	<u>194,380</u>	<u>51</u>	<u>640,545</u>	<u>2</u>	<u>63,877</u>	<u>82,965</u>	<u>153,137</u>	<u>41,392,131</u>

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended December 31, 2014

	Special Revenue												
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Sales Tax Reserve	City Parks Memorial
Revenues:													
Taxes	\$ —	3,315,492	3,177,484	2,230,696	—	—	—	—	5,310,498	250,000	—	2,954,892	—
Charges for services	—	—	390,565	1,983,842	—	—	—	1,038	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	99,648	—	—	—
Interest	—	—	—	—	—	—	—	—	14,225	7,651	—	5,253	—
Intergovernmental	1,123,093	—	—	—	687,781	2,573,695	687,781	—	284,772	44,319	332,599	41,114	—
Miscellaneous	—	—	1,949	325,644	—	2,216	—	9,580	1,000,000	157,631	16,000	2,547	46,585
Total revenues	<u>1,123,093</u>	<u>3,315,492</u>	<u>3,569,998</u>	<u>4,540,182</u>	<u>687,781</u>	<u>2,575,911</u>	<u>687,781</u>	<u>10,618</u>	<u>6,609,495</u>	<u>559,249</u>	<u>348,599</u>	<u>3,003,806</u>	<u>46,585</u>
Expenditures:													
General government	—	3,383,260	2,766,521	—	—	—	—	—	—	83,615	—	—	—
Public safety	—	—	—	—	638,330	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,294,953	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	4,577,544	—	—	631,793	—	—	—	—	611,765	52,571
Tourism	909,849	—	—	—	—	—	—	—	—	—	353,858	—	—
Capital outlay	—	—	—	5,473	—	285,907	277,939	—	6,987,247	749,899	40,748	508,143	—
Debt service:													
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	1,167,160	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	85,528	—
Total expenditures	<u>909,849</u>	<u>3,383,260</u>	<u>2,766,521</u>	<u>4,583,017</u>	<u>638,330</u>	<u>2,580,860</u>	<u>909,732</u>	<u>—</u>	<u>6,987,247</u>	<u>833,514</u>	<u>394,606</u>	<u>2,372,596</u>	<u>52,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>213,244</u>	<u>(67,768)</u>	<u>803,477</u>	<u>(42,835)</u>	<u>49,451</u>	<u>(4,949)</u>	<u>(221,951)</u>	<u>10,618</u>	<u>(377,752)</u>	<u>(274,265)</u>	<u>(46,007)</u>	<u>631,210</u>	<u>(5,986)</u>
Other financing sources (uses):													
Transfers in	—	—	—	—	—	—	—	—	580,121	100,000	—	—	—
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>580,121</u>	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	213,244	(67,768)	803,477	(42,835)	49,451	(4,949)	(221,951)	10,618	202,369	(174,265)	(46,007)	631,210	(5,986)
Fund balance, beginning of year	<u>157,333</u>	<u>236,625</u>	<u>3,689,030</u>	<u>969,189</u>	<u>85,469</u>	<u>1,055,117</u>	<u>447,444</u>	<u>197,753</u>	<u>10,178,463</u>	<u>5,430,012</u>	<u>800,885</u>	<u>3,842,250</u>	<u>81,014</u>
Fund balance, end of year	\$ <u>370,577</u>	<u>168,857</u>	<u>4,492,507</u>	<u>926,354</u>	<u>134,920</u>	<u>1,050,168</u>	<u>225,493</u>	<u>208,371</u>	<u>10,380,832</u>	<u>5,255,747</u>	<u>754,878</u>	<u>4,473,460</u>	<u>75,028</u>

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds, Continued

Year ended December 31, 2014

	Special Revenue												Total Nonmajor Governmental Funds	
	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning		Law Enforcement Trust
Revenues:														
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	17,239,062
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	—	2,375,445
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	—	99,648
Interest	43,366	—	—	—	—	—	43,396	—	—	—	—	—	—	113,891
Intergovernmental	—	—	—	—	3,773,063	—	—	—	381,295	—	249,471	300,042	—	10,479,025
Miscellaneous	—	—	—	—	—	11,766	—	—	160,286	—	—	—	75,634	1,809,838
Total revenues	43,366	—	—	—	3,773,063	11,766	43,396	—	541,581	—	249,471	300,042	75,634	32,116,909
Expenditures:														
General government	—	—	—	—	2,699,096	—	—	—	—	—	—	228,066	—	9,160,558
Public safety	—	—	—	—	118,293	—	—	—	—	—	—	—	53,320	809,943
Public works	—	—	—	—	—	—	—	—	—	—	—	—	—	2,294,953
Health	—	—	—	—	309,919	—	—	—	—	—	—	—	—	309,919
Social services	—	—	—	—	—	—	16,207	—	409,507	—	255,583	—	—	681,297
Culture and recreation	—	5,400	—	—	1,961	32,670	—	—	—	—	—	—	—	5,913,704
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	—	1,263,707
Capital outlay	404,673	—	—	—	672,080	—	—	—	—	—	—	3,508	—	9,935,617
Debt service:														
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—	1,167,160
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—	85,528
Total expenditures	404,673	5,400	—	—	3,801,349	32,670	16,207	—	409,507	—	255,583	231,574	53,320	31,622,386
Excess (deficiency) of revenues over (under) expenditures	(361,307)	(5,400)	—	—	(28,286)	(20,904)	27,189	—	132,074	—	(6,112)	68,468	22,314	494,523
Other financing sources (uses):														
Transfers in	—	—	—	—	—	—	—	—	—	—	—	—	—	680,121
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—	—	—	—	680,121
Net change in fund balances	(361,307)	(5,400)	—	—	(28,286)	(20,904)	27,189	—	132,074	—	(6,112)	68,468	22,314	1,174,644
Fund balance, beginning of year	7,265,354	96,181	4,230	102,672	74,685	177,589	166,686	51	343,043	2	62,923	(40,646)	130,823	35,554,177
Fund balance, end of year	\$ 6,904,047	90,781	4,230	102,672	46,399	156,685	193,875	51	475,117	2	56,811	27,822	153,137	36,728,821

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Bond and Interest Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

Year Ended December 31, 2014
 (With Comparative Actual Amounts for 2013)

	<u>2014</u>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
Revenues:					
Taxes	\$ 7,801,144	7,801,144	7,991,945	190,801	7,920,975
Special assessments	2,575,000	2,575,000	2,735,676	160,676	2,762,369
Interest	35,000	35,000	39,434	4,434	24,957
Intergovernmental	135,000	135,000	177,595	42,595	—
Miscellaneous	—	—	—	—	168,969
	<u>10,546,144</u>	<u>10,546,144</u>	<u>10,944,650</u>	<u>398,506</u>	<u>10,877,270</u>
Total revenues					
Expenditures:					
Principal retirement	12,250,000	12,250,000	8,106,321	4,143,679	8,642,829
Interest and fiscal charges	5,600,000	5,600,000	1,822,819	3,777,181	1,966,843
	<u>17,850,000</u>	<u>17,850,000</u>	<u>9,929,140</u>	<u>7,920,860</u>	<u>10,609,672</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(7,303,856)</u>	<u>(7,303,856)</u>	<u>1,015,510</u>	<u>8,319,366</u>	<u>267,598</u>
Other financing sources:					
Transfers in	—	—	—	—	88,034
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>88,034</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (7,303,856)</u>	<u>(7,303,856)</u>	1,015,510	<u>8,319,366</u>	355,632
Fund balance, beginning of year			<u>9,659,399</u>		<u>9,303,767</u>
Fund balance, end of year			<u>\$ 10,674,909</u>		<u>9,659,399</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Guest Tax Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

Year Ended December 31, 2014
 (With Comparative Actual Amounts for 2013)

	<u>2014</u>			<u>Variance</u>	
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive</u>	<u>2013</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Revenues – intergovernmental	\$ <u>950,000</u>	<u>950,000</u>	<u>1,123,093</u>	<u>173,093</u>	<u>890,981</u>
Expenditures:					
Tourism – contractual services	<u>927,500</u>	<u>927,500</u>	<u>921,249</u>	<u>6,251</u>	<u>834,727</u>
Excess (deficiency) of revenues over (under) expenditures	22,500	22,500	201,844	179,344	56,254
Other financing sources (uses)					
Transfers out	<u>110,000</u>	<u>110,000</u>	<u>—</u>	<u>(110,000)</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>132,500</u>	<u>132,500</u>	201,844	<u>69,344</u>	56,254
Fund balance, beginning of year			157,333		133,379
Net change in reserve for encumbrances			<u>11,400</u>		<u>(32,300)</u>
Fund balance, end of year			\$ <u>370,577</u>		<u>157,333</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Year Ended December 31, 2014
(With Comparative Actual Amounts for 2013)

