

# **CITY OF LAWRENCE, KANSAS**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2013**

**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

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## **INTRODUCTORY SECTION**

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# City of Lawrence

## FINANCE

DAVID L. CORLISS  
CITY MANAGER

July 15, 2014

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### CITY COMMISSION

MAYOR  
MICHAEL DEVER

COMMISSIONERS  
MIKE AMYX  
JEREMY FARMER  
DR. TERRY RIORDAN  
ROBERT J. SCHUMM

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2013 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, 2013 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, 2013, 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



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

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 2013 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 2013, the City Commission goals were economic development, planned growth, community building, environment issues, neighborhood quality, transportation, downtown development, and service delivery.

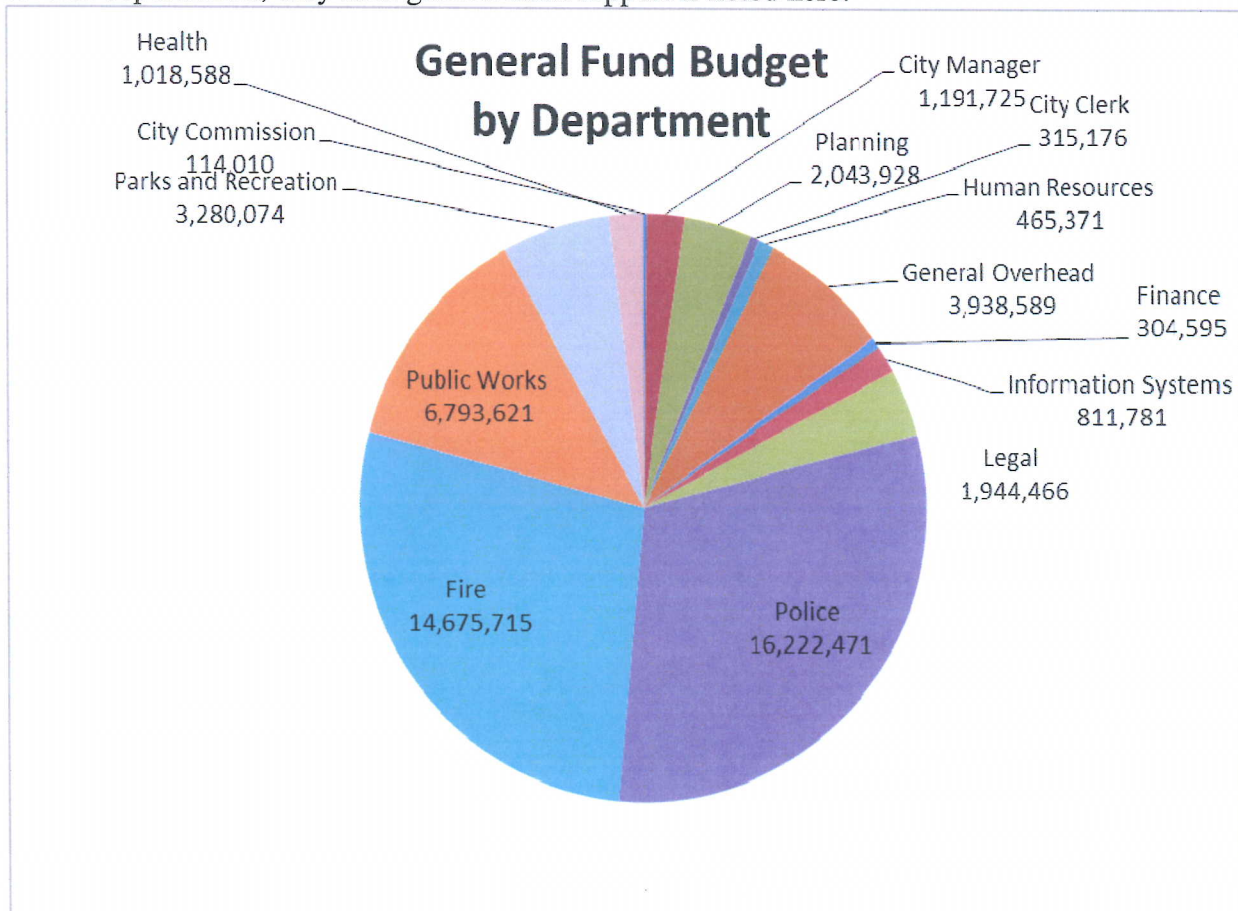
Other sessions are held to discuss the multi-year Capital Improvement Plan, to review Debt, and to provide the City Manager and staff with direction for allocation to contractual agencies.

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 13 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 2013 was 4.1% which is down from 5.3% in 2012. The total civilian labor force was 61,600 in December, 2013. The average annual unemployment rate for 2009, 2010, 2011 and 2012 was, 5.5%, 6.2%, 5.1%, and 5.3% respectively. The number of homes sold in Lawrence during 2013 was 1,061, a 17.2% increase from the 905 in 2012. The median selling price for a home was \$170,000 during the year representing a 6.6% increase over the \$159,500 median selling price in 2012.

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Annual Average Lawrence MSA Employment by Sector

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Sector	2012	2013	12-Month % Change
Civilian Labor Force	61.6	61.9	0.5%
Production Sectors	10.6	10.9	2.8%
Trade, Transportation, and Utilities	7.7	8.0	3.9%
Service Sectors	16.4	17.2	4.9%
Government	16.6	16.6	0.0%
Total Non-farm Employment	51.3	52.7	2.7%

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	Description	Location
<b>Tax Abatements</b>	Amarr	3800 Greenway circle
	PROSOCO	3741 Greenway circle
	Screen-It Graphics/Grandstand	3840 Greenway Circle
	Rock Chalk Park	6100 Rock Chalk Drive
	Sunlite Science & Technology, Inc.	4811 Quail Crest Place
<b>Industrial Revenue Bonds (IRB)</b>	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd Street
	PROSOCO	3741 Greenway circle
	9th & New Hampshire--South Project	9th & New Hampshire
	Rock Chalk Park	Rock Chalk Drive & George Williams Way
	Neuvant House East	1216 Biltmore Drive
<b>Neighborhood Revitalization Areas (NRA)</b>	8th and Pennsylvania Street District	720 E 9th Street
	1040 Vermont (Treanor Headquarters)	1040 Vermont Street
	810/812 Pennsylvania (Cider Building)	810/812 Pennsylvania Street
	1000 Massachusetts St. (Masonic Temple)**	1000 Massachusetts Street
<b>Tax Increment Financing (TIF)</b>	Downtown 2000 District	9th & New Hampshire area
	Oread Project	1200 Oread Avenue
	9th & New Hampshire TIF District	SEC & NEC, 9th & New Hampshire
	901 New Hampshire (TIF Refund)	901 New Hampshire
<b>Transportation Development Districts (TDD)</b>	Free State (Bauer Farm)	NEC 6th & Wakarusa
	Oread Project	1200 Oread Avenue
	9th & New Hampshire District	SEC & NEC, 9th & New Hampshire

During 2013, Amarr projected 40 net new positions and realized 85, Prosoco projected 50 net new positions and realized 67, and Grandstand projected 56 net new positions and realized 71. Argenta, a global provider of drug development services, receives support from the City and County via a joint support package for employee training totaling \$10,500.

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. The City funded its commitment in 2013 by including \$1.0 million in its 2013 Series-A general obligation bond.

**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 2013 to promote economic development.

An \$18-million expansion and renovation of the Lawrence Public Library continued. 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 began in 2013 at 9<sup>th</sup> 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 City issued two temporary notes in 2013 to fund the construction of the Sports Pavilion of Lawrence. The \$22.5 million, 181,000 square feet, facility will include 8 basketball courts, 16 volleyball courts, a 1/8 mile indoor track, cardio area, and meeting rooms. The facility is being constructed 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 an increase in construction activity in 2013 including the construction of 32 more 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 the improvements is projected to be completed in the summer of 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, 2012. This was the twenty-second 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 2013 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.

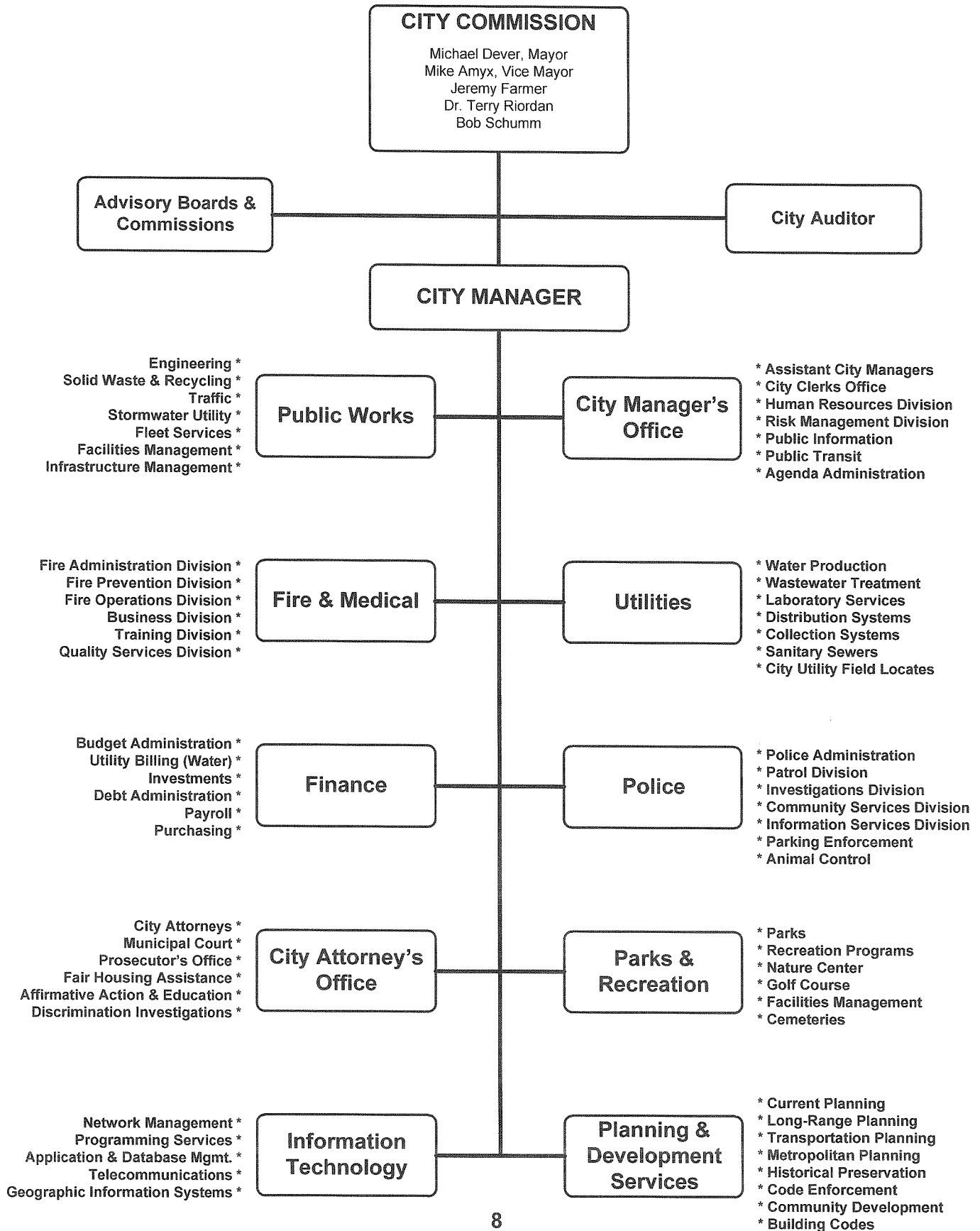
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be 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,

A handwritten signature in dark ink, appearing to read 'Ed Mullins', written in a cursive style.

Ed Mullins  
Finance Director

# CITY OF LAWRENCE, KANSAS



## CITY OF LAWRENCE, KANSAS

### List of Principal Officials

December 31, 2013

Title	Name
Mayor	Michael H. Dever
Vice Mayor	Jeremy Farmer
Commission Member	Mike Amyx
Commission Member	Dr. Terry Riordan
Commission Member	Robert J. Schumm
City Manager	David Corliss
Assistant City Manager	Cynthia Wagner
Assistant City Manager	Diane Stoddard
City Clerk	Jonathan Douglas
Finance Director	Ed Mullins
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, 2012**



Executive Director/CEO

## **FINANCIAL SECTION**

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MIZE HOUSER  
COMPANY<sup>PA.</sup>

## 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, 2013, 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 \$264,528,696 as of December 31, 2013 and total expenses of \$173,590,012 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$19,937,019 as of December 31, 2013 and total expenses of \$8,697,246 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.

### **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

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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, 2013, 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 July 15, 2014, 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.

*Mig Houser & Company PA*

Certified Public Accountants

Lawrence, Kansas  
July 15, 2014



## 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, 2013. 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 2013 by \$371,368,607. Of this amount, \$33,749,059 may be used to meet the government's ongoing obligations.
- The City's net position increased by over \$4.8 million.
- An event that helped increase net position was a \$31.4 million increase in total capital assets partially offset by an increase in debt.
- As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$30,717,411, a decrease of \$20.8 million in comparison with the prior year. The decrease occurred as the result of the construction related expenses of the new library and recreation center in the capital projects fund.
- At the end of 2013, the City's unassigned general fund balance was \$12,987,191 or 22.7% of total general fund expenditures.
- The City's total long term debt decreased by nearly \$11.1 million during the year. The city issued \$4.4 million in tax exempt general obligation bonds for paying the costs of certain street, building, traffic signal and other improvements. The City also issued \$36.3 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 \$55.5 million in bond anticipation notes to temporarily finance an expansion to the library and associated parking, street improvements, and a recreation center in the Northwest part of the City.

### 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 Position (000's)

	Governmental		Business-type		Total	
	2012	2013	2012	2013	2012	2013
Current and other Assets	\$ 128,471	\$ 140,927	\$ 47,042	\$ 79,243	\$ 175,513	\$ 220,170
Capital Assets	203,758	224,562	206,493	207,051	410,251	431,613
Total Assets	<u>\$ 332,229</u>	<u>\$ 365,489</u>	<u>\$ 253,535</u>	<u>\$ 286,294</u>	<u>\$ 585,764</u>	<u>\$ 651,783</u>
Other Liabilities	\$ 56,398	\$ 65,858	\$ 4,419	\$ 40,701	\$ 60,817	\$ 106,559
Long term Liabilities	73,480	68,819	84,899	79,281	158,379	148,100
Total Liabilities	<u>\$ 129,878</u>	<u>\$ 134,677</u>	<u>\$ 89,318</u>	<u>\$ 119,982</u>	<u>\$ 219,196</u>	<u>\$ 254,659</u>
Deferred Inflows		\$ 25,757				\$ 25,757
Net Position:						
Capital Assets Net of Debt	\$ 138,240	\$ 142,466	\$ 132,286	\$ 135,413	\$ 270,526	\$ 277,879
Restricted	30,071	27,610	-	-	30,071	27,610
Unrestricted	34,040	34,980	31,932	30,900	65,972	65,880
Total Net Position	<u>\$ 202,351</u>	<u>\$ 205,056</u>	<u>\$ 164,218</u>	<u>\$ 166,313</u>	<u>\$ 366,569</u>	<u>\$ 371,369</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 2013, 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 current and capital assets. Current assets increased due to unspent note proceeds. Capital assets increased by over \$21.0 million due to the construction of the new library and recreation center. The increase in governmental other liabilities was the result of the issuing of \$55.5 million in bond anticipation notes partially offset by the retirement of \$24.2 million in notes and the pay down of escrow to refund bonds in 2012. The decrease in long term government liabilities was the result of the issuance of \$4.4 million in general obligation bonds less the retirement of \$9.8 million in general obligation bonds from governmental type sources. A total \$9.0 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 \$1.7 million from operations. The other business-type activities reported combined increases in net position of slightly more than \$650,000. Current assets increased because of unspent proceeds from the \$36.3 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 \$4,799,732 during 2013. Operating grants decreased from the prior year due to a reduction in transit grants. Transit grants purchased \$2.3 million in new buses in 2012. Public Works spent nearly \$4 million for architectural and engineering work from the Capital Projects Fund in 2013. Revenues in the Water and Sewer Fund decreased by \$2.0 million from the prior year due to a wetter summer. The Water and Sewer is responsible for retiring \$6.5 million in general obligation debt. The Storm Water Utility is responsible for retiring \$2.5 million in general obligation debt. A more complete analysis of the changes in the City's net position is shown below.