	2014			Variance Positive (Negative)	2013 Actual
	Original Budget	Revised Budget	Actual		Actual
Revenues – taxes	\$ 3,223,615	3,223,615	3,315,492	91,877	3,225,411
Expenditures:					
General government - contractual services	3,383,260	3,383,260	3,383,260	—	3,243,260
Total expenditures	<u>3,383,260</u>	<u>3,383,260</u>	<u>3,383,260</u>	—	<u>3,243,260</u>
Excess (deficiency) of revenues over (under) expenditures	(159,645)	(159,645)	(67,768)	91,877	(17,849)
Other financing sources – transfers in	—	—	—	—	—
Excess (deficiency) of revenues over (under) expenditures and other uses \$	<u>(159,645)</u>	<u>(159,645)</u>	(67,768)	<u>91,877</u>	(17,849)
Fund balance, beginning of year			<u>236,625</u>		<u>254,474</u>
Fund balance, end of year			\$ <u><u>168,857</u></u>		<u><u>236,625</u></u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Transportation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Year Ended December 31, 2014
(With Comparative Actual Amounts for 2013)

	<u>2014</u>			<u>Variance</u>	
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive</u>	<u>2013</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Revenues:					
Charges for services	\$ 305,674	305,674	390,565	84,891	333,405
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,949</u>	<u>1,949</u>	<u>23</u>
Total revenues	<u>305,674</u>	<u>305,674</u>	<u>392,514</u>	<u>86,840</u>	<u>333,428</u>
Expenditures:					
General government					
Personal services	94,625	94,625	82,676	11,949	74,667
Contractual service	2,432,421	2,432,421	1,431,380	1,001,041	2,283,774
Commodities	807,146	807,146	657,847	149,299	685,851
Capital outlay	194,600	194,600	216,750	(22,150)	—
Other	<u>1,150,000</u>	<u>1,150,000</u>	<u>—</u>	<u>1,150,000</u>	<u>—</u>
Total expenditures	<u>4,678,792</u>	<u>4,678,792</u>	<u>2,388,653</u>	<u>2,290,139</u>	<u>3,044,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,373,118)</u>	<u>(4,373,118)</u>	<u>(1,996,139)</u>	<u>2,376,979</u>	<u>(2,710,864)</u>
Other financing sources (uses)					
Transfers in	3,054,450	3,054,450	3,177,484	123,034	3,012,578
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>3,054,450</u>	<u>3,054,450</u>	<u>3,177,484</u>	<u>123,034</u>	<u>3,012,578</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(1,318,668)</u>	\$ <u>(1,318,668)</u>	1,181,345	<u>2,500,013</u>	301,714
Fund balance, beginning of year			3,689,030		2,786,718
Net change in reserve for encumbrances			<u>(377,868)</u>		<u>600,598</u>
Fund balance, end of year			\$ <u>4,492,507</u>		<u>3,689,030</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Year Ended December 31, 2014
(With Comparative Actual Amounts for 2013)

	<u>2014</u>			<u>Variance</u>	
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive</u>	<u>2013</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Revenues:					
Taxes	\$ —	—	539	539	1,735
Charges for services	2,527,000	2,527,000	1,983,842	(543,158)	1,727,176
Miscellaneous	200,300	200,300	325,644	125,344	221,489
	<u>2,727,300</u>	<u>2,727,300</u>	<u>2,310,025</u>	<u>(417,275)</u>	<u>1,950,400</u>
Total revenues					
Expenditures:					
Culture and recreation:					
Personal services	3,796,278	3,582,346	3,529,427	52,919	3,050,809
Contractual service	813,506	574,618	506,377	68,241	416,361
Commodities	378,781	351,412	564,938	(213,526)	264,482
Capital outlay	250,000	21,208	6,520	14,688	—
Other	57,442	766,423	—	766,423	—
	<u>5,296,007</u>	<u>5,296,007</u>	<u>4,607,262</u>	<u>688,745</u>	<u>3,731,652</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	(2,568,707)	(2,568,707)	(2,297,237)	271,470	(1,781,252)
Other financing sources – transfers in	<u>2,230,157</u>	<u>2,230,157</u>	<u>2,230,157</u>	<u>—</u>	<u>1,880,157</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ (338,550)</u>	<u>(338,550)</u>	(67,080)	<u>271,470</u>	98,905
Fund balance, beginning of year			969,189		937,828
Net change in reserve for encumbrances			<u>24,245</u>		<u>(67,544)</u>
Fund balance, end of year			<u>\$ 926,354</u>		<u>969,189</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Special Alcohol Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

Year Ended December 31, 2014
 (With Comparative Actual Amounts for 2013)

	2014				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
Revenues:					
Intergovernmental	\$ 714,000	714,000	687,781	(26,219)	689,082
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>714,000</u>	<u>714,000</u>	<u>687,781</u>	<u>(26,219)</u>	<u>689,082</u>
Expenditures:					
Health:					
Personal services	289,552	289,552	307,559	(18,007)	248,552
Contractual service	330,617	330,617	327,994	2,623	625,272
Commodities	—	—	2,777	(2,777)	3,102
Capital outlay	—	—	—	—	—
Other	<u>325,500</u>	<u>325,500</u>	<u>—</u>	<u>325,500</u>	<u>—</u>
Total expenditures	<u>945,669</u>	<u>945,669</u>	<u>638,330</u>	<u>307,339</u>	<u>876,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (231,669)</u>	<u>(231,669)</u>	49,451	<u>281,120</u>	(187,844)
Fund balance, beginning of year			85,469		273,313
Net change in reserve for encumbrances			<u>—</u>		<u>—</u>
Fund balance, end of year			<u>\$ 134,920</u>		<u>85,469</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Special Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Year Ended December 31, 2014
(With Comparative Actual Amounts for 2013)

	<u>2014</u>				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2013 Actual</u>
Revenues					
Intergovernmental	\$ 2,552,150	2,552,150	2,573,695	21,545	2,484,833
Miscellaneous	<u>—</u>	<u>—</u>	<u>2,216</u>	<u>2,216</u>	<u>6,592</u>
Total revenues	<u>2,552,150</u>	<u>2,552,150</u>	<u>2,575,911</u>	<u>23,761</u>	<u>2,491,425</u>
Expenditures:					
Public works:					
Personal services	1,855,759	1,876,700	1,854,529	22,171	1,815,888
Contractual service	15,500	15,500	911	14,589	42,188
Commodities	389,780	389,780	515,184	(125,404)	138,856
Capital outlay	305,000	318,519	285,493	33,026	299,239
Other	<u>150,000</u>	<u>115,540</u>	<u>—</u>	<u>115,540</u>	<u>—</u>
Total expenditures	<u>2,716,039</u>	<u>2,716,039</u>	<u>2,656,117</u>	<u>59,922</u>	<u>2,296,171</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u><u>(163,889)</u></u>	<u><u>(163,889)</u></u>	(80,206)	<u><u>(36,161)</u></u>	195,254
Fund balance, beginning of year			1,055,117		945,478
Net change in reserve for encumbrances			<u>75,257</u>		<u>(85,615)</u>
Fund balance, end of year			<u>\$ 1,050,168</u>		<u>1,055,117</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Special Recreation Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

Year Ended December 31, 2014
 (With Comparative Actual Amounts for 2013)

	<u>2014</u>			<u>Variance</u>	
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive</u>	<u>2013</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
Revenues – intergovernmental	\$ 714,000	714,000	687,781	(26,219)	689,082
Expenditures:					
Culture and recreation:					
Personal services	48,623	23,497	19,576	3,921	38,633
Contractual service	338,000	374,700	363,336	11,364	311,792
Commodities	71,000	119,878	251,956	(132,078)	106,744
Capital outlay	357,000	336,548	188,789	147,759	220,836
Other	100,000	60,000	—	60,000	—
Total expenditures	<u>914,623</u>	<u>914,623</u>	<u>823,657</u>	<u>90,966</u>	<u>678,005</u>
Excess (deficiency) of revenues over (under) expenditures	(200,623)	(200,623)	(135,876)	64,747	11,077
Other financing uses – transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(200,623)</u>	<u>(200,623)</u>	(135,876)	<u>64,747</u>	11,077
Fund balance, beginning of year			447,444		343,381
Net change in reserve for encumbrances			<u>(86,075)</u>		<u>92,986</u>
Fund balance, end of year			\$ <u>225,493</u>		<u>447,444</u>

See independent auditor's report on the basic financial statements.

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NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2014

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 269,443	277,325	546,768
Receivables:			
Accounts	4,272	464	4,736
Inventories	—	1,443	1,443
Total current assets	<u>273,715</u>	<u>279,232</u>	<u>552,947</u>
Capital assets			
Land	479,055		479,055
Buildings and improvements	4,094,602	3,634,714	7,729,316
Equipment	416,350	236,027	652,377
Accumulated depreciation	<u>(3,757,311)</u>	<u>(3,054,499)</u>	<u>(6,811,810)</u>
Total capital assets	<u>1,232,696</u>	<u>816,242</u>	<u>2,048,938</u>
Total assets	<u>\$ 1,506,411</u>	<u>1,095,474</u>	<u>2,601,885</u>
Liabilities and Net Position			
Liabilities:			
Current liabilities			
Accounts payable	\$ 14,737	15,360	30,097
Accrued payroll	39,134	14,942	54,076
Accrued vacation and sick pay	42,674	22,504	65,178
Total current liabilities	<u>96,545</u>	<u>52,806</u>	<u>149,351</u>
Noncurrent liabilities			
Compensated absences	56,527	30,881	87,408
Net OPEB obligation	117,748	4,241	121,989
Total noncurrent liabilities	<u>174,275</u>	<u>35,122</u>	<u>209,397</u>
Total liabilities	<u>270,820</u>	<u>87,928</u>	<u>358,748</u>
Net position:			
Invested in capital assets, net of debt	1,232,696	816,242	2,048,938
Unrestricted	2,895	191,304	194,199
Total net position	<u>1,235,591</u>	<u>1,007,546</u>	<u>2,243,137</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenses and Changes in
Net Position - Nonmajor Enterprise Funds

For the Year Ended December 31, 2014

	<u>Public Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues - charges for services	\$ 1,287,303	772,843	2,060,146
Operating expenses:			
Continuing operations	1,345,009	773,136	2,118,145
Depreciation and amortization	145,949	198,016	343,965
Total operating expenses	<u>1,490,958</u>	<u>971,152</u>	<u>2,462,110</u>
Operating income (loss)	<u>(203,655)</u>	<u>(198,309)</u>	<u>(401,964)</u>
Nonoperating revenues (expenses)-other	<u>—</u>	<u>5,832</u>	<u>5,832</u>
Change in net position	(203,655)	(192,477)	(396,132)
Net position, beginning of year	<u>1,439,246</u>	<u>1,200,023</u>	<u>2,639,269</u>
Net position, end of year	\$ <u><u>1,235,591</u></u>	<u><u>1,007,546</u></u>	<u><u>2,243,137</u></u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,288,097	778,675	2,066,772
Payments to suppliers	(304,770)	(325,493)	(630,263)
Payments to employees	<u>(1,057,080)</u>	<u>(444,379)</u>	<u>(1,501,459)</u>
Net cash provided by (used in) operating activities	<u>(73,753)</u>	<u>8,803</u>	<u>(64,950)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	<u>(23,368)</u>	<u>(71,968)</u>	<u>(95,336)</u>
Net increase (decrease) in cash	(97,121)	(63,165)	(160,286)
Cash and cash equivalents, beginning of year	<u>366,564</u>	<u>340,490</u>	<u>707,054</u>
Cash and cash equivalents, end of year	<u>\$ 269,443</u>	<u>277,325</u>	<u>546,768</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ <u>(203,655)</u>	<u>(198,309)</u>	<u>(401,964)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	145,949	198,016	343,965
Other income	—	5,832	5,832
Change in:			
Accounts receivable	794	—	794
Inventories of supplies	—	3,558	3,558
Accounts payable	(2,726)	(3,973)	(6,699)
Accrued payroll	913	1,207	2,120
Accrued vacation and sick pay	(21,810)	2,252	(19,558)
Net OPEB obligation	<u>6,782</u>	<u>220</u>	<u>7,002</u>
Total adjustments	<u>129,902</u>	<u>207,112</u>	<u>337,014</u>
Net cash provided by (used in) operating activities	<u>\$ (73,753)</u>	<u>8,803</u>	<u>(64,950)</u>

See independent auditor's report on the basic financial statements.

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, 2014

Assets	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Current assets:						
Cash	\$ 811,438	430,914	722	26,744	5,727,217	6,997,035
Investments	500,000	1,000,000	—	—	3,499,072	4,999,072
Receivables:						
Accounts	—	—	335,260	—	38,686	373,946
Accrued interest	167	1,810	—	—	5,102	7,079
Inventories	—	—	278,809	4,189	—	282,998
Total current assets	<u>1,311,605</u>	<u>1,432,724</u>	<u>614,791</u>	<u>30,933</u>	<u>9,270,077</u>	<u>12,660,130</u>
Capital assets						
Buildings and improvements	—	—	762,567	—	—	762,567
Equipment	—	—	460,432	—	—	460,432
Accumulated depreciation	—	—	(822,022)	—	—	(822,022)
Total capital assets	<u>—</u>	<u>—</u>	<u>400,977</u>	<u>—</u>	<u>—</u>	<u>400,977</u>
Total assets	<u>\$ 1,311,605</u>	<u>1,432,724</u>	<u>1,015,768</u>	<u>30,933</u>	<u>9,270,077</u>	<u>13,061,107</u>
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 243	37,331	105,820	1,838	228,502	373,734
Claims payable	—	54,055	—	—	420,499	474,554
Accrued payroll	—	—	49,522	—	—	49,522
Accrued vacation and sick pay	—	—	68,523	—	—	68,523
Due to other funds	—	—	139,000	—	—	139,000
Total current liabilities	<u>243</u>	<u>91,386</u>	<u>362,865</u>	<u>1,838</u>	<u>649,001</u>	<u>1,105,333</u>
Noncurrent liabilities - compensated absences	—	—	84,553	—	—	84,553
Total liabilities	<u>243</u>	<u>91,386</u>	<u>447,418</u>	<u>1,838</u>	<u>649,001</u>	<u>1,189,886</u>
Net position:						
Invested in capital assets, net of debt	—	—	400,977	—	—	400,977
Unrestricted	1,311,362	1,341,338	167,373	29,095	8,621,076	11,470,244
Total net position	<u>\$ 1,311,362</u>	<u>1,341,338</u>	<u>568,350</u>	<u>29,095</u>	<u>8,621,076</u>	<u>11,871,221</u>

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenses and Changes in
Net Position - Internal Service Funds

For the Year Ended December 31, 2014

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Operating revenues - charges for services	\$ 60,000	621,780	3,765,774	1,200	9,456,795	13,905,549
Operating expenses:						
Continuing operations	103,472	461,356	3,887,252	3,103	—	4,455,183
General administration	—	—	—	—	1,527,504	1,527,504
Health insurance claims	—	—	—	—	8,911,908	8,911,908
Depreciation and amortization	—	—	37,667	—	—	37,667
Total operating expenses	103,472	461,356	3,924,919	3,103	10,439,412	14,932,262
Operating income (loss)	(43,472)	160,424	(159,145)	(1,903)	(982,617)	(1,026,713)
Nonoperating revenues (expenses)						
Interest income	167	1,810	—	—	978	2,955
Gain (loss) on sale of capital assets	—	—	4,154	—	—	4,154
Other	—	—	—	—	595,215	595,215
Total nonoperating revenues (expenses)	167	1,810	4,154	—	596,193	602,324
Income (loss) before transfers	(43,305)	162,234	(154,991)	(1,903)	(386,424)	(424,389)
Transfers out	—	—	(7,000)	—	—	(7,000)
Change in net position	(43,305)	162,234	(161,991)	(1,903)	(386,424)	(431,389)
Net position, beginning	1,354,667	1,179,104	730,341	30,998	9,007,500	12,302,610
Net position, end of year	\$ 1,311,362	1,341,338	568,350	29,095	8,621,076	11,871,221

See independent auditor's report on the basic financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2014

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:						
Receipts from customers and users	\$ 60,000	621,780	3,752,739	1,200	10,056,481	14,492,200
Payments to suppliers	(106,664)	(476,694)	(2,660,688)	(930)	(10,598,412)	(13,843,388)
Payments to employees	—	—	(1,199,765)	—	—	(1,199,765)
Net cash provided by (used in) operating activities	<u>(46,664)</u>	<u>145,086</u>	<u>(107,714)</u>	<u>270</u>	<u>(541,931)</u>	<u>(550,953)</u>
Cash flows from noncapital financing activities:						
Interfund loan	—	—	139,000	—	—	139,000
Transfers out	—	—	(7,000)	—	—	(7,000)
Net cash provided by (used in) noncapital financing activities	<u>—</u>	<u>—</u>	<u>132,000</u>	<u>—</u>	<u>—</u>	<u>132,000</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	—	—	(89,668)	—	—	(89,668)
Proceeds from sales of capital assets	—	—	4,154	—	—	4,154
Net cash provided by (used in) capital and related financing activities	<u>—</u>	<u>—</u>	<u>(85,514)</u>	<u>—</u>	<u>—</u>	<u>(85,514)</u>
Cash flows from investing activities:						
Receipt of interest and dividends	—	—	—	—	7,509	7,509
Purchases of investments	(500,000)	(1,000,000)	—	—	7,521,892	6,021,892
Sales of investments	—	—	—	—	(2,500,000)	(2,500,000)
Net cash provided by (used in) investing activities	<u>(500,000)</u>	<u>(1,000,000)</u>	<u>—</u>	<u>—</u>	<u>5,029,401</u>	<u>3,529,401</u>
Net increase (decrease) in cash	<u>(546,664)</u>	<u>(854,914)</u>	<u>(61,228)</u>	<u>270</u>	<u>4,487,470</u>	<u>3,024,934</u>
Cash and cash equivalents, beginning of year, as restated	<u>1,358,102</u>	<u>1,285,828</u>	<u>61,950</u>	<u>26,474</u>	<u>1,239,747</u>	<u>3,972,101</u>
Cash and cash equivalents, end of year	<u>\$ 811,438</u>	<u>430,914</u>	<u>722</u>	<u>26,744</u>	<u>5,727,217</u>	<u>6,997,035</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (43,472)	160,424	(159,145)	(1,903)	(982,617)	(1,026,713)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	—	—	37,667	—	—	37,667
Other income	—	—	—	—	595,215	595,215
Change in:						
Accounts receivable	—	—	(13,035)	—	4,471	(8,564)
Inventories of supplies	—	—	20,545	1,346	—	21,891
Accounts payable	(3,192)	(15,338)	15,351	827	(225,954)	(228,306)
Claims payable	—	—	—	—	66,954	66,954
Accrued payroll	—	—	3,288	—	—	3,288
Accrued vacation and sick pay	—	—	(12,385)	—	—	(12,385)
Total adjustments	<u>(3,192)</u>	<u>(15,338)</u>	<u>51,431</u>	<u>2,173</u>	<u>440,686</u>	<u>475,760</u>
Net cash provided by (used in) operating activities	<u>\$ (46,664)</u>	<u>145,086</u>	<u>(107,714)</u>	<u>270</u>	<u>(541,931)</u>	<u>(550,953)</u>

See independent auditor's report on the basic financial statements.