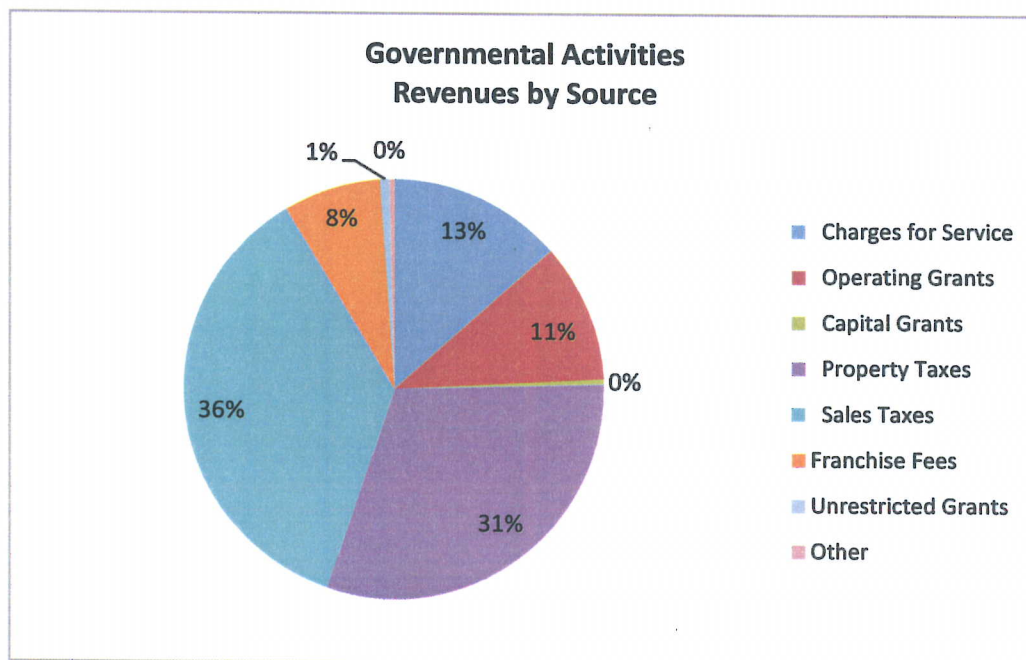
City of Lawrence's Changes in Net Position  
(000's)

	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 11,798	\$ 12,212	\$ 50,111	\$ 47,951	\$ 61,909	\$ 60,163
Operating Grants	11,526	9,632	-	-	11,526	9,632
Capital Grants	3,295	413	-	-	3,295	413
General Revenues:						
Property Taxes	26,479	27,775	-	-	26,479	27,775
Sales Taxes	32,409	32,645	-	-	32,409	32,645
Franchise Fees	6,482	6,823	-	-	6,482	6,823
Unrestricted Grants	692	689	-	-	692	689
Other	634	340	761	1,011	1,395	1,351
Total	93,315	90,529	50,872	48,962	144,187	139,491
Expenses						
General Government	25,726	24,460	-	-	25,726	24,460
Public Safety	30,675	31,661	-	-	30,675	31,661
Public Works	16,166	22,043	-	-	16,166	22,043
Social Services	2,198	2,130	-	-	2,198	2,130
Recreation	9,442	9,474	-	-	9,442	9,474
Health	1,380	1,215	-	-	1,380	1,215
Interest on Debt	2,313	1,494	-	-	2,313	1,494
Water and Sewer	-	-	28,611	28,303	28,611	28,303
Sanitation	-	-	9,763	9,797	9,763	9,797
Public Parking	-	-	1,341	1,399	1,341	1,399
Storm Water	-	-	2,151	1,785	2,151	1,785
Golf	-	-	944	931	944	931
Total expenses	87,900	92,477	42,810	42,215	130,710	134,692
Excess [deficiency]	5,415	(1,948)	8,062	6,747	13,477	4,799
Transfers	4,493	4,653	[4,493]	[4,653]	-	-
Change in Net Position	9,908	2,705	3,569	2,094	13,477	4,799
Beginning Net Position	192,443	202,351	160,649	164,218	353,092	366,569
Ending 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>

**Governmental activities.** Governmental activities increased the City's net position by \$2,704,985 during the year. Key elements of governmental activities during the year are as follows.

Total governmental revenues decreased by \$2.8 million in 2013, primarily due to lower transit grant revenue. Charges for services increased primarily because of greater court fines. Property taxes revenue increased by \$1.0 million because a 0.6% decrease in assessed valuation was offset by an increase in the mill levy of .92 mills. Sales tax revenue increased by only 1.7%, but was not fully realized due to the payment to developers of \$312,000 in TIF district sales taxes. Franchise fees increased by 5.0% because of higher electricity rates and greater natural gas revenue due to colder than normal winter weather.

Expenses for governmental purposes increased 5.4%. General government expenses increased because of the hiring of 3 new public safety employees and a \$300,000 increase in the budget for public safety equipment. Non-represented employees were eligible for merit increases funded by a 1.0% pool. Represented Police and Fire personnel received a 1.0% cost of living increase in addition to merit increases. There was no increase in the employer contribution for health care. However, the City's contribution to employee retirement increased by approximately \$500,000. Public safety expenses increased 3.2% because of hiring of 3 additional police personnel and increase 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. The 2013 budget did not include any increase in employees in the business type funds. Expenses in the business type funds decreased slightly from the prior year due to the need to treat less water and the construction of fewer storm water projects.

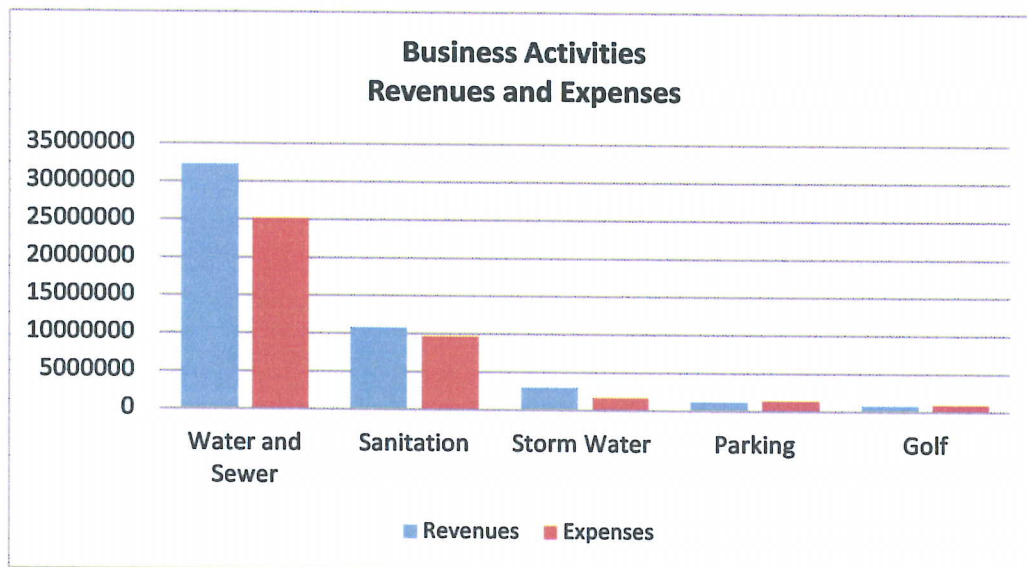


**Business-type activities.** Business-type activities increased the City's net position by \$2,094,747. The Water and Sewer Fund, Sanitation, and Storm Water Funds experienced positive changes in net position while the Public Parking and Golf Course Fund experienced a reduction. The key elements of the changes in net position are as follows:

- Positive change in net position in the Water and Sewer Fund equaling \$1.7 million due to a 3% increase in sewer rates and a 5% increase in water rates for 2013.
- Positive net income in the Storm Water Fund equaling \$804,000 due to lower expenses. Storm water fees were not changed in 2013.
- Program revenue decreased due to lower water sales from a wetter summer than 2012 lowering demand for water.



- Business-type operating expenses were \$600,000 lower than 2012 expenses and were constrained in order to balance revenues and expenses. Water and Sewer Fund expenses decreased \$308,000 because of the need to treat less 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, 2013, the City of Lawrence's governmental funds reported combined ending fund balances of \$30,717,411, a decrease of \$20,808,918 from the prior year.

The General Fund is the primary operating fund of the City. At the end of 2013, unassigned general fund balance totaled \$12,987,191, while total general fund balance was \$13,431,421. Unassigned general fund balance represents 22.7% of total general fund expenditures, within the 15-30% range established by the City Commission's adopted fund balance policy.

Key factors affecting the fund balances are as follows:

- An increase of 3.8% 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 5.03% 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.
- A negative fund balance in the Capital Projects Fund of \$28 million as a result of the construction of the new library and recreation center.

The debt service fund has a total fund balance of \$9,659,399, 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 \$22,137,208 at the end of 2013. The unrestricted net position of the Sanitation Fund amounted to \$2,155,511 at the end of 2013. The change in net position for the Water and Sewer Fund was \$1,697,127. The Sanitation Fund had an increase in net position of \$201,460. Due to a wetter summer, water and sewer revenue was 1.0% less than budgeted.

### General Fund Budgetary Highlights

The City of Lawrence adopts its budget on a fund basis. The 2013 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 and fines, forfeitures, and penalties. Expenditure adjustments between programs and line items were significant since departments were directed to reduce spending. The more significant operational changes to the 2013 budget from prior year budgets are listed below:

- A total of 3 additional positions were budgeted.
- A 1.0% merit pool was budgeted for non-represented employees. Represented employees received a 1.0% cost of living increases as well as merit increases.
- Departments and outside agencies were requested to continue to look for ways to reduce their non-personnel operating budgets in order to better match revenues.

### 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, 2013, amounts to \$431,612,970 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 5.2%. (For additional information on the city's capital assets please read Note 8)

Major capital asset additions during the year included the following:

- Fire Vehicle \$1,197,781
- Partial payment for County-wide radio system \$1,000,000
- Pump Station Improvements \$525,322
- Waterline Relocations \$859,162
- 23<sup>rd</sup> and O'Connell intersection \$848,494

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

	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 15,519	\$ 16,423	\$ 6,008	\$ 6,483	\$ 21,527	\$ 22,906
Buildings	29,618	27,688	68,945	66,947	98,563	94,635
Improvements	16,594	17,912	116,218	118,352	132,812	136,264
Equipment	11,838	12,101	4,676	5,370	16,514	17,471
Infrastructure	123,717	124,502	-	-	123,717	124,502
Construction in Progress	<u>6,472</u>	<u>25,936</u>	<u>10,646</u>	<u>9,899</u>	<u>17,118</u>	<u>35,835</u>
Total	<u>\$ 203,758</u>	<u>\$ 224,562</u>	<u>\$ 206,493</u>	<u>\$ 207,051</u>	<u>\$ 410,251</u>	<u>\$ 431,613</u>

**Long-term debt.** At the end of 2013, the City of Lawrence had total bonded debt outstanding of \$134,948,393. Of this amount, \$67,980,914 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 \$20,577,479 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>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
General Obligation	\$ 64,406	\$ 58,984	\$ 10,214	\$ 8,997	\$ 74,620	\$ 67,981
Revenue	-	-	48,670	46,390	48,670	46,390
SRF	-	-	22,777	20,577	22,777	20,577
Total	<u>\$ 64,406</u>	<u>\$ 58,984</u>	<u>\$ 81,661</u>	<u>\$ 75,964</u>	<u>\$ 146,067</u>	<u>\$ 134,948</u>

The City's total outstanding bonded debt decreased \$11.1 million during the year. In governmental activities, \$4.4 million in general obligation bonds was issued while \$11.0 million was retired. The general obligation bonds were issued to purchase a fire vehicle, maintain facilities, and provide for an expansion of our business incubator facility. In business-type activities, \$5.7 million in debt was retired with storm water revenue and water and sewer revenue. No new bonds were issued to fund business-type activities.

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, 2013 the debt limitation for the City of Lawrence was \$279,780,545, which is significantly in excess of the \$123,085,000 in general obligation debt the City had outstanding as of December 31, 2013.

#### **Economic Factors and 2014 Budget**

The average unemployment rate for Lawrence MSA in 2013 was 4.1%, a decrease of 1.2% from the previous year. This is below the 2013 State average of 4.5%. The City experienced an increase of 0.5% in its assessed valuation in 2013. The 2013 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 expenditures will exceed projected revenues by approximately \$288,000 in the General Fund in 2014. Revenues are projected to be \$420,000 above budget. The 2014 budget includes a property tax increase of 0.51 mills for general operating expenses. Because of signs of increased retail activity during the time the 2014 budget was being developed, the budget incorporated a 2.0% increase in sales tax. Other major revenue sources had smaller increases. Funding for infrastructure maintenance was higher by \$1.8 million by increasing the amount of general obligation debt. A total of nineteen new positions were included in the 2014 budget. This includes five positions for the new rental registration program, nine positions to staff the new recreation center, four positions in the Utilities Department, and one in Sanitation to supervise the new curbside recycling program. A 1.50% cost of living increases was provided for represented employees. Budgeted pension expenditures were increased by over \$715,000.

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](http://www.lawrenceks.org).



## **BASIC FINANCIAL STATEMENTS**

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# CITY OF LAWRENCE, KANSAS

## Statement of Net Position December 31, 2013

Assets and Deferred Outflows of Resources	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 52,317,462	47,731,498	100,048,960	17,378,849
Investments	52,541,467	22,009,703	74,551,170	105,194,905
Receivables (net of allowance of \$118,059)	39,871,114	3,329,639	43,200,753	28,944,825
Internal balances	(4,107,504)	4,107,504	—	—
Inventories	304,889	1,630,215	1,935,104	3,183,456
Prepaid items	—	434,653	434,653	5,809,187
Other assets	—	—	—	792,244
Capital assets (Net)				
Land and construction in progress	42,358,868	16,382,002	58,740,870	1,471,938
Other capital assets, net of depreciation	182,203,004	190,669,096	372,872,100	124,587,079
Total assets	<u>\$ 365,489,300</u>	<u>286,294,310</u>	<u>651,783,610</u>	<u>287,362,483</u>
Deferred Outflows of Resources:				
Deferred amount on refunding	—	—	—	619,137
Total assets and deferred outflows of resources	<u>365,489,300</u>	<u>286,294,310</u>	<u>651,783,610</u>	<u>287,981,620</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 9,718,990	4,261,927	13,980,917	17,894,449
Temporary notes payable	56,138,959	36,399,059	92,538,018	—
Long-term liabilities				
Due within one year	12,011,057	6,837,225	18,848,282	2,530,000
Due in more than one year	56,807,576	72,483,621	129,291,197	62,973,782
Total liabilities	<u>\$ 134,676,582</u>	<u>119,981,832</u>	<u>254,658,414</u>	<u>83,398,231</u>
Deferred inflows of resources:				
Unavailable revenue	25,756,589	—	25,756,589	—
Total liabilities and deferred outflows of resources	<u>160,433,171</u>	<u>119,981,832</u>	<u>280,415,003</u>	<u>83,398,231</u>
<b>Net Position</b>				
Invested in capital assets, net of debt	\$ 142,465,788	135,412,622	277,878,410	62,365,058
Restricted for:				
Debt service	19,920,917	—	19,920,917	1,462,951
Improvements	7,265,354	—	7,265,354	688,937
Other purposes	424,304	—	424,304	—
Unrestricted	34,979,766	30,899,856	65,879,622	140,066,443
Total net position	<u>\$ 205,056,129</u>	<u>166,312,478</u>	<u>371,368,607</u>	<u>204,583,389</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 24,459,731	9,008,294	2,762,561	—	(12,688,876)	—	(12,688,876)	—
Public safety	31,660,850	503,123	98,654	245,692	(30,813,381)	—	(30,813,381)	—
Public works	21,791,694	181,491	2,642,692	44,061	(18,923,450)	—	(18,923,450)	—
Health	1,215,155	172,888	—	—	(1,042,267)	—	(1,042,267)	—
Social services	2,130,316	64,892	2,241,820	—	176,396	—	176,396	—
Culture and recreation	8,463,663	2,259,932	689,082	38,756	(5,475,893)	—	(5,475,893)	—
Tourism	1,009,528	—	1,197,403	—	187,875	—	187,875	—
Airport	251,419	21,601	—	12,798	(217,020)	—	(217,020)	—
Interest on long-term debt	1,493,818	—	—	71,633	(1,422,185)	—	(1,422,185)	—
Total governmental activities	92,476,174	12,212,221	9,632,212	412,940	(70,218,801)	—	(70,218,801)	—
Business-type activities:								
Water & sewer	28,303,397	32,259,758	—	—	—	3,956,361	3,956,361	—
Sanitation	9,797,103	10,768,380	—	—	—	971,277	971,277	—
Parking	1,399,151	1,197,212	—	—	—	(201,939)	(201,939)	—
Stormwater	1,785,144	2,972,683	—	—	—	1,187,539	1,187,539	—
Golf course	930,730	753,198	—	—	—	(177,532)	(177,532)	—
Total business-type activities	42,215,525	47,951,231	—	—	—	5,735,706	5,735,706	—
Total primary government	\$ 134,691,699	60,163,452	9,632,212	412,940	(70,218,801)	5,735,706	(64,483,095)	—
Component units:								
Lawrence Housing Authority	\$ 8,697,246	1,725,290	6,646,608	317,404	—	—	—	(7,944)
Lawrence Memorial Hospital	173,590,012	179,478,839	—	468,997	—	—	—	6,357,824
Lawrence Public Library	4,039,102	173,379	3,513,321	—	—	—	—	(352,402)
Total component units	\$ 186,326,360	181,377,508	10,159,929	786,401	—	—	—	5,997,478
General Revenues								
Taxes								
Property taxes, levied for general purposes					19,854,717	—	19,854,717	—
Property taxes, levied for debt service					7,920,975	—	7,920,975	—
Franchise taxes					6,822,828	—	6,822,828	—
Sales taxes					32,644,826	—	32,644,826	—
Grants and contributions not restricted to specific programs					689,082	—	689,082	—
Unrestricted investment earnings					202,023	105,283	307,306	2,125,125
Miscellaneous					136,700	906,393	1,043,093	98,389
Transfers					4,652,635	(4,652,635)	—	—
Total general revenues and transfers					72,923,786	(3,640,959)	69,282,827	2,223,514
Change in net position					2,704,985	2,094,747	4,799,732	8,220,992
Net position-beginning, as restated					202,351,144	164,217,731	366,568,875	196,362,397
Net position-ending	\$				205,056,129	166,312,478	371,368,607	204,583,389