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.

KPRF Fund – This fund is used by the Parks and Recreation Department to purchase tickets, pay travel agents and pay for other reimbursable expenses.

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

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Changes in Assets and Liabilities –
All Agency Funds

Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Payroll Clearing				
Assets:				
Cash	\$ 74,994	27,347,145	27,421,970	169
Receivables	—	853,831	—	853,831
	<u>\$ 74,994</u>	<u>28,200,976</u>	<u>27,421,970</u>	<u>854,000</u>
Liabilities:				
Accounts payable	\$ 74,994	27,346,976	27,421,970	—
Due to other funds	—	854,000	—	854,000
	<u>\$ 74,994</u>	<u>28,200,976</u>	<u>27,421,970</u>	<u>854,000</u>
Municipal Court				
Assets:				
Cash	\$ 393,074	977,617	681,239	689,452
Restricted assets - court receivables	131,401	—	—	131,401
	<u>\$ 524,475</u>	<u>977,617</u>	<u>681,239</u>	<u>820,853</u>
Liabilities:				
Accounts payable	\$ 393,074	977,617	681,239	689,452
Payable from restricted assets	131,401	—	—	131,401
	<u>\$ 524,475</u>	<u>977,617</u>	<u>681,239</u>	<u>820,853</u>
KPRF				
Assets:				
Cash	\$ 291	—	291	—
Liabilities:				
Accounts payable	\$ 291	—	291	—

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Statement of Changes in Assets and Liabilities –
All Agency Funds, Continued

Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Fire Insurance Proceeds Fund				
Assets:				
Cash	\$ 28,095	—	—	28,095
Liabilities:				
Accounts payable	\$ 28,095	—	—	28,095
Economic Development Escrow				
Assets:				
Cash	\$ (5,818)	721,484	715,557	109
Receivables	5,818	27,000	5,818	27,000
	\$ —	748,484	721,375	27,109
Liabilities:				
Accounts payable	\$ —	721,484	721,375	109
Due to other funds	—	27,000		27,000
	\$ —	748,484	721,375	27,109
Totals - All Agency Funds				
Assets:				
Cash	\$ 490,636	29,046,246	28,819,057	717,825
Receivables	5,818	880,831	5,818	880,831
Restricted assets - court receivables	131,401	—	—	131,401
Total assets	\$ 627,855	29,927,077	28,824,875	1,730,057
Liabilities:				
Accounts payable	\$ 496,454	29,046,077	28,824,875	717,656
Court bonds payable	131,401	—	—	131,401
Due to other funds	—	881,000	—	881,000
Total liabilities	\$ 627,855	29,927,077	28,824,875	1,730,057

See independent auditor's report on the basic financial statements.

STATISTICAL SECTION

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Statistical Section

The Statistical Section provides additional information to aid in the understanding of the financial statements, note disclosures, and supplementary information for the City of Lawrence.

Contents

Financial Trends

These schedules help the reader understand how the city's financial performance has changed over time.

Revenue Capacity

These schedules help the reader assess the status of the city's property tax.

Debt Capacity

These schedules help the reader assess the city's current levels of outstanding debt and the city's ability to issue additional debt.

Economic and Demographic Information

These schedules help the reader understand the economic environment within which the city's financial activities take place.

Operating Information

These schedules help the reader understand how the information in the city's financial report relates to the services the city provides.

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

SCHEDULES OF FINANCIAL TRENDS INFORMATION

The objective of financial trends information is to assist the reader in understanding how the City of Lawrence's financial position has changed over time. As a result, two tables are presented. Table 1 shows Net Position for the last ten years. Table 2 shows the Changes in Net Position for the last ten years.

Table 1

CITY OF LAWRENCE, KANSAS

Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Invested in capital assets, net of related debt \$	88,244,646	93,600,687	94,219,394	98,756,330	102,317,087	120,684,461	129,183,408	138,239,587	142,465,788	153,650,856
Restricted	16,818,165	17,954,391	22,969,523	31,135,946	30,181,056	31,067,667	29,677,058	30,071,225	27,610,575	24,514,918
Unrestricted	42,743,594	36,620,613	38,700,080	30,196,881	31,166,420	30,723,645	33,582,269	34,040,332	34,979,766	39,710,437
Total governmental activities net position \$	<u>147,806,405</u>	<u>148,175,691</u>	<u>155,888,997</u>	<u>160,089,157</u>	<u>163,664,563</u>	<u>182,475,773</u>	<u>192,442,735</u>	<u>202,351,144</u>	<u>205,056,129</u>	<u>217,876,211</u>
Business-type activities										
Invested in capital assets, net of related debt \$	74,845,227	91,982,752	100,856,193	130,121,705	131,255,940	131,412,998	130,911,335	132,286,325	135,412,622	142,129,630
Restricted	17,732,915	16,877,071	27,230,548	19,865,967	-	-	-	-	-	-
Unrestricted	47,994,157	42,242,043	26,203,996	4,813,863	24,874,340	26,602,323	29,737,496	31,931,406	30,899,856	26,144,324
Total business-type activities net position \$	<u>140,572,299</u>	<u>151,101,866</u>	<u>154,290,737</u>	<u>154,801,535</u>	<u>156,130,280</u>	<u>158,015,321</u>	<u>160,648,831</u>	<u>164,217,731</u>	<u>166,312,478</u>	<u>168,273,954</u>
Primary government										
Invested in capital assets, net of related debt \$	163,089,873	185,583,439	195,075,587	228,878,035	233,573,027	252,097,459	260,094,743	270,525,912	277,878,410	295,780,486
Restricted	34,551,080	34,831,462	50,200,071	51,001,913	30,181,056	31,067,667	29,677,058	30,071,225	27,610,575	24,514,918
Unrestricted	90,737,751	78,862,656	64,904,076	35,010,744	56,040,760	57,325,968	63,319,765	65,971,738	65,879,622	65,854,761
Total primary government net position \$	<u>288,378,704</u>	<u>299,277,557</u>	<u>310,179,734</u>	<u>314,890,692</u>	<u>319,794,843</u>	<u>340,491,094</u>	<u>353,091,566</u>	<u>366,568,875</u>	<u>371,368,607</u>	<u>386,150,165</u>

CITY OF LAWRENCE, KANSAS

Changes in Net Position

Last Ten Fiscal Years
(accrual basis of accounting)

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental activities										
General government	\$ 15,787,385	17,850,454	19,365,613	19,330,700	20,602,910	23,127,748	22,477,809	25,726,334	24,459,731	26,010,819
Public safety	23,958,869	26,850,570	28,091,852	28,450,607	29,739,788	28,650,139	29,036,287	30,675,333	31,660,850	33,175,448
Public works	13,152,884	16,608,613	14,467,570	15,402,053	17,343,296	16,549,924	15,679,396	15,939,222	21,791,694	14,560,490
Health	897,509	976,258	992,789	1,039,965	1,075,320	1,919,306	1,438,414	1,379,859	1,215,155	1,308,714
Social services	3,330,734	2,651,489	1,917,240	1,841,798	2,448,630	1,915,284	2,264,240	2,198,039	2,130,316	1,319,214
Culture and recreation	7,145,971	8,205,079	7,834,774	8,058,955	8,080,566	8,125,600	8,106,806	8,473,244	8,463,663	9,746,664
Tourism	680,490	675,797	779,687	818,561	771,534	885,555	1,052,713	969,229	1,009,528	1,266,137
Airport	188,284	201,034	212,253	248,014	242,517	318,403	494,077	226,568	251,419	229,161
Interest on long-term debt	2,838,234	3,175,178	2,655,108	3,232,294	3,231,513	2,813,274	2,634,868	2,312,471	1,493,818	3,860,258
Total governmental activities expenses	<u>67,980,360</u>	<u>77,194,472</u>	<u>76,316,886</u>	<u>78,422,947</u>	<u>83,536,074</u>	<u>84,305,233</u>	<u>83,184,610</u>	<u>87,900,299</u>	<u>92,476,174</u>	<u>91,476,905</u>
Business-type activities:										
Water & sewer	18,439,977	21,182,353	23,578,051	25,644,004	25,862,716	26,269,408	26,971,544	28,610,906	28,303,397	29,021,550
Sanitation	8,395,807	9,146,491	9,593,230	10,048,229	9,689,799	9,202,456	9,945,012	9,762,916	9,797,103	12,174,577
Parking	962,303	934,309	1,110,029	1,259,311	1,299,618	1,329,347	1,330,036	1,340,421	1,399,151	1,498,150
Stormwater	1,527,637	1,710,016	1,778,006	1,776,832	1,867,219	1,695,136	1,822,001	2,151,249	1,785,144	1,864,838
Golf course	992,548	817,710	925,676	999,551	1,016,011	998,557	917,860	944,149	930,730	973,740
Total business-type activities expenses	<u>30,318,272</u>	<u>33,790,879</u>	<u>36,984,992</u>	<u>39,727,927</u>	<u>39,735,363</u>	<u>39,494,904</u>	<u>40,986,453</u>	<u>42,809,641</u>	<u>42,215,525</u>	<u>45,532,855</u>
Total primary government expenses	\$ <u>98,298,632</u>	<u>110,985,351</u>	<u>113,301,878</u>	<u>118,150,874</u>	<u>123,271,437</u>	<u>123,800,137</u>	<u>124,171,063</u>	<u>130,709,940</u>	<u>134,691,699</u>	<u>137,009,760</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,164,158	1,151,175	1,213,241	1,244,723	1,457,934	8,518,656	8,293,905	8,745,433	9,008,294	8,990,118
Public safety	6,523,480	6,745,201	6,390,357	7,371,902	6,746,080	398,548	453,968	403,121	503,123	563,446
Culture and recreation	1,554,583	1,642,377	1,764,266	1,911,786	1,952,858	2,379,992	1,955,406	2,278,274	2,259,932	2,590,218
Other activities	598,888	693,927	550,054	382,777	442,116	547,979	471,492	370,832	440,872	571,777
Operating grants and contributions	8,645,939	8,296,784	8,107,569	7,049,610	8,614,974	10,417,284	11,609,950	11,525,865	9,632,212	10,229,250
Capital grants and contributions	4,298,427	7,464,153	6,982,954	3,502,047	3,912,656	14,676,844	3,235,965	3,295,028	412,940	5,433,051
Total governmental activities program revenues	<u>22,785,475</u>	<u>25,993,617</u>	<u>25,008,441</u>	<u>21,462,845</u>	<u>23,126,618</u>	<u>36,939,303</u>	<u>26,020,686</u>	<u>26,618,553</u>	<u>22,257,373</u>	<u>28,377,860</u>
Business-type activities:										
Charges for services:										
Water & sewer	24,666,589	27,625,934	27,702,909	27,953,735	29,099,969	30,362,409	31,089,678	34,345,233	32,259,758	34,130,975
Sanitation	8,350,141	8,738,585	8,980,990	9,281,014	9,658,845	10,002,337	10,546,148	10,749,061	10,768,380	11,325,772
Parking	871,504	954,766	876,578	1,018,472	1,013,596	1,162,143	1,264,390	1,225,464	1,197,212	1,287,303
Stormwater	2,767,975	2,794,985	2,836,484	2,890,385	2,919,032	2,948,627	2,952,788	2,970,639	2,972,683	3,036,886
Golf course	935,964	971,712	923,375	916,239	919,416	780,840	718,419	820,444	753,198	772,843

(continued)

CITY OF LAWRENCE, KANSAS

Changes in Net Position, Continued

Last Ten Fiscal Years
(accrual basis of accounting)

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating grants and contributions	-	-	16,844	-	-	-	-	-	-	-
Capital grants and contributions	60,944	85,160	-	-	-	-	-	-	-	-
Total business-type activities program revenues	37,655,122	41,173,148	41,337,180	42,059,845	43,610,858	45,256,356	46,571,423	50,110,841	47,951,231	50,553,779
Total primary government program revenues	\$ 60,440,597	67,166,765	66,345,621	63,522,690	66,737,476	82,195,659	72,592,109	76,729,394	70,208,604	78,931,639
Net (expense)/revenue										
Governmental activities	\$ (45,194,885)	(51,200,855)	(51,308,445)	(56,960,102)	(60,409,456)	(47,365,930)	(57,163,924)	(61,281,746)	(70,218,801)	(63,099,045)
Business-type activities	7,336,850	7,382,269	4,352,188	2,331,918	3,875,495	5,761,452	5,584,970	7,301,200	5,735,706	5,020,924
Total primary government net expense	\$ (37,858,035)	(43,818,586)	(46,956,257)	(54,628,184)	(56,533,961)	(41,604,478)	(51,578,954)	(53,980,546)	(64,483,095)	(58,078,121)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 22,059,715	22,525,407	23,768,769	24,836,509	24,673,704	24,689,288	25,240,210	26,479,032	27,775,692	28,388,241
Franchise taxes	3,754,184	3,986,982	4,784,605	5,543,194	5,872,925	6,300,184	6,408,974	6,482,183	6,822,828	7,645,920
Sales taxes	21,318,108	21,733,540	22,172,560	23,133,235	27,025,710	29,499,359	30,835,166	32,409,308	32,644,826	34,791,050
Unrestricted grants and contributions	530,707	543,415	548,596	740,882	760,511	723,125	645,080	691,768	689,082	732,100
Investment earnings	1,912,596	3,144,551	3,290,116	2,890,086	1,177,409	337,284	134,306	210,102	202,023	223,756
Miscellaneous	98,035	140,358	187,713	125,372	31,107	6,512	185,909	425,033	136,700	255,075
Transfers	1,892,038	2,102,194	4,269,392	3,890,984	4,297,080	4,621,388	4,671,294	4,492,729	4,652,635	3,882,985
Total governmental activities	51,565,383	54,176,447	59,021,751	61,160,262	63,838,446	66,177,140	68,120,939	71,190,155	72,923,786	75,919,127
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	6,325	5,148	3,303	-	-	-
Investment earnings	1,449,433	2,666,000	2,464,859	1,489,597	206,643	44,953	105,578	121,636	105,283	26,824
Miscellaneous	318,358	268,427	641,216	580,267	399,962	509,320	620,900	638,793	906,393	796,713
Transfers	(1,892,038)	(2,102,194)	(4,269,392)	(3,890,984)	(4,297,080)	(4,621,388)	(4,671,294)	(4,492,729)	(4,652,635)	(3,882,985)
Total business-type activities	(124,247)	832,233	(1,163,317)	(1,821,120)	(3,684,150)	(4,061,967)	(3,941,513)	(3,732,300)	(3,640,959)	(3,059,448)
Total primary government	\$ 51,441,136	55,008,680	57,858,434	59,339,142	60,154,296	62,115,173	64,179,426	67,457,855	69,282,827	72,859,679
Change in Net Position										
Governmental activities	\$ 6,370,498	2,975,592	7,713,306	4,200,160	3,428,990	18,811,210	10,957,015	9,908,409	2,704,985	12,820,082
Business-type activities	7,212,603	8,214,502	3,188,871	510,798	191,345	1,699,485	1,643,457	3,568,900	2,094,747	1,961,476
Total primary government	\$ 13,583,101	11,190,094	10,902,177	4,710,958	3,620,335	20,510,695	12,600,472	13,477,309	4,799,732	14,781,558

SCHEDULES OF REVENUE CAPACITY INFORMATION

The objective of the revenue capacity information is to assist the reader in understanding the factors affecting the City of Lawrence's ability to generate its own-source revenue. As a result, seven tables of data are presented. Most of the tables contain ten years of data. Table 3 shows tax revenues by source. Table 4 shows the fund balances of the governmental funds. Table 5 shows the changes in fund balances. Table 6 provides the assessed and estimated actual property valuations. Table 7 shows the direct and overlapping property tax rates. Table 8 lists the ten largest property tax payers. Table 9 provides a history of property tax collections.

CITY OF LAWRENCE, KANSAS

General Government Tax Revenues by Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

<u>Year</u>	<u>Property Tax</u>	<u>Sales Tax (1)</u>	<u>Franchise Tax</u>	<u>Motor Vehicle Tax</u>	<u>Payment-in-lieu</u>	<u>Total</u>	<u>Total Taxable Retail Sales</u>
2005	\$ 19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594	1,184,182,613
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301	1,226,043,745
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387	1,245,379,100
2008	22,790,512	14,027,094	5,543,194	1,943,132	102,866	44,406,798	1,289,814,300
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008	1,257,214,500
2010	22,656,849	20,863,865	6,300,184	1,936,585	95,855	51,853,338	1,236,094,700
2011	23,204,001	21,953,262	6,408,974	1,944,512	91,697	53,602,446	1,291,735,200
2012	24,417,039	23,007,680	6,482,183	1,965,745	96,247	55,968,894	1,359,399,600
2013	25,470,800	23,360,472	6,822,828	2,206,347	98,546	57,958,993	1,388,082,800
2014	25,844,497	24,635,194	7,645,920	2,447,054	96,690	60,669,355	1,445,408,100