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

# CITY OF LAWRENCE, KANSAS

## Balance Sheet Governmental Funds December 31, 2013

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 3,363,505	2,237,089	27,527,399	14,445,337	47,573,330
Investments	10,010,471	8,000,047	5,499,474	13,998,628	37,508,620
Receivables:					
Taxes	14,192,458	6,717,214	—	2,770,323	23,679,995
Special assessments	—	10,473,849	—	—	10,473,849
Intergovernmental	2,945,045	—	—	586,257	3,531,302
Accounts (net of allowance of \$4,166)	720,321	9,172	—	51,093	780,586
Franchise fees	593,083	—	—	—	593,083
Loans	—	—	—	401,304	401,304
Accrued interest	12,414	3,692	6,271	11,603	33,980
Due from other funds	509,000	—	—	—	509,000
Restricted assets:					
Cash	—	—	—	772,031	772,031
Investments	—	—	—	6,511,883	6,511,883
<b>Total assets</b>	<b>\$ 32,346,297</b>	<b>27,441,063</b>	<b>33,033,144</b>	<b>39,548,459</b>	<b>132,368,963</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,641,949	—	4,577,014	228,524	6,447,487
Accrued payroll	1,750,190	—	—	243,936	1,994,126
Due to other funds	—	—	—	509,000	509,000
Unamortized premium	—	—	908,716	—	908,716
Temporary notes payable	—	—	55,475,000	—	55,475,000
<b>Total liabilities</b>	<b>3,392,139</b>	<b>—</b>	<b>60,960,730</b>	<b>981,460</b>	<b>65,334,329</b>
Deferred inflows of resources:					
Unavailable revenue	15,522,737	17,781,664	—	3,012,822	36,317,223
<b>Total liabilities and deferred inflows of resources</b>	<b>18,914,876</b>	<b>17,781,664</b>	<b>60,960,730</b>	<b>3,994,282</b>	<b>101,651,552</b>
Fund balances:					
Nonspendable	—	—	—	424,304	424,304
Restricted	—	9,659,399	—	7,265,354	16,924,753
Assigned	444,230	—	—	27,963,426	28,407,656
Unassigned	12,987,191	—	(27,927,586)	(98,907)	(15,039,302)
<b>Total fund balances</b>	<b>13,431,421</b>	<b>9,659,399</b>	<b>(27,927,586)</b>	<b>35,554,177</b>	<b>30,717,411</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 32,346,297</b>	<b>27,441,063</b>	<b>33,033,144</b>	<b>39,548,459</b>	

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.	224,212,896
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	10,560,634
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.	8,195,106
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(68,629,918)

Net assets of governmental activities \$ 205,056,129

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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 34,277,624	7,920,975	—	15,760,394	57,958,993
Special assessments	—	2,762,369	—	—	2,762,369
Licenses and permits	1,028,880	—	—	—	1,028,880
Charges for services	4,608,267	—	—	2,068,427	6,676,694
Fines, forfeitures and penalties	2,979,218	—	—	104,378	3,083,596
Interest	51,505	24,957	54,528	57,022	188,012
Intergovernmental	10,515,947	—	—	9,714,645	20,230,592
Reimbursements	256,184	—	216,364	—	472,548
Miscellaneous	185,251	168,969	—	457,185	811,405
<b>Total revenues</b>	<b>53,902,876</b>	<b>10,877,270</b>	<b>270,892</b>	<b>28,162,051</b>	<b>93,213,089</b>
<b>Expenditures:</b>					
<b>Current expenditures:</b>					
General government	15,318,747	—	—	8,547,085	23,865,832
Public safety	30,130,804	—	—	1,047,892	31,178,696
Public works	6,382,673	—	3,704,867	2,007,948	12,095,488
Health	978,818	—	—	236,059	1,214,877
Social services	—	—	—	1,486,561	1,486,561
Culture and recreation	3,244,779	—	—	4,749,005	7,993,784
Tourism	—	—	—	1,007,438	1,007,438
Airport	134,849	—	—	—	134,849
Capital outlay	904,670	—	26,219,031	4,875,814	31,999,515
<b>Debt service:</b>					
Principal retirement	—	8,642,829	—	1,150,237	9,793,066
Interest and fiscal charges	—	1,966,843	230,668	115,531	2,313,042
<b>Total expenditures</b>	<b>57,095,340</b>	<b>10,609,672</b>	<b>30,154,566</b>	<b>25,223,570</b>	<b>123,083,148</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,192,464)</b>	<b>267,598</b>	<b>(29,883,674)</b>	<b>2,938,481</b>	<b>(29,870,059)</b>
<b>Other financing sources (uses):</b>					
Transfers in	3,656,141	88,034	—	2,020,525	5,764,700
Transfers (out)	(298,000)	—	(810,559)	—	(1,108,559)
Issuance of general obligation bonds	—	—	4,405,000	—	4,405,000
Premium on general obligation bonds	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>3,358,141</b>	<b>88,034</b>	<b>3,594,441</b>	<b>2,020,525</b>	<b>9,061,141</b>
<b>Net changes in fund balances</b>	<b>165,677</b>	<b>355,632</b>	<b>(26,289,233)</b>	<b>4,959,006</b>	<b>(20,808,918)</b>
Fund balance, beginning of year, as restated	13,265,744	9,303,767	(1,638,353)	30,595,171	51,526,329
Fund balance, end of year	\$ 13,431,421	9,659,399	(27,927,586)	35,554,177	30,717,411

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, 2013

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

Net changes in fund balances - total governmental funds	\$ (20,808,918)
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.	20,810,294
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,704,766)
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.	5,388,066
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.	474,610
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(454,301)</u>
Change in net position of governmental activities	\$ <u><u>2,704,985</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, 2013  
(With Comparative Actual Amounts for 2012)

	2013				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2012 Actual
Revenues:					
Taxes	\$ 45,903,386	45,903,386	46,810,872	907,486	44,987,617
Licenses and permits	975,000	975,000	1,028,880	53,880	968,947
Charges for services	4,743,400	4,743,400	4,608,267	(135,133)	4,576,574
Fines, forfeitures and penalties	3,000,000	3,000,000	2,979,218	(20,782)	2,731,108
Interest	175,000	175,000	51,505	(123,495)	75,587
Intergovernmental	10,687,611	10,687,611	10,515,947	(171,664)	10,615,745
Reimbursements	—	—	256,184	256,184	107,884
Miscellaneous	126,300	126,300	185,251	58,951	114,233
Total revenues	<u>65,610,697</u>	<u>65,610,697</u>	<u>66,436,124</u>	<u>825,427</u>	<u>64,177,695</u>
Expenditures:					
General government	15,700,470	15,700,470	15,289,894	410,576	14,875,847
Public safety	30,284,732	30,291,839	30,100,801	191,038	29,427,434
Public works	6,594,093	6,601,955	6,282,044	319,911	6,013,053
Health	1,018,588	1,018,588	978,818	39,770	964,885
Culture and recreation	3,248,074	3,247,974	3,258,062	(10,088)	3,189,718
Airport	134,628	130,666	134,849	(4,183)	110,908
Capital outlay	720,352	709,445	1,002,086	(292,641)	388,137
Total expenditures	<u>57,700,937</u>	<u>57,700,937</u>	<u>57,046,554</u>	<u>654,383</u>	<u>54,969,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,909,760</u>	<u>7,909,760</u>	<u>9,389,570</u>	<u>1,479,810</u>	<u>9,207,713</u>
Other financing sources (uses):					
Transfers in	3,656,751	3,656,751	3,656,141	(610)	3,656,207
Transfers out	<u>(18,720,480)</u>	<u>(18,720,480)</u>	<u>(12,866,248)</u>	<u>5,854,232</u>	<u>(12,820,641)</u>
Total other financing sources (uses)	<u>(15,063,729)</u>	<u>(15,063,729)</u>	<u>(9,210,107)</u>	<u>5,853,622</u>	<u>(9,164,434)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ (7,153,969)</u>	<u>(7,153,969)</u>	179,463	<u>7,333,432</u>	43,279
Fund balance, beginning of year			13,265,744		13,253,834
Net change in reserve for encumbrances			<u>(13,786)</u>		<u>(31,369)</u>
Fund balance, end of year			<u>\$ 13,431,421</u>		<u>13,265,744</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, 2013

Assets	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
<b>Current assets:</b>						
Cash	\$ 10,719,581	1,964,421	1,069,719	707,054	14,460,775	3,972,101
Investments	9,010,616	1,000,000	1,000,015	—	11,010,631	8,520,964
Receivables:						
Accounts (net of allowance of \$113,893)	2,270,177	833,848	202,197	5,530	3,311,752	365,382
Accrued interest	16,132	779	976	—	17,887	11,633
Inventories	1,625,214	—	—	5,001	1,630,215	304,889
Prepaid items	434,653	—	—	—	434,653	—
Restricted cash:						
Customer deposits	1,179,999	4,818	—	—	1,184,817	—
Current portion of revenue bonds	2,360,000	—	—	—	2,360,000	—
Total current assets	<u>27,616,372</u>	<u>3,803,866</u>	<u>2,272,907</u>	<u>717,585</u>	<u>34,410,730</u>	<u>13,174,969</u>
<b>Noncurrent assets</b>						
Restricted cash	29,725,906	—	—	—	29,725,906	—
Restricted investments	10,999,072	—	—	—	10,999,072	—
Total restricted assets	<u>40,724,978</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,724,978</u>	<u>—</u>
<b>Capital assets</b>						
Land	4,158,887	—	1,845,283	479,055	6,483,225	—
Buildings and improvements	254,335,626	1,555,872	13,220,802	7,729,316	276,841,616	762,567
Equipment	7,156,918	7,533,855	2,099,618	571,700	17,362,091	370,763
Construction in progress	9,898,777	—	—	—	9,898,777	—
Accumulated depreciation	(86,201,027)	(6,603,127)	(4,247,953)	(6,482,504)	(103,534,611)	(784,354)
Total capital assets	<u>189,349,181</u>	<u>2,486,600</u>	<u>12,917,750</u>	<u>2,297,567</u>	<u>207,051,098</u>	<u>348,976</u>
Total noncurrent assets	<u>230,074,159</u>	<u>2,486,600</u>	<u>12,917,750</u>	<u>2,297,567</u>	<u>247,776,076</u>	<u>348,976</u>
Total assets	<u>\$ 257,690,531</u>	<u>6,290,466</u>	<u>15,190,657</u>	<u>3,015,152</u>	<u>282,186,806</u>	<u>13,523,945</u>
<b>Liabilities and Net Position</b>						
<b>Liabilities:</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 1,287,764	247,921	12,323	36,796	1,584,804	656,095
Accrued interest payable	774,909	—	30,387	—	805,296	—
Claims payable	—	—	—	—	—	353,545
Accrued payroll	390,696	207,820	34,772	51,956	685,244	46,234
Accrued vacation and sick pay	522,329	322,793	39,517	70,277	954,916	69,080
Unamortized premium	99,059	—	—	—	99,059	—
Temporary notes payable	36,300,000	—	—	—	36,300,000	—
Current portion of general obligation bonds	615,000	—	631,518	—	1,246,518	—
Current portion of notes payable	2,275,791	—	—	—	2,275,791	—
Total unrestricted current liabilities	<u>42,265,548</u>	<u>778,534</u>	<u>748,517</u>	<u>159,029</u>	<u>43,951,628</u>	<u>1,124,954</u>
<b>Current liabilities payable from restricted assets:</b>						
Customer deposits	1,181,765	4,818	—	—	1,186,583	—
Current portion of revenue bonds	2,360,000	—	—	—	2,360,000	—
Total current liabilities payable from restricted assets	<u>3,541,765</u>	<u>4,818</u>	<u>—</u>	<u>—</u>	<u>3,546,583</u>	<u>—</u>
Total current liabilities	<u>45,807,313</u>	<u>783,352</u>	<u>748,517</u>	<u>159,029</u>	<u>47,498,211</u>	<u>1,124,954</u>
<b>Noncurrent liabilities</b>						
Compensated absences	593,221	358,173	48,454	101,867	1,101,715	96,381
General obligation bonds payable	5,885,000	—	1,865,398	—	7,750,398	—
Revenue bonds payable	44,030,000	—	—	—	44,030,000	—
Notes payable	18,301,688	—	—	—	18,301,688	—
Net OPEB obligation	629,421	506,830	48,582	114,987	1,299,820	—
Total noncurrent liabilities	<u>69,439,330</u>	<u>865,003</u>	<u>1,962,434</u>	<u>216,854</u>	<u>72,483,621</u>	<u>96,381</u>
Total liabilities	<u>115,246,643</u>	<u>1,648,355</u>	<u>2,710,951</u>	<u>375,883</u>	<u>119,981,832</u>	<u>1,221,335</u>
<b>Net position:</b>						
Invested in capital assets, net of debt	120,207,621	2,486,600	10,420,834	2,297,567	135,412,622	348,976
Unrestricted	22,236,267	2,155,511	2,058,872	341,702	26,792,352	11,953,634
Total net position	<u>142,443,888</u>	<u>4,642,111</u>	<u>12,479,706</u>	<u>2,639,269</u>	<u>162,204,974</u>	<u>12,302,610</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					4,107,504	
Net assets of business-type activities					<u>\$ 166,312,478</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, 2013

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 32,026,001	10,653,405	2,972,683	1,950,410	47,602,499	13,936,016
Other sales	233,757	114,975	—	—	348,732	—
Total operating revenues	32,259,758	10,768,380	2,972,683	1,950,410	47,951,231	13,936,016
Operating expenses:						
Continuing operations	—	9,139,420	1,242,925	1,980,069	12,362,414	4,670,654
Transmission and distribution	14,438,767	—	—	—	14,438,767	—
General administration	4,486,658	—	—	—	4,486,658	210,875
Health insurance claims	—	—	—	—	—	9,795,111
Depreciation and amortization	6,269,342	544,422	426,219	334,996	7,574,979	35,699
Total operating expenses	25,194,767	9,683,842	1,669,144	2,315,065	38,862,818	14,712,339
Operating income (loss)	7,064,991	1,084,538	1,303,539	(364,655)	9,088,413	(776,323)
Nonoperating revenues (expenses)						
Interest income	81,544	7,377	4,593	1,399	94,913	25,396
Interest expense and fiscal charges	(2,985,423)	—	(105,211)	—	(3,090,634)	—
Gain (loss) on sale of capital assets	12,907	—	1,050	—	13,957	10,331
Other	608,004	273,790	—	5,486	887,280	43,254
Total nonoperating revenues (expenses)	(2,282,968)	281,167	(99,568)	6,885	(2,094,484)	78,981
Income (loss) before transfers	4,782,023	1,365,705	1,203,971	(357,770)	6,993,929	(697,342)
Transfers (out)	(3,084,896)	(1,164,245)	(400,000)	—	(4,649,141)	(7,000)
Change in net position	1,697,127	201,460	803,971	(357,770)	2,344,788	(704,342)
Net position, beginning of year	140,746,761	4,440,651	11,675,735	2,997,039		13,006,952
Net position, end of year	\$ 142,443,888	4,642,111	12,479,706	2,639,269		12,302,610
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(250,041)	
Change in net position of business-type activities					\$ 2,094,747	

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, 2013

	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 32,816,699	11,054,057	2,971,727	1,957,866	48,800,349	13,947,811
Payments to suppliers	(9,451,744)	(3,690,480)	(505,330)	(519,185)	(14,166,739)	(13,467,790)
Payments to employees	(9,532,635)	(5,590,929)	(737,098)	(1,446,289)	(17,306,951)	(1,182,603)
Net cash provided by (used in) operating activities	13,832,320	1,772,648	1,729,299	(7,608)	17,326,659	(702,582)
<b>Cash flows from noncapital financing activities:</b>						
Transfers out	(3,084,896)	(1,164,245)	(400,000)	—	(4,649,141)	(7,000)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(7,073,577)	(729,763)	(349,187)	—	(8,152,527)	(47,360)
Proceeds from sales of capital assets	32,834	—	1,050	—	33,884	10,331
Proceeds from issuance of debt	36,300,000	—	—	—	36,300,000	—
Principal payments on debt	(5,084,478)	—	(611,934)	—	(5,696,412)	—
Interest payments on debt	(2,874,860)	—	(112,236)	—	(2,987,096)	—
Net cash used in capital and related financing activities	21,299,919	(729,763)	(1,072,307)	—	19,497,849	(37,029)
<b>Cash flows from investing activities:</b>						
Receipt of interest and dividends	85,832	8,447	5,924	1,398	101,601	17,798
Purchases of investments	(24,510,946)	(1,000,000)	(1,000,002)	—	(26,510,948)	(7,521,892)
Sales of investments	14,699,812	500,000	1,000,000	—	16,199,812	4,800,000
Net cash provided by (used in) investing activities	(9,725,302)	(491,553)	5,922	1,398	(10,209,535)	(2,704,094)
Net increase (decrease) in cash	22,322,041	(612,913)	262,914	(6,210)	21,965,832	(3,450,705)
Cash and cash equivalents, beginning of year	21,663,445	2,582,152	806,805	713,264	25,765,666	7,422,806
Cash and cash equivalents, end of year	\$ 43,985,486	1,969,239	1,069,719	707,054	47,731,498	3,972,101
<b>Components of cash and cash equivalents at end of year:</b>						
Cash	\$ 10,719,581	1,964,421	1,069,719	707,054	14,460,775	3,972,101
Restricted cash - customer deposits	1,179,999	4,818	—	—	1,184,817	—
Restricted cash - revenue bonds	2,360,000	—	—	—	2,360,000	—
Restricted cash - noncurrent	29,725,906	—	—	—	29,725,906	—
	\$ 43,985,486	1,969,239	1,069,719	707,054	47,731,498	3,972,101
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 7,064,991	1,084,538	1,303,539	(364,655)	9,088,413	(776,323)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,269,342	544,422	426,219	334,996	7,574,979	35,699
Other income	608,004	273,790	—	5,486	887,280	43,254
Change in:						
Accounts receivable	(154,827)	8,304	(956)	1,970	(145,509)	(31,459)
Inventories of supplies	65,383	—	—	3,171	68,554	(6,237)
Prepaid items	(104,138)	—	—	—	(104,138)	—
Accounts payable	(154,957)	(179,837)	(3,067)	906	(336,955)	75,902
Claims payable	—	—	—	—	—	(61,157)
Accrued payroll	41,143	16,094	6,431	4,295	67,963	6,355
Customer deposits	103,764	3,583	—	—	107,347	—
Accrued vacation and sick pay	39,078	(22,191)	(7,068)	(3,766)	6,053	11,384
Net OPEB obligation	54,537	43,945	4,201	9,989	112,672	—
Total adjustments	6,767,329	688,110	425,760	357,047	8,238,246	73,741
Net cash provided by (used in) operating activities	\$ 13,832,320	1,772,648	1,729,299	(7,608)	17,326,659	(702,582)

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, 2013

Assets		
Cash	\$	490,636
Receivables		5,818
Restricted assets - court receivables		<u>131,401</u>
Total assets	\$	<u><u>627,855</u></u>
Liabilities		
Accounts payable	\$	496,454
Court bonds payable		<u>131,401</u>
Total liabilities	\$	<u><u>627,855</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, 2013

Assets and Deferred Outflows of Resources	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Assets:				
Cash	\$ 2,262,471	13,907,160	1,209,218	17,378,849
Investments	4,005,784	101,189,121	—	105,194,905
Receivables (net)	142,222	28,802,603	—	28,944,825
Inventories	68,520	3,114,936	—	3,183,456
Prepaid items	68,948	5,740,239	—	5,809,187
Other assets	16,150	776,094	—	792,244
Capital assets (net)				
Land and construction in progress	1,471,938	—	—	1,471,938
Other capital assets, net of depreciation	11,900,986	110,379,406	2,306,687	124,587,079
Total assets	<u>\$ 19,937,019</u>	<u>263,909,559</u>	<u>3,515,905</u>	<u>287,362,483</u>
Deferred Outflows of Resources:				
Deferred amount on refunding	—	619,137	—	619,137
Total assets and deferred outflows of resources	<u><u>19,937,019</u></u>	<u><u>264,528,696</u></u>	<u><u>3,515,905</u></u>	<u><u>287,981,620</u></u>
<b>Liabilities and Net Position</b>				
Accounts payable and accrued expenses	\$ 435,755	17,240,487	218,207	17,894,449
Long-term liabilities				
Due within one year	—	2,530,000	—	2,530,000
Due in more than one year	121,861	62,851,921	—	62,973,782
Total liabilities	<u>\$ 557,616</u>	<u>82,622,408</u>	<u>218,207</u>	<u>83,398,231</u>
<b>Net Position</b>				
Invested in capital assets, net of debt	\$ 11,076,003	48,982,368	2,306,687	62,365,058
Restricted for:				
Debt service	—	1,462,951	—	1,462,951
Capital acquisitions	—	688,937	—	688,937
Unrestricted	8,303,400	130,772,032	991,011	140,066,443
Total net position	<u><u>\$ 19,379,403</u></u>	<u><u>181,906,288</u></u>	<u><u>3,297,698</u></u>	<u><u>204,583,389</u></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, 2013

	<b>Lawrence Housing Authority</b>	<b>Lawrence Memorial Hospital</b>	<b>Lawrence Public Library</b>	<b>Total Component Units</b>
Expenses	\$ 8,697,246	173,590,012	4,039,102	186,326,360
Program revenues:				
Charges for services	1,725,290	179,478,839	173,379	181,377,508
Operating grants and contributions	6,646,608	—	3,513,321	10,159,929
Capital grants and contributions	317,404	468,997	—	786,401
Net (expense) revenue	(7,944)	6,357,824	(352,402)	5,997,478
General Revenues				
Unrestricted investment earnings	15,881	2,109,003	241	2,125,125
Miscellaneous	—	98,349	40	98,389
Total general revenues and transfers	15,881	2,207,352	281	2,223,514
Change in net position	7,937	8,565,176	(352,121)	8,220,992
Net position-beginning, restated	19,371,466	173,341,112	3,649,819	196,362,397
Net position-ending	\$ 19,379,403	181,906,288	3,297,698	204,583,389

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, 2013

#### **(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, 2013

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, 2013

- *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, 2013

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 City amended the 2013 budget for the Special Alcohol Special Revenue Fund. The original budgeted expenditure amount was \$645,175 and the amended expenditure amount was \$903,174.

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, 2013

**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 2014. 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 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. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down 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, 2013

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 Governmental Fund Types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for Proprietary Fund Types in the government wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

#### ***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 2013.

#### ***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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2013

government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

In addition to 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. 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, 2013

	Major Governmental Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Projects Fund		
Fund Balances:					
Nonspendable for:					
Donor restriction	\$ -	-	-	23,000	23,000
Loans	-	-	-	401,304	401,304
Restricted for:					
Capital outlay	-	-	-	7,265,354	7,265,354
Debt service	-	9,659,399	-	-	9,659,399
Assigned for:					
General government	84,277	-	-	4,000,340	4,084,617
Public Safety	187,386	-	-	216,292	403,678
Public Works	112,952	-	-	1,055,117	1,168,069
Social services	-	-	-	332,334	332,334
Culture and recreation	59,615	-	-	5,594,897	5,654,512
Tourism	-	-	-	958,218	958,218
Airport	-	-	-	197,753	197,753
Capital outlay	-	-	-	15,608,475	15,608,475
Unassigned	12,987,191	-	(27,927,586)	(98,907)	(15,039,302)
	<u>\$ 13,431,421</u>	<u>9,659,399</u>	<u>(27,927,586)</u>	<u>35,554,177</u>	<u>30,717,411</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, 2013

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

### (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 \$68,629,918 difference are as follows:

Bonds payable	\$	58,983,998
Accrued interest payable		221,503
Claims and judgments payable		(244,757)
Compensated absences		6,076,994
Net OPEB obligation		<u>3,592,180</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>68,629,918</u></u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2013

#### **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 \$20,810,294 difference are as follows:

Capital outlay	\$	29,489,384
Depreciation expense		(8,679,090)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u>20,810,294</u>

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 \$5,388,066 difference are as follows:

Debt issued:		
Issuance of general obligation bonds	\$	(4,405,000)
Principal repayments:		
General obligation debt		<u>9,793,066</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u>5,388,066</u>

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 \$474,610 difference are as follows:

Compensated absences	\$	(83,825)
Claims and judgments		(50,539)
Accrued interest		785,505
Premium amortization		33,719
Net OPEB obligation		<u>(311,328)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u>474,610</u>

#### **(4) Budgetary Accounting**



## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2013

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, 2013, the City held the following investments:

<u>Investment Type</u>		<u>Fair Value</u>	<u>Rating</u>	<u>Maturity Less Than 5 years</u>
Certificate of Deposit	\$	39,000,000	n/a	39,000,000
FHLMC		3,509,391	AAA	3,509,391
FHLB		8,028,199	AAA	8,028,199
FFMCDN		11,999,053	AAA	11,999,053
FNMA		2,002,491	AAA	2,002,491
Kansas Municipal Investment Pool		10,012,036	AAA	10,012,036
	\$	<u>74,551,170</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, 2013

*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, 2013 is as follows:

		Primary Government		
		General Fund	Special Revenue Funds	Debt Service Funds
				Total
Property taxes	\$	15,245,167	2,960,098	7,265,534
Motor vehicle tax		1,283,859	267,048	655,441
Payment in lieu of tax		98,546	-	-
Utility franchise taxes		6,822,828	-	-
Sales taxes*		10,827,224	12,533,248	-
				23,360,472
Tax revenue	\$	34,277,624	15,760,394	7,920,975
				57,958,993

\*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, 2013 were as follows:

Fund	Levy
Primary government:	
General	\$ 17.559
Library	3.463
Debt Service	8.510
Total primary government	\$ 29.532

### (7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2013:

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2013

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 64,001,150	4,405,000	9,793,066	58,613,084	9,273,482
Premium on bonds issued	404,633	-	33,719	370,914	33,719
Estimated claims and judgements payable	50,539	-	50,539	-	-
Accrued vacation and sick pay	6,147,247	3,359,555	3,264,347	6,242,455	2,703,856
Net OPEB obligation	3,280,852	790,801	479,473	3,592,180	-
Total primary government	\$ 73,884,421	8,555,356	13,621,144	68,818,633	12,011,057
<b>Business-type activities:</b>					
General obligation bonds	\$ 10,213,850	-	1,216,934	8,996,916	1,246,518
Revenue bonds	48,670,000	-	2,280,000	46,390,000	2,360,000
Long term notes payable	22,776,957	-	2,199,478	20,577,479	2,275,791
Accrued vacation and sick pay	2,050,578	1,122,042	1,115,989	2,056,631	954,916
Net OPEB obligation	1,187,148	286,199	173,527	1,299,820	-
Total primary government	\$ 84,898,533	1,408,241	6,985,928	79,320,846	6,837,225

The following is a summary of temporary note transactions for the year ended December 31, 2013:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	\$ 24,215,000	55,475,000	24,215,000	55,475,000
Governmental activities-Premium	137,212	908,715	381,968	663,959
Business-type activities	-	36,300,000	-	36,300,000
Business-type activities-Premium	-	222,882	123,823	99,059
	\$ 24,352,212	92,906,597	24,720,791	92,538,018

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, 2013 is composed of the following:

**City of Lawrence, Kansas**  
**Notes to Basic Financial Statements**  
**December 31, 2013**

<b>Debt Issue</b>	<b>Date Issued</b>	<b>Date Matured</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Balance At End of Year</b>	<b>Due in One Year</b>
General obligation bonds:						
Internal improvement	2002	2014	2.8-3.7	\$ 920,000	\$ 100,000	\$ 100,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	280,000	280,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	655,000	320,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	645,000	315,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	2,990,000	960,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	455,000	145,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	4,130,000	980,000
Internal improvement	2006	2018	4.00	17,130,000	7,955,000	1,480,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	6,265,000	950,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	8,335,000	1,070,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	2,265,000	255,000
Internal improvement	2010	2034	4.25-5.7	2,975,000	2,975,000	0
Internal improvement	2010	2022	1.25-3.0	8,920,000	6,850,000	705,000
Internal improvement	2010	2023	1.25-3.0	8,305,000	6,500,000	615,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	3,300,000	300,000
Internal improvement	2012	2024	2.0-3.0	7,710,000	6,880,000	835,000
Internal improvement	2012	2016	1.5-2.0	3,480,000	2,625,000	860,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	4,405,000	350,000
					<u>67,610,000</u>	<u>10,520,000</u>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	25,910,000	14,460,000	1,740,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	19,095,000	135,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	3,475,000	175,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	9,360,000	310,000
					<u>46,390,000</u>	<u>2,360,000</u>
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	20,577,479	2,275,791
					<u>20,577,479</u>	<u>2,275,791</u>
Total primary government					\$ <u>134,577,479</u>	<u>15,155,791</u>

In 2013, the City issued \$4,405,000 in general obligation bonds for paying the costs of certain street, building, and equipment improvements. The General Obligation Bonds, Series 2013 A, are due in annual installments of \$350,000 to \$400,000 with interest due in semiannual installments at an average rate of 2.76% through September 2025.

In 2013, the City issued three series of general obligation temporary notes. The Series 2013-I notes in the amount of \$36,300,000 were for certain water and wastewater projects and mature on May 1, 2014. The notes have an interest rate of .18%. The Series 2013-II notes mature October 1, 2014 and were issued in the amount of \$12,270,000 to fund a recreation center bear an interest rate of 0.40%. The Series 2013-III notes in the amount of \$43,205,000 were for certain road and facility improvements and mature October 1, 2014. The notes bear an interest rate of .20%. of \$275,222 or 7.4%.

The City intends to redeem all temporary notes outstanding at December 31, 2013 in 2014 from proceeds of general obligation bonds and/or other temporary notes issued to finance the improvements.