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

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	489,385	458,016	444,230	418,924
Unassigned	-	-	-	-	-	-	12,764,449	12,807,728	12,987,191	13,203,510
Reserved	854,863	850,300	807,314	919,854	266,473	556,401	-	-	-	-
Unreserved	<u>14,472,880</u>	<u>11,083,748</u>	<u>11,449,526</u>	<u>12,224,367</u>	<u>12,564,947</u>	<u>12,747,754</u>	-	-	-	-
Total General Fund	\$ <u>15,327,743</u>	<u>11,934,048</u>	<u>12,256,840</u>	<u>13,144,221</u>	<u>12,831,420</u>	<u>13,304,155</u>	<u>13,253,834</u>	<u>13,265,744</u>	<u>13,431,421</u>	<u>13,622,434</u>
All other governmental funds										
Nonspendable	-	-	-	-	-	-	463,176	461,146	424,304	562,959
Restricted	-	-	-	-	-	-	16,727,528	17,198,370	16,924,753	17,578,956
Assigned	-	-	-	-	-	-	20,498,354	22,307,990	28,407,656	29,326,657
Unassigned	-	-	-	-	-	-	(1,820,366)	(1,706,921)	(15,039,302)	(14,022,677)
Reserved	\$ 8,596,569	7,858,766	8,366,671	17,918,096	17,239,307	17,615,379	-	-	-	-
Unreserved, reported in:										
Special revenue funds	15,253,024	15,959,348	15,389,830	16,938,468	18,602,507	18,002,435	-	-	-	-
Capital projects funds	<u>(10,419,107)</u>	<u>(6,221,334)</u>	<u>(745,650)</u>	<u>(2,938,975)</u>	<u>(9,271,901)</u>	<u>(1,871,354)</u>	-	-	-	-
Total all other governmental fund	\$ <u>13,430,486</u>	<u>17,596,780</u>	<u>23,010,851</u>	<u>31,917,589</u>	<u>26,569,913</u>	<u>33,746,460</u>	<u>35,868,692</u>	<u>38,260,585</u>	<u>30,717,411</u>	<u>33,445,895</u>

CITY OF LAWRENCE, KANSAS
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 38,579,594	39,659,301	42,028,387	44,406,798	48,963,008	51,853,338	53,602,446	55,968,894	57,958,993	60,669,355
Special assessments	1,350,375	1,623,980	1,955,841	3,172,277	2,856,257	2,736,562	3,763,111	3,195,006	2,762,369	2,735,676
Licenses and permits	1,082,191	1,128,747	928,922	1,018,198	810,916	871,264	944,702	968,947	1,028,880	974,690
Charges for services	5,344,865	5,922,240	5,762,447	6,601,944	6,276,057	6,506,432	6,402,873	6,668,879	6,676,694	6,984,748
Fines, forfeitures and penalties	2,637,520	2,610,627	2,650,819	2,632,493	2,613,613	3,101,898	2,942,454	2,823,509	3,083,596	3,277,102
Interest	1,824,288	2,965,144	3,083,321	1,775,604	316,185	322,758	145,314	193,727	188,012	266,269
Intergovernmental	18,346,114	19,796,516	17,396,256	19,757,194	19,522,422	22,662,507	22,013,251	22,164,027	20,230,592	21,868,227
Reimbursements	178,665	1,321,000	70,834	196,262	375,161	138,393	449,094	335,350	472,548	675,165
Miscellaneous	1,020,492	1,465,378	640,488	1,054,806	1,018,877	9,514,236	1,190,375	1,399,018	811,405	2,408,160
Total Revenues	<u>70,364,104</u>	<u>76,492,933</u>	<u>74,517,315</u>	<u>80,615,576</u>	<u>82,752,496</u>	<u>97,707,388</u>	<u>91,453,620</u>	<u>93,717,357</u>	<u>93,213,089</u>	<u>99,859,392</u>
Expenditures										
General government	16,427,044	18,676,882	19,512,299	18,968,987	19,891,053	22,358,619	22,353,342	24,950,523	23,865,832	25,347,630
Public safety	23,418,252	26,134,660	27,193,045	27,816,793	29,187,921	28,074,410	28,487,747	30,336,181	31,178,696	32,508,249
Public works	6,896,815	8,360,862	7,969,457	8,258,922	8,778,751	8,648,070	9,648,859	9,124,553	12,095,488	8,410,527
Health	895,344	974,790	990,668	1,037,952	1,074,666	1,917,525	1,436,649	1,379,104	1,214,877	1,309,031
Social services	2,878,949	2,238,416	1,519,399	1,452,893	2,089,963	1,533,790	1,777,310	1,530,158	1,486,561	681,297
Culture and recreation	6,651,247	7,694,559	7,289,612	7,465,092	7,534,689	7,658,288	7,688,245	8,041,351	7,993,784	9,178,546
Tourism	677,282	674,777	779,687	818,561	771,534	885,555	1,051,345	967,620	1,007,438	1,263,707
Airport	72,507	85,290	96,545	132,237	126,740	201,889	377,900	110,908	134,849	194,405
Capital outlay	19,851,587	18,680,282	7,734,897	8,650,245	14,155,573	15,486,693	10,889,382	13,454,338	31,999,515	41,565,540
Debt service:										
Principal retirement	8,121,337	7,942,194	8,602,024	8,729,882	9,064,166	16,923,114	8,719,010	14,927,625	9,793,066	9,273,481
Interest and fiscal charges	2,719,188	3,283,518	2,710,971	3,274,481	3,288,693	2,890,327	2,622,226	2,582,033	2,313,042	2,253,624
Total expenditures	<u>88,609,552</u>	<u>94,746,230</u>	<u>84,398,604</u>	<u>86,606,045</u>	<u>95,963,749</u>	<u>106,578,280</u>	<u>95,052,015</u>	<u>107,404,394</u>	<u>123,083,148</u>	<u>131,986,037</u>
Excess of revenues over (under) expenditures	<u>(18,245,448)</u>	<u>(18,253,297)</u>	<u>(9,881,289)</u>	<u>(5,990,469)</u>	<u>(13,211,253)</u>	<u>(8,870,892)</u>	<u>(3,598,395)</u>	<u>(13,687,037)</u>	<u>(29,870,059)</u>	<u>(32,126,645)</u>
Other financing sources (uses)										
Transfers in	7,964,846	7,926,774	9,608,664	10,959,158	13,469,563	17,113,409	5,265,393	4,961,707	5,764,700	4,336,262
Transfers out	(6,069,321)	(5,821,112)	(5,335,512)	(7,064,570)	(9,168,787)	(12,488,235)	(590,519)	(465,500)	(1,108,559)	(450,000)
Proceeds of general obligation bonds	6,087,076	16,920,234	11,345,000	11,890,000	3,250,000	11,895,000	3,895,000	11,190,000	4,405,000	41,455,000
Premium on general obligation bonds	-	-	-	-	-	-	-	404,633	-	3,136,301
Total other financing sources (uses)	<u>7,982,601</u>	<u>19,025,896</u>	<u>15,618,152</u>	<u>15,784,588</u>	<u>7,550,776</u>	<u>16,520,174</u>	<u>8,569,874</u>	<u>16,090,840</u>	<u>9,061,141</u>	<u>48,477,563</u>
Net change in fund balances	<u>(10,262,847)</u>	<u>772,599</u>	<u>5,736,863</u>	<u>9,794,119</u>	<u>(5,660,477)</u>	<u>7,649,282</u>	<u>4,971,479</u>	<u>2,403,803</u>	<u>(20,808,918)</u>	<u>16,350,918</u>
Debt service as a percentage of noncapital expenditures	15.8%	14.2%	14.6%	15.2%	14.7%	21.4%	14.0%	18.6%	12.9%	13.0%

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		
2005 \$	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	22,741,682	776,860,997	5,266,978,494	14.7%	27.86
2006	750,379,180	5,389,492,978	53,579,845	214,319,380	20,406,899	20,406,899	824,365,924	5,624,219,257	14.7%	26.36
2007	783,604,390	5,628,128,379	48,783,695	195,134,780	21,163,388	21,163,388	853,551,473	5,844,426,547	14.6%	26.79
2008	804,814,245	5,780,465,181	38,094,360	152,377,440	19,128,981	19,128,981	862,037,586	5,951,971,602	14.5%	26.65
2009	802,842,525	5,766,303,579	33,097,400	132,389,600	17,736,945	17,736,945	853,676,870	5,916,430,124	14.4%	26.69
2010	805,513,584	5,785,488,085	29,111,051	116,444,204	17,962,282	17,962,282	852,586,917	5,919,894,571	14.4%	26.70
2011	811,352,189	7,057,515,250	26,179,943	112,965,148	19,078,875	19,078,875	856,611,007	7,189,559,273	11.9%	28.61
2012	807,364,770	7,065,536,665	23,044,106	100,766,596	21,914,351	66,426,085	852,323,227	7,232,729,346	11.8%	29.53
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%	30.04
2014	831,174,881	7,272,780,209	18,432,625	80,794,981	25,511,114	25,511,114	875,118,620	7,379,086,304	11.9%	31.47