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

*General obligation bonds to be paid with tax levies:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2014	\$	9,273,482	1,908,349	11,181,831
2015		9,250,721	1,637,859	10,888,580
2016		8,840,819	1,351,606	10,192,425
2017		6,869,579	1,063,471	7,933,050
2018		6,458,483	824,638	7,283,121
2019-2023		14,710,000	1,830,094	16,540,094
2024-2028		2,075,000	500,960	2,575,960
2029-2033		925,000	222,065	1,147,065
2034		<u>210,000</u>	<u>11,970</u>	<u>221,970</u>
Total	\$	<u>58,613,084</u>	<u>9,351,012</u>	<u>67,964,096</u>

*General obligation bonds to be paid with enterprise revenues:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2014	\$	1,246,518	239,622	1,486,140
2015		1,279,279	209,740	1,489,019
2016		1,314,181	175,909	1,490,090
2017		1,155,421	137,972	1,293,393
2018		681,517	105,879	787,396
2019-2023		<u>3,320,000</u>	<u>274,444</u>	<u>3,594,444</u>
Total	\$	<u>8,996,916</u>	<u>1,143,566</u>	<u>10,140,482</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

*Total general obligation bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2014	\$	10,520,000	2,147,971	12,667,971
2015		10,530,000	1,847,599	12,377,599
2016		10,155,000	1,527,515	11,682,515
2017		8,025,000	1,201,443	9,226,443
2018		7,140,000	930,517	8,070,517
2019-2023		18,030,000	2,104,538	20,134,538
2024-2028		2,075,000	500,960	2,575,960
2029-2033		925,000	222,065	1,147,065
2034		210,000	11,970	221,970
Total	\$	<u>67,610,000</u>	<u>10,494,578</u>	<u>78,104,578</u>

*Revenue bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2014	\$	2,360,000	2,132,685	4,492,685
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
2019-2023		13,840,000	6,791,430	20,631,430
2024-2028		11,430,000	3,738,345	15,168,345
2029-2033		7,990,000	1,331,830	9,321,830
2034		635,000	39,688	674,688
Total	\$	<u>46,390,000</u>	<u>21,568,546</u>	<u>67,958,546</u>

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2013

*Long-term notes payable, State Revolving Loan Fund:*

Year	Principal Due	Interest Due	Total Due
2014	\$ 2,275,791	638,427	2,914,218
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
2019-2023	8,381,046	474,520	8,855,566
Total	\$ 20,577,479	2,908,585	23,486,064

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, 2013, total outstanding conduit debt was \$58,855,000..

**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:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 68,655,114	6,685,000	10,674,153	64,665,961	2,530,000
Retirement plan obligation	520,260	195,700	-	715,960	-
	\$ 69,175,374	6,880,700	10,674,153	65,381,921	2,530,000

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2013

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.

Debt Issue	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Series 2006	2019	5.0-5.25	51,845,000	\$ 47,195,000	790,000
Series 2012	2036	2.53	10,500,000	10,080,000	435,000
Series 2013	2021	1.06	6,865,000	6,685,000	1,305,000
Total Revenue Bonds				63,960,000	2,530,000
Unamortized premiums				705,961	-
				<u>\$ 64,665,961</u>	<u>2,530,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2013 are as follows:

Year	Principal Due	Interest Due	Total Due
2014	\$ 2,530,000	2,744,819	5,274,819
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
2019-2023	15,510,000	10,944,752	26,454,752
2024-2028	10,860,000	7,904,695	18,764,695
2029-2033	14,005,000	4,823,188	18,828,188
2034-2036	10,230,000	1,061,501	11,291,501
Total	<u>\$ 63,960,000</u>	<u>37,771,465</u>	<u>101,731,465</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, 2013.



**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

**(8) Capital Assets**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,518,542	904,670	-	16,423,212
Construction in progress	<u>6,472,386</u>	<u>27,543,578</u>	<u>(8,080,308)</u>	<u>25,935,656</u>
Total capital assets, not being depreciated	<u>21,990,928</u>	<u>28,448,248</u>	<u>(8,080,308)</u>	<u>42,358,868</u>
Capital assets, being depreciated:				
Buildings	62,155,889	-	-	62,155,889
Improvements other than buildings	30,219,485	2,571,017	-	32,790,502
Machinery and equipment	32,725,751	2,282,971	(1,381,871)	33,626,851
Infrastructure	<u>187,501,848</u>	<u>4,314,816</u>	<u>-</u>	<u>191,816,664</u>
Total capital assets being depreciated	<u>312,602,973</u>	<u>9,168,804</u>	<u>(1,381,871)</u>	<u>320,389,906</u>
Less accumulated depreciation for:				
Buildings	32,538,527	1,929,147	-	34,467,674
Improvements other than buildings	13,625,332	1,253,229	-	14,878,561
Machinery and equipment	20,887,476	2,002,132	(1,364,104)	21,525,504
Infrastructure	<u>63,784,882</u>	<u>3,530,281</u>	<u>-</u>	<u>67,315,163</u>
Total accumulated depreciation	<u>130,836,217</u>	<u>8,714,789</u>	<u>(1,364,104)</u>	<u>138,186,902</u>
Total capital assets, being depreciated, net	<u>181,766,756</u>	<u>454,015</u>	<u>(17,767)</u>	<u>182,203,004</u>
Governmental activities capital assets, net	<u>\$ 203,757,684</u>	<u>28,902,263</u>	<u>(8,098,075)</u>	<u>224,561,872</u>

**City of Lawrence, Kansas**  
**Notes to Basic Financial Statements**  
**December 31, 2013**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,008,188	475,037	-	6,483,225
Construction in progress	10,646,337	6,570,368	(7,317,928)	9,898,777
Total capital assets, not being depreciated	<u>16,654,525</u>	<u>7,045,405</u>	<u>(7,317,928)</u>	<u>16,382,002</u>
Capital assets, being depreciated:				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	181,282,157	6,684,697	-	187,966,854
Machinery and equipment	16,232,897	1,740,354	(611,162)	17,362,089
Total capital assets being depreciated	<u>286,389,817</u>	<u>8,425,051</u>	<u>(611,162)</u>	<u>294,203,706</u>
Less accumulated depreciation for:				
Buildings	19,929,600	1,998,493	-	21,928,093
Improvements other than buildings	65,064,640	4,549,565	-	69,614,205
Machinery and equipment	11,556,626	1,026,921	(591,235)	11,992,312
Total accumulated depreciation	<u>96,550,866</u>	<u>7,574,979</u>	<u>(591,235)</u>	<u>103,534,610</u>
Total capital assets, being depreciated, net	<u>189,838,951</u>	<u>850,072</u>	<u>(19,927)</u>	<u>190,669,096</u>
Business-type activities capital assets, net	<u>\$ 206,493,476</u>	<u>7,895,477</u>	<u>(7,337,855)</u>	<u>207,051,098</u>

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

Governmental activities:	
General government	\$ 30,513
Public safety	302,820
Public works	7,120,669
Social services	652,087
Culture and recreation	455,134
Tourism	2,090
Airport	115,777
Total governmental funds	<u>8,679,090</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>35,699</u>
Total depreciation expense - governmental activities	<u>\$ 8,714,789</u>
Business-type activities:	
Water & sewer	\$ 6,269,342
Sanitation	544,422
Parking	144,976
Storm water	426,219
Golf course	190,020
Total proprietary funds	<u>\$ 7,574,979</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

**(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 2013 was 7.94%. The City's employer contributions to KPERS for the years ending December 31, 2013, 2012, and 2011 were \$2,338,186, \$2,165,501, and \$1,719,983, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2013 was 17.26%. 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, 2013, 2012, and 2011 were \$3,875,412, \$3,580,641, and \$3,029,809, respectively, equal to the required contributions for each year.

**(10) Interfund Transactions**

***Interfund Receivables and Payables***

At December 31, 2013, the following funds had interfund receivables and payables to the following funds

<u>Due From</u>	<u>General Fund</u>
Special Revenue Funds:	
Outside Agency Grants	\$ 266,000
Community Development	117,000
Home	46,000
Transportation Planning	80,000
	\$ <u>509,000</u>

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

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

**Interfund Transfers**

A summary of transfers for the year ended December 31, 2013 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ <u>3,656,141</u>	<u>298,000</u>
Special Revenue Funds:		
Capital Improvement Reserve	1,198,000	-
Equipment Reserve	<u>822,525</u>	<u>-</u>
	<u>2,020,525</u>	<u>-</u>
Debt Service Fund	<u>88,034</u>	<u>-</u>
Capital Project Fund	<u>-</u>	<u>810,559</u>
Enterprise Funds:		
Water and Sewer	-	3,084,896
Sanitation	-	1,164,245
Stormwater	<u>-</u>	<u>400,000</u>
	<u>-</u>	<u>4,649,141</u>
Internal Service - Central Maintenance	<u>-</u>	<u>7,000</u>
	\$ <u><u>5,764,700</u></u>	<u><u>5,764,700</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, 2013, the City had construction contract commitments totaling approximately \$19,673,399. The City expects to receive the contracted services during fiscal year 2013.

**B. Encumbrances**

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2013

end are not accounted for as expenditures and liabilities but, rather, as assigned fund balance. As of December 31, 2013 the City had a total of \$1,439,616 in encumbrances which were reported as part of the government fund balance sheet as follows:

	<u>Assigned</u>
<b>General Fund</b>	\$ 444,230
<b>Nonmajor Governmental Funds</b>	<u>995,386</u>
	<u>\$ 1,439,616</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 \$2,533,771 at December 31, 2013. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2013 was \$0. The liability reported in the financial statements at December 31, 2013 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.

	<u>2013</u>	<u>2012</u>
Unpaid claims, January 1	\$ 414,702	394,751
Incurred claims (including IBNRs)	7,950,267	7,082,140
Claim payments	<u>8,011,424</u>	<u>7,062,189</u>
Unpaid claims, December 31	<u>\$ 353,545</u>	<u>414,702</u>

**City of Lawrence, Kansas**  
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**(12) Fund Deficit**

The Capital Project Fund had a deficit of \$27,927,586 due to projects for which permanent financing has not yet been obtained. The Transportation Planning Fund had a deficit for \$40,646 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 1/6<sup>th</sup> of the cost of the City's planning department.

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2013

### (14) Net Assets

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

	Governmental Activities	Business Type Activities	Total
Total net capital assets	\$ 224,561,872	207,051,098	431,612,970
Less:			
Current portion of general obligation bonds	(9,307,201)	(1,246,518)	(10,553,719)
Current portion of notes payable	-	(2,275,791)	(2,275,791)
Current portion of revenue bonds	-	(2,360,000)	(2,360,000)
Temporary notes payable	(56,138,959)	(36,399,059)	(92,538,018)
Noncurrent portion of general obligation debt	(49,676,797)	(7,750,398)	(57,427,195)
Noncurrent portion of revenue bonds payable	-	(44,030,000)	(44,030,000)
Noncurrent portion of notes payable	-	(18,301,688)	(18,301,688)
Add:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	33,026,873	40,724,978	73,751,851
Net assets-invested in capital assets, net of related debt	\$ 142,465,788	135,412,622	277,878,410

### (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, 2013, the City contributed \$653,000 to the Plan. (approximately 61% of total contributions). Plan participants contributed \$400,959 to the Plan (approximately 82% 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, 2013

Annual required contribution	\$ 1,152,000
Interest on Net OPEB obligation	156,000
Adjustment to annual required contribution	<u>(231,000)</u>
Annual OPEB cost	1,077,000
Contributions Made	<u>(653,000)</u>
Increase in Net OPEB obligation	424,000
Net OPEB obligation - beginning of year	<u>4,468,000</u>
Net OPEB obligation - end of year	<u><u>\$ 4,892,000</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, 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of ARC Contributed	OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 1,608,000	8%	121,000	2,487,000
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

**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, 2013

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, 2013**

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, 2013

**Schedule of Funding Progress**

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets (a)</u>	Actuarial Accrued <u>Liability (b)</u>	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as Percent of Payroll <u>(b-a)/(c)</u>
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 <u>Ended</u>	Annual OPEB <u>Cost</u>	Annual Required Contribution <u>(ARC)</u>	Percentage Of ARC <u>Contributed</u>	Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
December 31, 2011	\$ 1,608,000	1,605,000	8%	121,000	2,487,000
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

## **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, 2013

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	\$ 157,333	477,323	1,691,195	1,125,331	97,752	1,148,677	450,826	197,873	4,207,475	1,499,394	802,035	1,839,099	81,014
Investments	—	—	2,000,000	—	—	—	—	—	5,999,301	3,999,764	—	1,999,563	—
Receivables:													
Taxes	—	2,770,323	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	68	823	—	—	—	910	—	46,460	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	4,789	3,226	—	3,588	—
Restricted assets	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	\$ 157,333	3,247,646	3,691,263	1,126,154	97,752	1,148,677	450,826	198,783	10,211,565	5,548,844	802,035	3,842,250	81,014

### Liabilities, Deferred Inflows of Resources and Fund Balances

Liabilities:	\$	—	—	41	52,551	71	1,239	3,382	120	33,102	118,832	1,150	—	—
Accounts payable	—	—	2,124	103,591	12,212	92,321	—	—	—	—	—	—	—	—
Accrued payroll	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	—	—	2,165	156,142	12,283	93,560	3,382	120	33,102	118,832	1,150	—	—	—
Deferred inflows of resources:														
Unavailable revenue	—	3,011,021	68	823	—	—	—	910	—	—	—	—	—	—
Total liabilities and deferred inflows of resources	—	3,011,021	2,233	156,965	12,283	93,560	3,382	1,030	33,102	118,832	1,150	—	—	—
Fund balances:														
Nonspendable	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted	157,333	236,625	3,689,030	969,189	85,469	1,055,117	447,444	197,753	10,178,463	5,430,012	800,885	3,842,250	81,014	
Assigned	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total fund balances	157,333	236,625	3,689,030	969,189	85,469	1,055,117	447,444	197,753	10,178,463	5,430,012	800,885	3,842,250	81,014	
Total liabilities, deferred inflows of resources and fund balances	\$ 157,333	3,247,646	3,691,263	1,126,154	97,752	1,148,677	450,826	198,783	10,211,565	5,548,844	802,035	3,842,250	81,014	

(Continued)

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2013

Assets	Farmland Remediation		Cemetery Perpetual Care		Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance		CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Cash	\$	11,115	74,181	3,230	102,672	582	177,589	167,427	51	52	2	508	600	132,001	14,445,337	
Investments		—	—	—	—	—	—	—	—	—	—	—	—	—	13,998,628	
Receivables:																
Taxes		—	—	—	—	—	—	—	—	—	—	—	—	—	2,770,323	
Intergovernmental		—	—	—	—	359,352	—	—	—	68,937	—	111,850	46,118	—	586,257	
Accounts		—	—	—	—	—	—	—	—	2,832	—	—	—	—	51,093	
Loans		—	—	—	—	—	—	—	—	401,304	—	—	—	—	401,304	
Accrued interest		—	—	—	—	—	—	—	—	—	—	—	—	—	11,603	
Restricted assets																
Cash		749,031	22,000	1,000	—	—	—	—	—	—	—	—	—	—	772,031	
Investments		6,511,883	—	—	—	—	—	—	—	—	—	—	—	—	6,511,883	
Total assets	\$	7,272,029	96,181	4,230	102,672	359,934	177,589	167,427	51	473,125	2	112,358	46,718	132,001	39,548,459	
Liabilities, Deferred Inflows of Resources and Fund Balances																
Liabilities:																
Accounts payable	\$	1,274	—	—	—	10,775	—	388	—	2,808	—	1,591	22	1,178	228,524	
Accrued payroll		5,401	—	—	—	8,474	—	353	—	10,274	—	1,844	7,342	—	243,936	
Due to other funds		—	—	—	—	266,000	—	—	—	117,000	—	46,000	80,000	—	509,000	
Total liabilities		6,675	—	—	—	285,249	—	741	—	130,082	—	49,435	87,364	1,178	981,460	
Deferred inflows of resources:																
Unavailable revenue		—	—	—	—	—	—	—	—	—	—	—	—	—	3,012,822	
Total liabilities and deferred inflows of resources		6,675	—	—	—	285,249	—	741	—	130,082	—	49,435	87,364	1,178	3,994,282	
Fund balances:																
Nonspendable		—	22,000	1,000	—	—	—	—	—	401,304	—	—	—	—	424,304	
Restricted		7,265,354	—	—	—	—	—	—	—	—	—	—	—	—	7,265,354	
Unrestricted		—	74,181	3,230	102,672	74,685	177,589	166,686	51	—	2	62,923	—	130,823	27,963,426	
Unassigned		—	—	—	—	—	—	—	—	(58,261)	—	—	(40,646)	—	(98,907)	
Total fund balances		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	
Total liabilities and fund balances	\$	7,272,029	96,181	4,230	102,672	359,934	177,589	167,427	51	473,125	2	112,358	46,718	132,001	39,548,459	