(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

<u>Year</u>	<u>City of Lawrence</u>			<u>Overlapping Rates</u>						<u>Total Direct & Overlapping Rates</u>	
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Douglas County</u>			<u>School District</u>				<u>State of Kansas</u>
				<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
2005	19.32	7.04	27.86	30.05	0.05	29.86	42.05	10.03	52.08	1.50	111.30
2006	19.36	7.00	26.36	29.96	0.05	30.10	47.01	10.79	57.80	1.50	115.76
2007	19.78	7.01	26.79	29.95	0.05	30.00	48.36	9.20	57.56	1.50	115.85
2008	19.56	7.09	26.65	32.77	0.05	32.82	47.59	9.81	57.40	1.50	118.37
2009	19.69	7.00	26.69	32.80	0.00	32.80	46.17	11.72	57.89	1.50	118.89
2010	19.37	7.00	26.37	35.75	0.00	35.75	47.50	12.15	59.65	1.50	123.26
2011	20.10	8.51	28.61	35.77	0.00	35.77	47.74	11.70	59.44	1.50	125.32
2012	21.02	8.51	29.53	35.77	0.00	35.77	47.43	10.58	58.01	1.50	124.81
2013	21.53	8.51	30.04	37.15	0.00	37.15	47.25	10.54	57.79	1.50	126.48
2014	22.97	8.50	31.47	40.95	0.06	41.01	45.54	10.21	55.75	1.50	129.73

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2014

Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2005 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Westar Energy	Electric Utility	\$ 16,416,613	1	1.92 %	\$ 10,783,171	1	1.39 %
Walmart	Retail Outlet	5,523,938	2	0.65			—
Black Hills	Gas Utility	4,353,917	3	0.51			—
Hallmark Cards	Card Manufacturer	4,270,753	4	0.50	5,145,240	5	0.66
Inland Western Lawrence	Retail Center	4,006,152	5	0.47	5,752,465	3	0.74
North Creek Investors	Retail Center	3,263,076	6	0.38			—
Diamond URS	Retail Center	3,203,308	7	0.37			—
Kadish	District Warehouse	2,934,375	8	0.34	2,933,800	10	0.38
LIB JV Holdings	Door Manufacturer	2,901,630	9	0.34			—
Westgate LC	Apartments	2,875,278	10	0.34			—
Southwestern Bell	Telephone Utility	-		—	8,250,865	2	1.06
Lawrence Paper Company	Paper Manufacturer	-		—	5,289,625	4	0.68
Packerware Corp	Plastics Manufacturer	-		—	4,372,470	6	0.56
World Company	Media	-		—	3,828,555	7	0.49
Sealogicals	Biotechnology	-		—	3,395,320	8	0.44
NCS	Computer Services	-		—	3,104,155	9	0.40
Total		<u>\$ 49,749,040</u>		<u>5.81 %</u>	<u>\$ 52,855,666</u>		<u>6.80 %</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>
2005	\$ 20,035,547	\$ 19,622,524	97.94 %	\$ 308,969	\$ 19,931,493	99.48 %	\$ 265,743	1.33 %
2006	20,523,463	19,996,080	97.43	345,973	20,342,053	99.12	447,153	2.18
2007	21,763,984	21,381,266	98.24	300,356	21,681,622	99.62	529,515	2.43
2008	22,970,715	22,478,666	97.86	311,846	22,790,512	99.22	709,718	3.09
2009	22,999,657	22,389,667	97.35	226,552	22,616,219	98.33	1,093,156	4.75
2010	22,816,080	22,254,534	97.54	402,315	22,656,849	99.30	1,252,387	5.49
2011	22,786,706	22,666,750	99.47	537,251	23,204,001	101.83	835,092	3.66
2012	24,406,107	24,011,362	98.38	405,677	24,417,039	100.04	824,160	3.38
2013	25,205,016	25,085,728	99.53	385,072	25,470,800	101.05	439,088	1.74
2014	25,756,589	25,358,111	98.45	336,580	25,694,691	99.76	102,508	0.40

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

SCHEDULES OF DEBT CAPACITY INFORMATION

The objective of the debt capacity information is to assist the reader in assessing the City of Lawrence's present debt burden and its ability to issue additional debt in the future. As a result, five tables of data are presented. Most of the tables contain ten years of data. Table 10 shows outstanding debt by type. Table 11 shows ratios of debt to assessed valuation and debt per capita. Table 12 lists direct and overlapping debt. Table 13 provides calculations of the legal debt margin. Table 14 shows the revenue bond coverage.

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			
2005 \$	66,122,813	41,118	-	25,910,000	10,957,187	46,970,878	-	150,001,996	4.86 %	\$ 1,694.15
2006	75,118,846	23,125	-	24,860,000	9,951,154	44,542,451	-	154,495,576	4.71	1,710.25
2007	80,240,451	4,496	-	43,465,000	6,534,549	42,447,047	-	172,691,543	4.97	1,912.19
2008	83,405,065	-	-	46,290,000	5,504,935	40,144,404	-	175,344,404	4.75	1,929.70
2009	77,590,899	-	-	54,990,000	4,839,101	37,758,506	-	175,178,506	4.69	1,921.74
2010	72,562,785	-	-	53,025,000	12,582,215	26,957,125	-	165,127,125	4.42	1,780.79
2011	67,738,775	-	-	50,880,000	11,406,225	24,902,681	-	154,927,681	4.09	1,649.45
2012	64,001,150	-	-	48,670,000	10,213,850	22,776,957	-	145,661,957	3.89	1,550.52
2013	58,613,083	-	-	46,390,000	8,996,917	20,577,479	-	134,577,479	3.28	1,422.81
2014	90,794,602	-	-	44,030,000	9,800,398	18,301,688	-	162,926,688	3.97	1,722.52

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

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

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

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
2005	88,541	\$ 776,861	\$ 77,080,000	\$ 7,774,005	\$ 69,305,995	8.92 %	\$ 782.76
2006	90,335	824,366	85,070,000	7,289,502	77,780,498	9.44	861.02
2007	90,311	853,551	86,775,000	7,736,675	79,038,325	9.26	875.18
2008	90,866	862,036	88,910,000	17,270,832	71,639,168	8.31	788.40
2009	91,156	853,677	82,430,000	16,428,662	66,001,338	7.73	724.05
2010	92,727	852,587	85,145,000	7,907,864	77,237,136	9.06	832.95
2011	93,927	856,611	79,145,000	8,491,589	70,653,411	8.25	752.22
2012	93,944	852,323	74,215,000	9,303,767	64,911,233	7.62	690.96
2013	94,586	856,307	67,610,000	9,659,399	57,950,601	6.77	612.68
2014	94,586	875,119	100,595,000	10,674,909	89,920,091	10.28	950.67

(1) Planning Department estimates or previous census figure.

(2) Amounts expressed in thousands.

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

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2014

Unaudited

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Amount Available in Debt Service Fund</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct – City of Lawrence	\$ <u>100,595,000</u>	\$ <u>—</u>	\$ <u>100,595,000</u>	100.00 %	\$ <u>100,595,000</u>
Overlapping:					
Douglas County	26,595,000	3,045,208	23,549,792	74.50	17,544,595
Unified School District No. 497	<u>114,275,000</u>	<u>2,350,125</u>	<u>111,924,875</u>	87.33	<u>97,743,993</u>
	<u>140,870,000</u>	<u>5,395,333</u>	<u>135,474,667</u>		<u>115,288,588</u>
	\$ <u>241,465,000</u>	<u>5,395,333</u>	<u>236,069,667</u>		\$ <u>215,883,588</u>

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

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

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

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Assessed Valuation of Taxable Property	\$ 848,569,778	\$ 897,731,218	\$ 927,782,509	\$ 935,616,472	\$ 926,499,469	\$ 924,998,982	\$ 928,635,604	\$ 924,953,742	932,601,818	951,413,530
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	254,570,933	269,319,365	278,334,753	280,684,942	277,949,841	277,499,695	278,590,681	277,486,123	279,780,545	285,424,059
Total net debt applicable to limit (includes temporary notes)	<u>99,208,000</u>	<u>101,415,000</u>	<u>97,000,000</u>	<u>99,545,000</u>	<u>96,550,000</u>	<u>92,610,000</u>	<u>93,520,000</u>	<u>98,430,000</u>	<u>123,085,000</u>	<u>119,625,000</u>
Legal Debt Margin	\$ <u>155,362,933</u>	\$ <u>167,904,365</u>	\$ <u>181,334,753</u>	\$ <u>181,139,942</u>	\$ <u>181,399,841</u>	\$ <u>184,889,695</u>	\$ <u>185,070,681</u>	\$ <u>179,056,123</u>	<u>156,695,545</u>	<u>165,799,059</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	38.97%	37.66%	34.85%	35.47%	34.74%	33.37%	33.57%	35.47%	43.99%	41.91%

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

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<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>
2005	\$ 24,666,589	\$ 12,190,083	\$ 12,476,506	\$ 570,000	\$ 468,958	\$ 1,038,958	12.01
2006	27,625,934	13,730,867	13,895,067	1,050,000	1,329,563	2,379,563	5.84
2007	27,702,909	15,361,516	12,341,393	1,195,000	1,357,400	2,552,400	4.84
2008	27,953,735	17,089,024	10,864,711	1,445,000	1,862,600	3,307,600	3.28
2009	29,099,969	16,445,509	12,654,460	1,685,000	1,987,298	3,672,298	3.45
2010	30,362,409	17,435,950	12,926,459	1,965,000	2,586,534	4,551,534	2.84
2011	31,089,678	18,102,807	12,986,871	2,145,000	2,382,795	4,527,795	2.87
2012	34,345,233	19,624,118	14,721,115	2,210,000	2,304,105	4,514,105	3.26
2013	32,259,758	18,925,425	13,334,333	2,280,000	2,985,423	5,265,423	2.53
2014	34,130,975	19,635,194	14,495,781	2,360,000	2,132,685	4,492,685	3.23

SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION

The objective of the demographic and economic information is to assist the reader in assessing the City of Lawrence's economic environment. As a result, two tables of data are presented. Table 15 shows population, income, school enrollment, and the unemployment rate for the last ten years. Table 16 lists the City's ten largest employers.