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2013

	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	—	3,225,411	3,012,578	1,881,892	—	—	—	—	5,022,011	250,000	—	2,368,502	—
Charges for services	—	—	333,405	1,727,176	—	—	—	7,846	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	104,378	—	—	—
Interest	—	—	—	—	—	—	—	—	16,149	11,530	1,254	8,471	162
Intergovernmental	890,981	—	—	—	689,082	2,484,833	689,082	12,798	—	—	306,422	—	—
Miscellaneous	—	—	23	271,489	—	6,592	—	13,206	15,966	—	—	5,369	11,472
Total revenues	890,981	3,225,411	3,346,006	3,830,557	689,082	2,491,425	689,082	33,850	5,054,126	365,908	307,676	2,382,342	11,634
Expenditures:													
General government	—	3,243,260	2,443,694	—	—	—	—	—	—	52,791	—	—	—
Public safety	—	—	—	—	876,926	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,007,948	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	3,786,442	—	—	452,736	—	—	—	—	460,736	10,344
Tourism	867,027	—	—	—	—	—	—	—	—	—	140,411	105,124	—
Capital outlay	—	—	—	12,754	—	373,838	132,283	—	2,988,864	399,818	—	—	—
Debt service:													
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	1,150,237	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	115,531	—
Total expenditures	867,027	3,243,260	2,443,694	3,799,196	876,926	2,381,786	585,019	—	2,988,864	452,609	140,411	1,831,628	10,344
Excess (deficiency) of revenues over (under) expenditures	23,954	(17,849)	902,312	31,361	(187,844)	109,639	104,063	33,850	2,065,262	(86,701)	167,265	550,714	1,290
Other financing sources (uses):													
Transfers in	—	—	—	—	—	—	—	—	1,198,000	822,525	—	—	—
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	1,198,000	822,525	—	—	—
Net change in fund balances	23,954	(17,849)	902,312	31,361	(187,844)	109,639	104,063	33,850	3,263,262	735,824	167,265	550,714	1,290
Fund balance, beginning of year	133,379	254,474	2,786,718	937,828	273,313	945,478	343,381	163,903	6,915,201	4,694,188	633,620	3,291,536	79,724
Fund balance, end of year	157,333	236,625	3,689,030	969,189	85,469	1,055,117	447,444	197,753	10,178,463	5,430,012	800,885	3,842,250	81,014



# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2013

		Special Revenue											Total		
		Cemetery			Fair				Law						
		Farmland Remediation	Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Nonmajor Governmental Funds
Revenues:	\$	—	—	—	—	—	—	—	—	—	—	—	—	—	15,760,394
Taxes		—	—	—	—	—	—	—	—	—	—	—	—	—	2,068,427
Charges for services		—	—	—	—	—	—	—	—	—	—	—	—	—	104,378
Fines, forfeitures and penalties		—	—	—	—	—	—	—	—	—	—	—	—	—	57,022
Interest		18,265	219	12	210	3,053,567	388	362	—	760,777	—	600,214	226,889	—	9,714,644
Intergovernmental		—	—	—	—	8,212	26,378	—	—	69,535	—	—	—	78,943	457,185
Miscellaneous		—	—	—	—	—	—	—	—	—	—	600,214	226,889	78,943	28,162,051
Total revenues		18,265	219	12	210	3,061,779	26,766	362	—	830,312	—	600,214	226,889	78,943	
Expenditures:															
General government		—	—	—	—	2,507,043	—	—	—	—	—	—	300,297	—	8,547,085
Public safety		—	—	—	—	129,662	—	—	—	—	—	—	—	41,304	1,047,892
Public works		—	—	—	—	—	—	—	—	—	—	—	—	—	2,007,948
Health		—	—	—	—	236,059	—	—	—	—	—	—	—	—	236,059
Social services		—	—	—	—	—	—	21,729	—	856,847	—	607,985	—	—	1,486,561
Culture and recreation		—	500	—	—	12,742	25,505	—	—	—	—	—	—	—	4,749,005
Tourism		—	—	—	—	—	—	—	—	—	—	—	—	—	1,007,438
Capital outlay		647,514	14,950	—	—	200,669	—	—	—	—	—	—	—	—	4,875,814
Debt service:															
Principal retirement		—	—	—	—	—	—	—	—	—	—	—	—	—	1,150,237
Interest and fiscal charges		—	—	—	—	—	—	—	—	—	—	—	—	—	115,531
Total expenditures		647,514	15,450	—	—	3,086,175	25,505	21,729	—	856,847	—	607,985	300,297	41,304	25,223,570
Excess (deficiency) of revenues over (under) expenditures		(629,249)	(15,231)	12	210	(24,396)	1,261	(21,367)	—	(26,535)	—	(7,771)	(73,408)	37,639	2,938,481
Other financing sources (uses):															
Transfers in		—	—	—	—	—	—	—	—	—	—	—	—	—	2,020,525
Transfers out		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)		—	—	—	—	—	—	—	—	—	—	—	—	—	2,020,525
Net change in fund balances		(629,249)	(15,231)	12	210	(24,396)	1,261	(21,367)	—	(26,535)	—	(7,771)	(73,408)	37,639	4,959,006
Fund balance, beginning of year		7,894,603	111,412	4,218	102,462	99,081	176,328	188,053	51	369,578	2	70,694	32,762	93,184	30,595,171
Fund balance, end 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

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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2012 Actual</b>
Revenues:					
Taxes	\$ 7,716,391	7,716,391	7,920,975	204,584	7,766,668
Special assessments	2,500,000	2,500,000	2,762,369	262,369	3,195,006
Interest	75,000	75,000	24,957	(50,043)	25,911
Intergovernmental	—	—	—	—	—
Miscellaneous	125,000	125,000	168,969	43,969	195,007
Total revenues	<u>10,416,391</u>	<u>10,416,391</u>	<u>10,877,270</u>	<u>460,879</u>	<u>11,182,592</u>
Expenditures:					
Principal retirement	13,327,066	13,327,066	8,642,829	4,684,237	8,249,232
Interest and fiscal charges	3,153,575	3,153,575	1,966,843	1,186,732	2,121,182
Total expenditures	<u>16,480,641</u>	<u>16,480,641</u>	<u>10,609,672</u>	<u>5,870,969</u>	<u>10,370,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,064,250)</u>	<u>(6,064,250)</u>	<u>267,598</u>	<u>6,331,848</u>	<u>812,178</u>
Other financing sources:					
Transfers in	<u>—</u>	<u>—</u>	<u>88,034</u>	<u>88,034</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (6,064,250)</u>	<u>(6,064,250)</u>	<u>355,632</u>	<u>6,419,882</u>	<u>812,178</u>
Fund balance, beginning of year			<u>9,303,767</u>		<u>8,491,589</u>
Fund balance, end of year			<u>\$ 9,659,399</u>		<u>9,303,767</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>				
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>	<b><u>2012 Actual</u></b>
Revenues – intergovernmental	\$ <u>950,000</u>	<u>950,000</u>	<u>890,981</u>	<u>(59,019)</u>	<u>880,000</u>
Expenditures:					
Tourism – contractual services	<u>863,500</u>	<u>863,500</u>	<u>834,727</u>	<u>28,773</u>	<u>869,254</u>
Excess (deficiency) of revenues over (under) expenditures	86,500	86,500	56,254	(30,246)	10,746
Other financing sources (uses)					
Transfers out	<u>50,000</u>	<u>50,000</u>	<u>—</u>	<u>(50,000)</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u><u>136,500</u></u>	<u><u>136,500</u></u>	56,254	<u><u>(80,246)</u></u>	10,746
Fund balance, beginning of year			133,379		90,333
Net change in reserve for encumbrances			<u>(32,300)</u>		<u>32,300</u>
Fund balance, end of year			\$ <u><u>157,333</u></u>		<u><u>133,379</u></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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>				
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>	<b><u>2012 Actual</u></b>
Revenues – taxes	\$ 3,144,867	3,144,867	3,225,411	80,544	3,196,121
Expenditures:					
General government - contractual services	3,243,260	3,243,260	3,243,260	—	3,136,000
Total expenditures	3,243,260	3,243,260	3,243,260	—	3,136,000
Excess (deficiency) of revenues over (under) expenditures	(98,393)	(98,393)	(17,849)	80,544	60,121
Other financing sources – transfers in	—	—	—	—	—
Excess (deficiency) of revenues over (under) expenditures and other uses \$	<u>(98,393)</u>	<u>(98,393)</u>	(17,849)	<u>80,544</u>	60,121
Fund balance, beginning of year			254,474		194,353
Fund balance, end of year			\$ <u>236,625</u>		<u>254,474</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>			<b>Variance</b>	<b>2012</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>	<b>Actual</b>
Revenues:					
Charges for services	\$ 285,000	285,000	333,405	48,405	308,129
Miscellaneous	—	—	23	23	189,432
Total revenues	<u>285,000</u>	<u>285,000</u>	<u>333,428</u>	<u>48,428</u>	<u>497,561</u>
Expenditures:					
General government					
Personal services	74,515	74,515	74,667	(152)	67,608
Contractual service	2,126,550	2,126,550	2,283,774	(157,224)	1,509,025
Commodities	751,225	751,225	685,851	65,374	682,726
Other	<u>1,350,423</u>	<u>1,350,423</u>	<u>—</u>	<u>1,350,423</u>	<u>—</u>
Total expenditures	<u>4,302,713</u>	<u>4,302,713</u>	<u>3,044,292</u>	<u>1,258,421</u>	<u>2,259,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,017,713)</u>	<u>(4,017,713)</u>	<u>(2,710,864)</u>	<u>1,306,849</u>	<u>(1,761,798)</u>
Other financing sources (uses)					
Transfers in	2,976,500	2,976,500	3,012,578	36,078	2,915,993
Transfers out	—	—	—	—	—
Total other financing sources (uses)	<u>2,976,500</u>	<u>2,976,500</u>	<u>3,012,578</u>	<u>36,078</u>	<u>2,915,993</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ (1,041,213)</u>	<u>(1,041,213)</u>	301,714	<u>1,342,927</u>	1,154,195
Fund balance, beginning of year			2,786,718		1,893,471
Net change in reserve for encumbrances			<u>600,598</u>		<u>(260,948)</u>
Fund balance, end of year			<u>\$ 3,689,030</u>		<u>2,786,718</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>				
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2012 Actual</b>
Revenues:					
Taxes	\$ —	—	1,735	1,735	18,489
Charges for services	1,740,000	1,740,000	1,727,176	(12,824)	1,772,975
Miscellaneous	<u>166,000</u>	<u>166,000</u>	<u>221,489</u>	<u>55,489</u>	<u>197,550</u>
Total revenues	<u>1,906,000</u>	<u>1,906,000</u>	<u>1,950,400</u>	<u>44,400</u>	<u>1,989,014</u>
Expenditures:					
Culture and recreation:					
Personal services	3,222,386	3,090,730	3,050,809	39,921	3,071,795
Contractual service	477,140	446,013	416,361	29,652	494,699
Commodities	323,340	288,623	264,482	24,141	330,036
Capital outlay	25,000	222,500	—	222,500	18,247
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>4,047,866</u>	<u>4,047,866</u>	<u>3,731,652</u>	<u>316,214</u>	<u>3,914,777</u>
Excess (deficiency) of revenues over (under) expenditures	(2,141,866)	(2,141,866)	(1,781,252)	360,614	(1,925,763)
Other financing sources – transfers in	<u>1,880,157</u>	<u>1,880,157</u>	<u>1,880,157</u>	<u>—</u>	<u>1,880,157</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(261,709)</u>	<u>(261,709)</u>	98,905	<u>360,614</u>	(45,606)
Fund balance, beginning of year			937,828		976,486
Net change in reserve for encumbrances			<u>(67,544)</u>		<u>6,948</u>
Fund balance, end of year			\$ <u>969,189</u>		<u>937,828</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>				
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>	<b><u>2012 Actual</u></b>
Revenues:					
Intergovernmental	\$ 648,111	648,111	689,082	40,971	691,768
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>648,111</u>	<u>648,111</u>	<u>689,082</u>	<u>40,971</u>	<u>691,768</u>
Expenditures:					
Health:					
Personal services	280,000	280,000	248,552	31,448	209,368
Contractual service	315,175	573,174	625,272	(52,098)	515,528
Commodities	—	—	3,102	(3,102)	3,934
Capital outlay	—	—	—	—	—
Other	<u>50,000</u>	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>—</u>
Total expenditures	<u>645,175</u>	<u>903,174</u>	<u>876,926</u>	<u>26,248</u>	<u>728,830</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>2,936</u>	<u>(255,063)</u>	(187,844)	<u>67,219</u>	(37,062)
Fund balance, beginning of year			273,313		340,375
Net change in reserve for encumbrances			<u>—</u>		<u>(30,000)</u>
Fund balance, end of year			\$ <u>85,469</u>		<u>273,313</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>			<b>Variance</b>	<b>2012</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>	<b>Actual</b>
Revenues					
Intergovernmental	\$ 2,520,020	2,520,020	2,484,833	(35,187)	2,525,368
Miscellaneous	<u>—</u>	<u>—</u>	<u>6,592</u>	<u>6,592</u>	<u>—</u>
Total revenues	<u>2,520,020</u>	<u>2,520,020</u>	<u>2,491,425</u>	<u>(28,595)</u>	<u>2,525,368</u>
Expenditures:					
Public works:					
Personal services	1,860,000	1,860,000	1,815,888	44,112	1,732,852
Contractual service	500	40,766	42,188	(1,422)	39,725
Commodities	406,280	325,604	138,856	186,748	480,098
Capital outlay	260,000	300,410	299,239	1,171	94,429
Other	<u>510,000</u>	<u>510,000</u>	<u>—</u>	<u>510,000</u>	<u>—</u>
Total expenditures	<u>3,036,780</u>	<u>3,036,780</u>	<u>2,296,171</u>	<u>740,609</u>	<u>2,347,104</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(516,760)</u>	<u>(516,760)</u>	195,254	<u>(769,204)</u>	178,264
Fund balance, beginning of year			945,478		676,117
Net change in reserve for encumbrances			<u>(85,615)</u>		<u>91,097</u>
Fund balance, end of year			\$ <u>1,055,117</u>		<u>945,478</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, 2013  
(With Comparative Actual Amounts for 2012)

	<b>2013</b>			<b>Variance</b>	<b>2012</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Positive (Negative)</u></b>	<b><u>Actual</u></b>
Revenues – intergovernmental	\$ 648,111	648,111	689,082	40,971	691,768
Expenditures:					
Culture and recreation:					
Personal services	48,623	38,633	38,633	—	41,687
Contractual service	315,500	340,645	311,792	28,853	281,572
Commodities	76,000	107,942	106,744	1,198	134,755
Capital outlay	147,000	218,759	220,836	(2,077)	89,302
Other	120,000	1,144	—	1,144	—
Total expenditures	<u>707,123</u>	<u>707,123</u>	<u>678,005</u>	<u>29,118</u>	<u>547,316</u>
Excess (deficiency) of revenues over (under) expenditures	(59,012)	(59,012)	11,077	70,089	144,452
Other financing uses – transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u><u>(59,012)</u></u>	<u><u>(59,012)</u></u>	11,077	<u><u>70,089</u></u>	144,452
Fund balance, beginning of year			343,381		274,931
Net change in reserve for encumbrances			<u>92,986</u>		<u>(76,002)</u>
Fund balance, end of year			\$ <u><u>447,444</u></u>		<u><u>343,381</u></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, 2013