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>
2005	88,541	3,084,501,000	27,659	25.30	10,003	4.0 %
2006	90,335	3,279,665,000	29,137	25.30	10,228	3.3
2007	90,311	3,472,000,000	30,594	25.30	10,303	3.6
2008	90,866	3,691,791,296	31,721	25.30	10,700	3.9
2009	91,156	3,732,401,000	32,070	25.30	11,007	5.5
2010	92,727	3,791,714,000	34,305	26.70	11,158	6.2
2011	93,927	3,958,618,000	35,268	26.70	11,250	5.1
2012	93,944	4,100,447,000	36,331	26.70	11,458	5.3
2013	94,586	4,100,447,000	36,331	26.70	11,437	4.1
2014	94,586	4,100,447,000	36,331	26.70	11,840	3.5

Data Sources:

- (1) Planning Department estimates
- (2) 2004-2012 data from BEA. 2013 & 2014 information was not yet available at the report date.
- (3) From U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2014			2005
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	
The University of Kansas	9,872	1	15.42%	Information Not Available
Lawrence Public Schools	1,831	2	2.86%	
General Dynamics	1,500	3	2.34%	
City of Lawrence	1,431	4	2.23%	
Lawrence Memorial Hospital	1,251	5	1.95%	
Hallmark Card, Inc.	814	6	1.27%	
World Company	680	7	1.06%	
Berry Plastics	665	8	1.04%	
Amarr Garage Doors	480	9	0.75%	
DCCA Center	475	10	0.74%	
Total	<u>18,999</u>		<u>32.55%</u>	

Sources: Lawrence Chamber of Commerce
 Kansas Department of Human Resources

SCHEDULES OF OPERATING INFORMATION

The objective of the operating information is to provide a context for the City of Lawrence's operations. The data should help in evaluating the city's financial condition. As a result, three tables of data are presented. Table 17 shows the number of employees by function. Table 18 lists some significant operating indicators. Table 19 provides some capital asset information by function.

CITY OF LAWRENCE, KANSAS
 Full Time Equivalent Employees by Function
 Last Ten Fiscal Years
 Unaudited

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government	67.63	73.76	79.63	89.75	81.08	68.84	67.84	71.55	72.55	84.50
Public Safety	329.00	341.00	342.25	321.00	321.00	319.00	319.00	324.00	327.00	328.00
Public Works	175.50	181.00	188.00	173.75	172.75	172.75	165.75	166.75	167.75	170.50
Culture & Recreation	75.13	75.28	75.28	76.28	71.78	70.78	68.78	68.78	68.78	79.28
Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-	1.00
Social Services	9.00	8.95	8.75	8.75	8.75	8.75	8.75	5.55	5.55	4.30
Water & Sewer	<u>113.26</u>	<u>120.26</u>	<u>133.76</u>	<u>135.26</u>	<u>135.26</u>	<u>128.26</u>	<u>128.26</u>	<u>128.26</u>	<u>130.26</u>	<u>140.26</u>
Total	<u>770.52</u>	<u>801.25</u>	<u>828.67</u>	<u>805.79</u>	<u>791.62</u>	<u>769.38</u>	<u>759.38</u>	<u>764.89</u>	<u>771.89</u>	<u>807.84</u>

Source: City of Lawrence Budget Document

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fire Protection										
Number of Firefighters and Officers	137	138	138	139.5	134.5	139.5	139.5	141	141	141
Number of Fire Calls Answered	1,953	2,154	2,005	2,045	1,864	1,982	1,958	1,970	1,979	1,979
Number of Medical Calls Answered	6,700	6,810	6,858	7,592	7,539	7,763	7,743	8,211	8,734	8,734
Number of Medical Transports	3,924	4,434	4,649	4,789	4,587	4,726	4,808	5,139	7,686	7,686
Number of Inspections Conducted	5,240	5,963	7,065	7,260	6,662	4,643	3,537	5,522	3,728	3,728
Police Protection										
Number of Commissioned Police Officers	138	142	142	142	142	142	147	150	154	154
Number of Full Time Civilians	34	34	34	34	35	33	33	33	33	33
Number of Calls for Service	110,192	121,576	126,874	115,404	107,314	115,383	112,647	112,464	121,599	121,599
Arrests Processed through County Jail	2,834	3,233	2,661	2,775	3,191	4,563	3,409	3,847	4,661	4,661
Officer Issued Traffic Violations	24,008	39,348	40,572	35,543	34,681	39,699	13,277	13,150	4,657	4,657
Officer Issued Parking Violations	14,421	96,739	94,890	92,355	99,091	85,958	29,680	11,882	12,986	12,986
Sewerage System										
Number of Service Connections	29,515	29,539	30,892	31,596	31,728	31,741	31,854	32,075	32,239	32,239
Actual Daily Average of Treatment in Million Gallons Daily	12.5	10.5	10.6	11.5	10.5	10.5	8.7	9.5	9.5	9.5
Water System										
Number of Service Connections	29,770	30,142	31,522	32,241	32,376	32,389	32,504	32,730	32,897	32,897
Daily Average Consumption in Million Gallons	13	12.2	11.4	10.4	9.5	9.9	10.7	12.2	10.5	10.5
Maximum Daily Capacity of Plant in Million Gallons	32.5	32.5	32.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5

Sources: Various government departments

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Works										
Miles of Streets	300	318	318.8	319.6	319.6	321.3	323.2	323.2	333.6	333.6
Culture and Recreation										
Recreation Centers	5	5	5	5	5	5	4	4	4	4
Parks	52	53	52	52	52	52	54	54	54	54
Park Acreage	3,275	3,497	3,497	3,535	3,535	3,535	3,535	3,535	3,535	3,535
Tennis Courts	20	20	20	19	19	19	11	11	11	11
Fire Protection										
Number of Stations	5	5	5	5	5	5	5	6	6	6
Police Protection										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	25	35	37	35	35	36	30	30	30	30
Sewerage System										
Miles of Sanitary Sewers	475	497	418	425	426	430	433	433	434	434
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	39	35	36	31	33	34	34	34	33	33
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	400	418	420	440	444	452	455	475	499	499
Number of City owned Fire Hydrants	2,944	3,008	3,285	3,081	3,146	3,198	3,218	3,257	3,331	3,331
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	297,924	320,705	264,966	230,846	227,503	224,781	229,777	229,777	229,777	229,777
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	16	16	16	16	16	15	14	14	14	14
Number of Public Elementary School Instructors	445	427	452	480	490	487	429	439	457	457
Number of Public Secondary Schools	7	6	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	433	379	374	375	368	362	465	475	485	485
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	186	173	173	191	191	191	173	173	173	173

Sources: Various government departments

SINGLE AUDIT SECTION



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

Mayor and City Commissioners
City of Lawrence, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lawrence Public Library were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

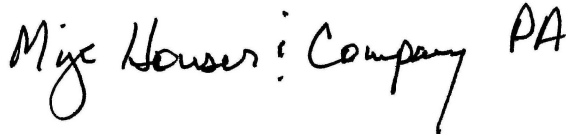
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mike Houser: Company PA". The signature is written in a cursive style.

Certified Public Accountants

Lawrence, Kansas
May 5, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and City Commissioners
City of Lawrence, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Lawrence, Kansas (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mike Houser: Company PA

Certified Public Accountants

Lawrence, Kansas
May 5, 2015

CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$ 284,772
Federal Transit Formula Grant	20.507	2,135,855
Passed Through Kansas Department of Transportation Highway Planning and Construction	20.205	1,378,569
State and Community Highway Safety	20.600	<u>25,165</u>
Total U.S. Department of Transportation		<u>3,824,361</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	394,701
Emergency Shelter Grants Program	14.231	242,393
HOME Investments Partnership Program	14.239	255,582
Fair Housing Initiatives Program	14.420	18,207
Passed Through Kansas Department of Commerce Community Development Block Grant	14.228	<u>67,525</u>
Total U.S. Department of Housing and Urban Development		<u>978,408</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	8,237
Edward Bryne Memorial Justice Assistance Grant Program	16.738	<u>115,411</u>
Total U.S. Department of Justice		<u>123,648</u>
<u>U.S. Department of Homeland Security</u>		
Assistance to Firefighters	97.044	<u>42,937</u>
Total U.S. Department of Homeland Security		<u>42,937</u>
Total Expenditures of Federal Awards		<u>\$ 4,969,354</u>

See independent auditor's report on the financial statements and notes to the schedule of expenditures of federal awards.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2014

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

None Noted

Prior Year Finding

None Noted