		<b>Public Parking</b>	<b>Golf Course</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Assets</b>				
Current assets:				
Cash	\$	366,564	340,490	707,054
Receivables:				
Accounts		5,066	464	5,530
Inventories		—	5,001	5,001
Total current assets		<u>371,630</u>	<u>345,955</u>	<u>717,585</u>
Capital assets				
Land		479,055	—	479,055
Buildings and improvements		4,094,602	3,634,714	7,729,316
Equipment		392,981	178,719	571,700
Accumulated depreciation		<u>(3,611,361)</u>	<u>(2,871,143)</u>	<u>(6,482,504)</u>
Total capital assets		<u>1,355,277</u>	<u>942,290</u>	<u>2,297,567</u>
Total assets	\$	<u><u>1,726,907</u></u>	<u><u>1,288,245</u></u>	<u><u>3,015,152</u></u>
<b>Liabilities and Net Position</b>				
Liabilities:				
Current liabilities				
Accounts payable	\$	17,463	19,333	36,796
Accrued payroll		38,221	13,735	51,956
Accrued vacation and sick pay		48,349	21,928	70,277
Total current liabilities		<u>104,033</u>	<u>54,996</u>	<u>159,029</u>
Noncurrent liabilities				
Compensated absences		72,662	29,205	101,867
Net OPEB obligation		<u>110,966</u>	<u>4,021</u>	<u>114,987</u>
Total noncurrent liabilities		<u>183,628</u>	<u>33,226</u>	<u>216,854</u>
Total liabilities		<u><u>287,661</u></u>	<u><u>88,222</u></u>	<u><u>375,883</u></u>
Net position:				
Invested in capital assets, net of debt		1,355,277	942,290	2,297,567
Unrestricted		<u>83,969</u>	<u>257,733</u>	<u>341,702</u>
Total net position		<u><u>1,439,246</u></u>	<u><u>1,200,023</u></u>	<u><u>2,639,269</u></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, 2013

	<u>Public Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues - charges for services	\$ 1,197,212	753,198	1,950,410
Operating expenses:			
Continuing operations	1,243,165	736,904	1,980,069
Depreciation and amortization	144,976	190,020	334,996
Total operating expenses	1,388,141	926,924	2,315,065
Operating income (loss)	(190,929)	(173,726)	(364,655)
Nonoperating revenues (expenses)			
Interest income	759	640	1,399
Other	—	5,486	5,486
Total nonoperating revenues (expenses)	759	6,126	6,885
Change in net position	(190,170)	(167,600)	(357,770)
Net position, beginning of year	1,629,416	1,367,623	2,997,039
Net position, end of year	\$ 1,439,246	1,200,023	2,639,269

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, 2013

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 1,199,154	758,712	1,957,866
Payments to suppliers	(214,544)	(304,641)	(519,185)
Payments to employees	(1,013,547)	(432,742)	(1,446,289)
Net cash provided by (used in) operating activities	(28,937)	21,329	(7,608)
<b>Cash flows from investing activities:</b>			
Receipt of interest and dividends	758	640	1,398
Net increase (decrease) in cash	(28,179)	21,969	(6,210)
Cash and cash equivalents, beginning of year	394,743	318,521	713,264
Cash and cash equivalents, end of year	\$ 366,564	340,490	707,054
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (190,929)	(173,726)	(364,655)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	144,976	190,020	334,996
Other income	—	5,486	5,486
Change in:			
Accounts receivable	1,942	28	1,970
Inventories of supplies	—	3,171	3,171
Accounts payable	4,639	(3,733)	906
Accrued payroll	3,015	1,280	4,295
Accrued vacation and sick pay	(2,198)	(1,568)	(3,766)
Net OPEB obligation	9,618	371	9,989
Total adjustments	161,992	195,055	357,047
Net cash provided by (used in) operating activities	\$ (28,937)	21,329	(7,608)

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, 2013

Assets	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
Current assets:						
Cash	\$ 1,358,102	1,285,828	61,950	26,474	1,239,747	3,972,101
Investments	—	—	—	—	8,520,964	8,520,964
Receivables:						
Accounts	—	—	322,225	—	43,157	365,382
Accrued interest	—	—	—	—	11,633	11,633
Inventories	—	—	299,354	5,535	—	304,889
Total current assets	<u>1,358,102</u>	<u>1,285,828</u>	<u>683,529</u>	<u>32,009</u>	<u>9,815,501</u>	<u>13,174,969</u>
Capital assets						
Buildings and improvements	—	—	762,567	—	—	762,567
Equipment	—	—	370,763	—	—	370,763
Accumulated depreciation	—	—	(784,354)	—	—	(784,354)
Total capital assets	<u>—</u>	<u>—</u>	<u>348,976</u>	<u>—</u>	<u>—</u>	<u>348,976</u>
Total assets	<u>\$ 1,358,102</u>	<u>1,285,828</u>	<u>1,032,505</u>	<u>32,009</u>	<u>9,815,501</u>	<u>13,523,945</u>
<b>Liabilities and Net Assets</b>						
Liabilities:						
Current liabilities						
Accounts payable	\$ 3,435	106,724	90,469	1,011	454,456	656,095
Claims payable	—	—	—	—	353,545	353,545
Accrued payroll	—	—	46,234	—	—	46,234
Accrued vacation and sick pay	—	—	69,080	—	—	69,080
Total current liabilities	<u>3,435</u>	<u>106,724</u>	<u>205,783</u>	<u>1,011</u>	<u>808,001</u>	<u>1,124,954</u>
Noncurrent liabilities - compensated absences	—	—	96,381	—	—	96,381
Total liabilities	<u>3,435</u>	<u>106,724</u>	<u>302,164</u>	<u>1,011</u>	<u>808,001</u>	<u>1,221,335</u>
Net position:						
Invested in capital assets, net of debt	—	—	348,976	—	—	348,976
Unrestricted	<u>1,354,667</u>	<u>1,179,104</u>	<u>381,365</u>	<u>30,998</u>	<u>9,007,500</u>	<u>11,953,634</u>
Total net position	<u>1,354,667</u>	<u>1,179,104</u>	<u>730,341</u>	<u>30,998</u>	<u>9,007,500</u>	<u>12,302,610</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, 2013

	<u>General Liability</u>	<u>Workers Comp Liability</u>	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues - charges for services	\$ 60,000	596,780	3,816,633	3,360	9,459,243	13,936,016
Operating expenses:						
Continuing operations	98,112	603,399	3,964,472	4,671	—	4,670,654
General administration	—	—	—	—	210,875	210,875
Health insurance claims	—	—	—	—	9,795,111	9,795,111
Depreciation and amortization	—	—	35,699	—	—	35,699
Total operating expenses	98,112	603,399	4,000,171	4,671	10,005,986	14,712,339
Operating income (loss)	(38,112)	(6,619)	(183,538)	(1,311)	(546,743)	(776,323)
Nonoperating revenues (expenses)						
Interest income	1,426	2,560	270	—	21,140	25,396
Gain (loss) on sale of capital assets	—	—	10,331	—	—	10,331
Other	—	37,498	5,756	—	—	43,254
Total nonoperating revenues (expenses)	1,426	40,058	16,357	—	21,140	78,981
Income (loss) before transfers	(36,686)	33,439	(167,181)	(1,311)	(525,603)	(697,342)
Transfers out	—	—	(7,000)	—	—	(7,000)
Change in net position	(36,686)	33,439	(174,181)	(1,311)	(525,603)	(704,342)
Net position, beginning	1,391,353	1,145,665	904,522	32,309	9,533,103	13,006,952
Net position, end of year	\$ 1,354,667	1,179,104	730,341	30,998	9,007,500	12,302,610

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, 2013

	General Liability	Workers Comp Liability	Central Maintenance	Stores	Health Insurance	Total
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 60,000	634,278	3,797,502	3,360	9,452,671	13,947,811
Payments to suppliers	(100,497)	(600,126)	(2,809,257)	(4,406)	(9,953,504)	(13,467,790)
Payments to employees	—	—	(1,182,603)	—	—	(1,182,603)
Net cash provided by (used in) operating activities	(40,497)	34,152	(194,358)	(1,046)	(500,833)	(702,582)
<b>Cash flows from noncapital financing activities:</b>						
Transfers out	—	—	(7,000)	—	—	(7,000)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	—	—	(47,360)	—	—	(47,360)
Proceeds from sales of capital assets	—	—	10,331	—	—	10,331
Net cash provided by (used in) capital and related financing activities	—	—	(37,029)	—	—	(37,029)
<b>Cash flows from investing activities:</b>						
Receipt of interest and dividends	2,536	2,560	270	—	12,432	17,798
Purchases of investments	—	—	—	—	(7,521,892)	(7,521,892)
Sales of investments	300,000	—	—	—	4,500,000	4,800,000
Net cash provided by (used in) investing activities	302,536	2,560	270	—	(3,009,460)	(2,704,094)
Net increase (decrease) in cash	262,039	36,712	(238,117)	(1,046)	(3,510,293)	(3,450,705)
Cash and cash equivalents, beginning of year, as restated	1,096,063	1,249,116	300,067	27,520	4,750,040	7,422,806
Cash and cash equivalents, end of year	\$ 1,358,102	1,285,828	61,950	26,474	1,239,747	3,972,101
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (38,112)	(6,619)	(183,538)	(1,311)	(546,743)	(776,323)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	—	—	35,699	—	—	35,699
Other income	—	37,498	5,756	—	—	43,254
Change in:						
Accounts receivable	—	—	(24,887)	—	(6,572)	(31,459)
Inventories of supplies	—	—	(5,491)	(746)	—	(6,237)
Accounts payable	(2,385)	3,273	(39,636)	1,011	113,639	75,902
Claims payable	—	—	—	—	(61,157)	(61,157)
Accrued payroll	—	—	6,355	—	—	6,355
Accrued vacation and sick pay	—	—	11,384	—	—	11,384
Total adjustments	(2,385)	40,771	(10,820)	265	45,910	73,741
Net cash provided by (used in) operating activities	\$ (40,497)	34,152	(194,358)	(1,046)	(500,833)	(702,582)

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, 2013

		<b>Balance January 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2013</b>
<b>Payroll Clearing</b>					
Assets:					
Cash	\$	94,699	22,633,123	22,652,828	74,994
Liabilities:					
Accounts payable	\$	94,699	22,633,123	22,652,828	74,994
<b>Municipal Court</b>					
Assets:					
Cash	\$	215,696	890,161	712,783	393,074
Restricted assets - court receivables		131,401	—	—	131,401
	\$	347,097	890,161	712,783	524,475
Liabilities:					
Accounts payable	\$	215,696	890,161	712,783	393,074
Payable from restricted assets		131,401	—	—	131,401
	\$	347,097	890,161	712,783	524,475
<b>KPRF</b>					
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, 2013

	<b>Balance January 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2013</b>
<b>Fire Insurance Proceeds Fund</b>				
Assets:				
Cash	\$ —	36,580	8,485	28,095
Liabilities:				
Accounts payable	\$ —	36,580	8,485	28,095
<b>Economic Development Escrow</b>				
Assets:				
Cash	\$ —	148,139	153,957	(5,818)
Receivables	—	5,818	—	5,818
	\$ —	153,957	153,957	—
Liabilities:				
Accounts payable	\$ —	153,957	153,957	—
<b>Totals - All Agency Funds</b>				
Assets:				
Cash	\$ 310,686	23,708,003	23,528,053	490,636
Receivables	—	5,818	—	5,818
Restricted assets - court receivables	131,401	—	—	131,401
Total assets	\$ 442,087	23,713,821	23,528,053	627,855
Liabilities:				
Accounts payable	\$ 310,686	23,713,821	23,528,053	496,454
Court bonds payable	131,401	—	—	131,401
Total liabilities	\$ 442,087	23,713,821	23,528,053	627,855

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

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## **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>2004</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>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt \$	96,155,168	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
Restricted	15,400,474	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
Unrestricted	29,880,265	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
Total governmental activities net position \$	<u>141,435,907</u>	<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>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt \$	87,256,373	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
Restricted	6,906,197	17,732,915	16,877,071	27,230,548	19,865,967	-	-	-	-	-
Unrestricted	39,199,131	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
Total business-type activities net position \$	<u>133,361,701</u>	<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>
<b>Primary government</b>										
Invested in capital assets, net of related debt \$	183,411,541	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
Restricted	22,306,671	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
Unrestricted	69,079,396	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
Total primary government net position \$	<u>274,797,608</u>	<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>

## CITY OF LAWRENCE, KANSAS

## Changes in Net Position

Last Ten Fiscal Years  
(accrual basis of accounting)

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities										
General government	\$ 14,403,955	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
Public safety	22,024,175	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
Public works	12,755,790	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
Health	888,333	897,509	976,258	992,789	1,039,965	1,075,320	1,919,306	1,438,414	1,379,859	1,215,155
Social services	2,678,321	3,330,734	2,651,489	1,917,274	1,841,798	2,448,630	1,915,284	2,264,240	2,198,039	2,130,316
Culture and recreation	6,211,637	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
Tourism	663,943	680,490	675,797	779,687	818,561	771,534	885,555	1,052,713	969,229	1,009,528
Airport	192,485	188,284	201,034	212,253	248,014	242,517	318,403	494,077	226,568	251,419
Interest on long-term debt	3,164,980	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
Total governmental activities expenses	62,983,619	67,980,360	77,194,472	76,316,886	78,422,947	83,536,074	84,305,233	83,184,610	87,900,299	92,476,174
Business-type activities:										
Water & sewer	17,079,804	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
Sanitation	7,817,606	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
Parking	935,905	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
Stormwater	1,209,570	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
Golf course	1,094,435	992,548	817,710	925,676	999,551	1,016,011	998,557	917,860	944,149	930,730
Total business-type activities expenses	28,137,320	30,318,272	33,790,879	36,984,992	39,727,927	39,735,363	39,494,904	40,986,453	42,809,641	42,215,525
Total primary government expenses	\$ 91,120,939	\$ 98,298,632	\$ 110,985,351	\$ 113,301,878	\$ 118,150,874	\$ 123,271,437	\$ 123,800,137	\$ 124,171,063	\$ 130,709,940	\$ 134,691,699
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 886,557	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
Public safety	6,403,610	6,523,480	6,745,201	6,390,357	7,371,902	6,746,080	398,548	453,968	403,121	503,123
Culture and recreation	1,408,227	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
Other activities	608,024	598,888	693,927	550,054	382,777	442,116	547,979	471,492	370,832	440,872
Operating grants and contributions	8,068,395	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
Capital grants and contributions	4,476,161	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
Total governmental activities program revenues	21,850,974	22,785,475	25,993,617	25,008,441	21,462,845	23,126,618	36,939,303	26,020,686	26,618,553	22,257,373
Business-type activities:										
Charges for services:										
Water & sewer	21,980,918	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
Sanitation	8,069,691	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
Parking	831,787	871,504	954,766	876,578	1,018,472	1,013,596	1,162,143	1,264,390	1,225,464	1,197,212
Stormwater	2,728,541	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
Golf course	912,526	935,964	971,712	923,375	916,239	919,416	780,840	718,419	820,444	753,198
Total business-type activities program revenues								(continued)	(continued)	(continued)

## CITY OF LAWRENCE, KANSAS

Changes in Net Position, Continued

Last Ten Fiscal Years  
(accrual basis of accounting)

## Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating grants and contributions	33,826	-	-	16,844	-	-	-	-	-	-
Capital grants and contributions	-	60,944	85,160	-	-	-	-	-	-	-
Total business-type activities program revenues	34,559,293	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
Total primary government program revenues	56,410,267	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
Net (expense)/revenue	(41,132,645)	(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)
Governmental activities	6,421,973	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
Business-type activities	(34,710,672)	(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)
Total primary government net expense										
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 20,911,051	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
Franchise taxes	3,684,941	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
Sales taxes	20,740,306	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
Unrestricted grants and contributions	530,786	530,707	543,415	548,596	740,882	760,511	723,125	645,080	691,768	689,082
Investment earnings	980,553	1,912,596	3,144,551	3,290,116	2,890,086	1,177,409	337,284	134,306	210,102	202,023
Miscellaneous	(49,408)	98,035	140,358	187,713	125,372	31,107	6,512	185,909	425,033	136,700
Transfers	1,441,718	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
Total governmental activities	48,239,947	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
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	6,325	5,148	3,303	-	-
Investment earnings	531,703	1,449,433	2,666,000	2,464,859	1,489,597	206,643	44,953	105,578	121,636	105,283
Miscellaneous	363,740	318,358	268,427	641,216	580,267	399,962	509,320	620,900	638,793	906,393
Transfers	(1,441,718)	(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)
Total business-type activities	(546,275)	(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)
Total primary government	\$ 47,693,672	\$ 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
<b>Change in Net Position</b>										
Governmental activities	\$ 7,107,302	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
Business-type activities	5,875,698	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
Total primary government	\$ 12,983,000	\$ 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

## **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

Year	Property Tax	Sales Tax (1)	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
2004	\$ 18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387
2008	22,790,512	14,027,094	5,543,194	1,943,132	102,866	44,406,798
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008
2010	22,656,849	20,863,865	6,300,184	1,936,585	95,855	51,853,338
2011	23,204,001	21,953,262	6,408,974	1,944,512	91,697	53,602,446
2012	24,417,039	23,007,680	6,482,183	1,965,745	96,247	55,968,894
2013	25,470,800	23,360,472	6,822,828	2,206,347	98,546	57,958,993

(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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	489,385	458,016	444,230
Unassigned	-	-	-	-	-	-	-	12,764,449	12,807,728	12,987,191
Reserved	905,414	854,863	850,300	807,314	919,854	266,473	556,401	-	-	-
Unreserved	12,922,924	14,472,880	11,083,748	11,449,526	12,224,367	12,564,947	12,747,754	-	-	-
Total General Fund	\$ 13,828,338	15,327,743	11,934,048	12,256,840	13,144,221	12,831,420	13,304,155	13,253,894	13,265,744	13,431,421
All other governmental funds										
Nonspendable	-	-	-	-	-	-	-	463,176	461,146	424,304
Restricted	-	-	-	-	-	-	-	16,727,528	17,198,370	16,924,753
Assigned	-	-	-	-	-	-	-	20,498,354	22,307,990	28,407,656
Unassigned	-	-	-	-	-	-	-	(1,820,366)	(1,706,921)	(15,039,302)
Reserved	9,072,450	8,596,569	7,858,766	8,366,671	17,918,096	17,239,307	17,615,379	-	-	-
Unreserved, reported in:										
Special revenue funds	14,501,703	15,253,024	15,959,348	15,389,830	16,938,468	18,602,507	18,002,435	-	-	-
Capital projects funds	1,618,585	(10,419,107)	(6,221,334)	(745,650)	(2,938,975)	(9,271,901)	(1,871,354)	-	-	-
Total all other governmental fund	\$ 25,192,738	13,430,486	17,596,780	23,010,851	31,917,589	26,569,913	33,746,460	35,868,692	38,260,585	30,717,411



CITY OF LAWRENCE, KANSAS  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 37,011,976	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
Special assessments	1,333,030	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
Licenses and permits	1,121,828	1,082,191	1,128,747	928,922	1,018,198	810,916	871,264	944,702	968,947	1,028,880
Charges for services	4,743,123	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
Fines, forfeitures and penalties	2,321,690	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
Interest	955,756	1,824,288	2,965,144	3,083,321	1,775,604	316,185	322,758	145,314	193,727	188,012
Intergovernmental	19,144,592	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
Reimbursements	397,638	178,665	1,321,000	70,834	196,262	375,161	138,393	449,094	335,350	472,548
Miscellaneous	1,360,067	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
Total Revenues	68,389,700	70,364,104	76,492,933	74,517,315	80,615,576	82,752,496	97,707,388	91,453,620	93,717,357	93,213,089
<b>Expenditures</b>										
General government	14,713,277	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
Public safety	20,620,805	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
Public works	6,213,701	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
Health	883,005	895,344	974,790	990,668	1,037,952	1,074,666	1,917,525	1,436,649	1,379,104	1,214,877
Social services	2,399,935	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
Culture and recreation	5,869,793	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
Tourism	660,735	677,282	674,777	779,687	818,561	771,534	885,555	1,051,345	967,620	1,007,438
Airport	76,708	72,507	85,290	96,545	132,237	126,740	201,889	377,900	110,908	134,849
Capital outlay	9,011,818	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
Debt service:										
Principal retirement	18,349,028	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
Interest and fiscal charges	3,077,458	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
Total expenditures	81,876,263	88,609,552	94,746,230	84,398,604	86,606,045	95,963,749	106,578,280	95,052,015	107,404,394	123,083,148
Excess of revenues over (under) expenditures	(13,486,563)	(18,245,448)	(18,253,297)	(9,881,289)	(5,990,469)	(13,211,253)	(8,870,892)	(3,598,395)	(13,687,037)	(29,870,059)
<b>Other financing sources (uses)</b>										
Transfers in	5,895,767	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
Transfers out	(4,450,767)	(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)
Proceeds of general obligation bonds	13,833,000	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
Premium on general obligation bonds	-	-	-	-	-	-	-	-	404,633	-
Total other financing sources (uses)	15,278,000	7,982,601	19,025,896	15,618,152	15,784,588	7,550,776	16,520,174	8,569,874	16,090,840	9,061,141
Net change in fund balances	1,791,437	(10,262,847)	772,599	5,736,863	9,794,119	(5,660,477)	7,649,282	4,971,479	2,403,803	(20,808,918)
Debt service as a percentage of noncapital expenditures	29.1%	15.8%	14.2%	14.6%	15.2%	14.7%	21.4%	14.0%	18.6%	11.0%

## 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		
2004 \$	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	21,594,641	718,149,570	4,864,814,762	14.8%	28.10
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

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

## CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates						Total Direct & Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Douglas County			School District				State of Kansas
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2004	20.79	7.07	28.10	29.19	0.67	29.86	39.95	6.76	46.71	1.50	106.17
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

Source: Douglas County Budget Office

## CITY OF LAWRENCE, KANSAS

## Principal Taxpayers

December 31, 2013

Unaudited

Taxpayer	Type of Business	2013			2004		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Westar Energy	Electric Utility	\$ 14,382,059	1	1.69 %	\$ 10,436,875	1	1.45 %
Walmart	Retail Outlet	5,289,403	2	0.62	-	-	-
Black Hills	Gas Utility	5,210,004	3	0.61	-	-	-
Inland Western Lawrence	Retail Center	3,827,377	5	0.45	-	-	-
Hallmark Cards	Card Manufacturer	3,306,661	4	0.39	5,257,905	3	0.73
Diamond URS	Retail Center	3,205,673	7	0.38	3,468,750	6	0.48
North Creek Investors	Retail Center	3,191,138	10	0.37	-	-	-
Kadish	District Warehouse	2,934,375	8	0.34	2,897,300	9	0.40
LIB JV Holdings	Door Manufacturer	2,857,326	9	0.34	-	-	-
Southwestern Bell	Telephone Utility	2,815,346	6	0.33	7,994,900	2	1.11
Lawrence Paper Company	Paper Manufacturer	-	-	-	4,017,100	4	0.56
Packerware Corp	Plastics Manufacturer	-	-	-	3,773,400	5	0.52
NCS	Computer Services	-	-	-	3,386,440	7	0.47
World Company	Media	-	-	-	3,075,300	8	0.52
Lawrence Technology	Electronics	-	-	-	-	-	-
Star-Kist Foods	Dog Food Manufacturer	-	-	-	2,852,645	10	0.40
Total		\$ 47,019,362		5.52 %	\$ 47,160,615		6.64 %

Source: Douglas County Clerk.

## CITY OF LAWRENCE, KANSAS

## Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2004	\$ 18,960,069	\$ 18,537,307	97.8 %	\$ 417,228	\$ 18,954,535	99.97 %	\$ 261,689	1.38 %
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

(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	
2004 \$	68,139,695	58,498	-	8,935,000	6,745,305	49,114,320	-	132,992,818	4.63 %	\$	1,545.71
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

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
2004	86,040	\$ 718,150	\$ 83,820,000	\$ 8,296,387	\$ 75,523,613	10.52 %	\$ 877.77
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

(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, 2013

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	\$ 67,610,000	\$ —	\$ 67,610,000	100.00 %	\$ 67,610,000
Overlapping:					
Douglas County	29,335,000	3,045,208	26,289,792	74.50	19,585,895
Unified School District No. 497	85,775,000	2,350,125	83,424,875	87.33	72,854,943
	<u>115,110,000</u>	<u>5,395,333</u>	<u>109,714,667</u>		<u>92,440,838</u>
	\$ <u>182,720,000</u>	<u>5,395,333</u>	<u>177,324,667</u>		\$ <u>160,050,838</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>2004</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>
Total Assessed Valuation of Taxable Property	\$ 789,003,475	\$ 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
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	236,701,043	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
Total net debt applicable to limit (includes temporary notes)	<u>90,630,000</u>	<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>
Legal Debt Margin	\$ <u>146,071,043</u>	\$ <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>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	38.29%	38.97%	37.66%	34.85%	35.47%	34.74%	33.37%	33.57%	35.47%	43.99%

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

Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service			Principal	Interest	Total	Coverage
2004	\$ 21,980,918	\$ 14,931,102	\$ 7,049,816	\$ 540,000	\$ 494,720	\$ 1,034,720			6.81
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958			7.86
2006	27,625,934	18,473,120	9,152,814	1,050,000	1,329,563	2,379,563			3.85
2007	27,702,909	20,329,515	7,373,394	1,195,000	1,357,400	2,552,400			2.89
2008	27,953,735	22,377,560	5,576,175	1,445,000	1,862,600	3,307,600			1.69
2009	29,099,969	21,809,300	7,290,669	1,685,000	1,987,298	3,672,298			1.99
2010	30,362,409	22,906,455	7,455,954	1,965,000	2,586,534	4,551,534			1.64
2011	31,089,678	23,839,442	7,250,236	2,145,000	2,382,795	4,527,795			1.60
2012	34,345,233	25,671,088	8,674,145	2,210,000	2,304,105	4,514,105			1.92
2013	32,259,758	25,194,767	7,064,991	2,280,000	2,985,423	5,265,423			1.34

## **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>
2004	86,040	2,870,819,000	26,455	25.30	9,946	4.2 %
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

## Data Sources:

- (1) Planning Department estimates
- (2) 2004-2012 data from BEA. 2013 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.

Table 16

## CITY OF LAWRENCE, KANSAS

## Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2013		Percentage of Total City Employment	2004
	<u>Employees</u>	<u>Rank</u>		
The University of Kansas	9,881	1	16.93%	Information Not Available
Lawrence Public Schools	1,650	2	2.83%	
City of Lawrence	1,455	4	2.49%	
Lawrence Memorial Hospital	1,322	5	2.27%	
General Dynamics	1,100	3	1.88%	
Berry Plastics	739	6	1.27%	
Hallmark Card, Inc.	525	8	0.90%	
Amarr Garage Doors	461	9	0.79%	
Douglas County	435	9	0.75%	
K-Mart Distribution	320	10	0.55%	
Total	<u>17,888</u>		<u>30.65%</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>2004</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>
General Government	64.63	67.63	73.76	79.63	89.75	81.08	68.84	67.84	71.55	72.55
Public Safety	328.50	329.00	341.00	342.25	321.00	321.00	319.00	319.00	324.00	327.00
Public Works	173.00	175.50	181.00	188.00	173.75	172.75	172.75	165.75	166.75	167.75
Culture & Recreation	74.63	75.13	75.28	75.28	76.28	71.78	70.78	68.78	68.78	68.78
Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Social Services	10.00	9.00	8.95	8.75	8.75	8.75	8.75	8.75	5.55	5.55
Water & Sewer	<u>111.76</u>	<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>
Total	<u>763.52</u>	<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>

Source: City of Lawrence Budget Document



## CITY OF LAWRENCE, KANSAS

## Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Fire Protection</b>										
Number of Firefighters and Officers	137	137	138	138	139.5	134.5	139.5	139.5	141	141
Number of Fire Calls Answered	1,953	1,953	2,154	2,005	2,045	1,864	1,982	1,958	1,970	1,979
Number of Medical Calls Answered	6,700	6,700	6,810	6,858	7,592	7,539	7,763	7,743	8,211	8,734
Number of Medical Transports	3,924	3,924	4,434	4,649	4,789	4,587	4,726	4,808	5,139	7,686
Number of Inspections Conducted	5,240	5,240	5,963	7,065	7,260	6,662	4,643	3,537	5,522	3,728
<b>Police Protection</b>										
Number of Commissioned Police Officers	138	138	142	142	142	142	142	147	150	154
Number of Full Time Civilians	33	34	34	34	34	35	33	33	33	33
Number of Calls for Service	110,192	110,192	121,576	126,874	115,404	107,314	115,383	112,647	112,464	121,599
Arrests Processed through County Jail	2,834	2,834	3,233	2,661	2,775	3,191	4,563	3,409	3,847	4,661
Officer Issued Traffic Violations	24,008	24,008	39,348	40,572	35,543	34,681	39,699	13,277	13,150	4,657
Officer Issued Parking Violations	14,421	14,421	96,739	94,890	92,355	99,091	85,958	29,680	11,882	12,986
<b>Sewerage System</b>										
Number of Service Connections	29,515	29,515	29,539	30,892	31,596	31,728	31,741	31,854	32,075	32,239
Actual Daily Average of Treatment in Million Gallons Daily	12.5	12.5	10.5	10.6	11.5	10.5	10.5	8.7	9.5	9.5
<b>Water System</b>										
Number of Service Connections	29,770	29,770	30,142	31,522	32,241	32,376	32,389	32,504	32,730	32,897
Daily Average Consumption in Million Gallons	13	13	12.2	11.4	10.4	9.5	9.9	10.7	12.2	10.5
Maximum Daily Capacity of Plant in Million Gallons	32.5	32.5	32.5	32.5	36.5	36.5	36.5	36.5	36.5	36.5

Sources: Various government departments

## CITY OF LAWRENCE, KANSAS

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Works</b>										
Miles of Streets	300	300	318	318.8	319.6	319.6	321.3	323.2	323.2	333.6
<b>Culture and Recreation</b>										
Recreation Centers	5	5	5	5	5	5	5	4	4	4
Parks	52	52	53	52	52	52	52	54	54	54
Park Acreage	3,275	3,275	3,497	3,497	3,535	3,535	3,535	3,535	3,535	3,535
Tennis Courts	20	20	20	20	19	19	19	11	11	11
<b>Fire Protection</b>										
Number of Stations	5	5	5	5	5	5	5	5	6	6
<b>Police Protection</b>										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	25	25	35	37	35	35	36	30	30	30
<b>Sewerage System</b>										
Miles of Sanitary Sewers	475	475	497	418	425	426	430	433	433	434
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	39	39	35	36	31	33	34	34	34	33
<b>Water System</b>										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	400	400	418	420	440	444	452	455	475	499
Number of City owned Fire Hydrants	2,944	2,944	3,008	3,285	3,081	3,146	3,198	3,218	3,257	3,331
<b>Libraries</b>										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	267,134	297,924	320,705	264,966	230,846	227,503	224,781	229,777	229,777	229,777
<b>Facilities and Services Not Included in the Reporting Entity:</b>										
<b>Education</b>										
Number of Public Elementary Schools	16	16	16	16	16	16	15	14	14	14
Number of Public Elementary School Instructors	445	445	427	452	480	490	487	429	439	457
Number of Public Secondary Schools	7	7	6	6	6	6	6	6	6	6
Number of Public Secondary School Instructors	433	433	379	374	375	368	362	465	475	485
Number of Universities	2	2	2	2	2	2	2	2	2	2
<b>Hospitals</b>										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	186	186	173	173	191	191	191	173	173	173

Sources: Various government departments

## **SINGLE AUDIT SECTION**

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MIZE HOUSER  
COMPANY<sub>PA</sub>

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 2014. 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.

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### 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.

*Mix Houser & Company PA*

Certified Public Accountants

Lawrence, Kansas  
July 15, 2014



MIZE HOUSER  
COMPANY<sub>P.A.</sub>

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, KS (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, 2013. 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, 2013.

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## 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.

*Mig Houser: Company PA*

Certified Public Accountants

Lawrence, Kansas  
July 15, 2014



CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$ 12,798
Federal Transit Formula Grant	20.507	2,257,338
Passed Through Kansas Department of Transportation		
Highway Planning and Construction	20.205	290,498
Metropolitan Transportation Planning	20.505	227,320
State and Community Highway Safety	20.600	42,529
Total U.S. Department of Transportation		<u>2,830,482</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	744,812
Emergency Shelter Grants Program	14.231	54,157
HOME Investments Partnership Program	14.239	607,985
Fair Housing Initiatives Program	14.420	17,568
Passed Through Kansas Department of Commerce		
Community Development Block Grant	14.228	<u>144,113</u>
Total U.S. Department of Housing and Urban Development		<u>1,568,635</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	7,800
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>49,503</u>
Total U.S. Department of Justice		<u>57,303</u>
<u>U.S. Department of Homeland Security</u>		
Assistance to Firefighters	97.044	<u>214,685</u>
Total U.S. Department of Homeland Security		<u>214,685</u>
Total Expenditures of Federal Awards		<u>\$ 4,671,105</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, 2013

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)

Name of Federal Program or Cluster

20.507

Federal Transit Formula Grant

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, 2013

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