FINAL OFFICIAL STATEMENT DATED MAY 10, 2017

NEW ISSUES
NOT BANK QUALIFIED

Moody's Ratings: Aa1

In the opinion of Gilmore & Bell, P.C. Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"): (1) the interest on the Obligations (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (2) the interest on the Obligations is exempt from income taxation by the State of Kansas; and (3) the Obligations have not been designated as "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" herein.

City of Lawrence, Kansas

$3,030,000
General Obligation Improvement Bonds, Series 2017-A
(the "Series 2017-A Bonds")

$11,375,000
General Obligation Energy Improvement Bonds, Series 2017-B
(the "Green Bonds")

$6,000,000
General Obligation Temporary Notes, Series 2017-I
(the "Notes")

(General Obligations Payable From Unlimited Ad Valorem Taxes)

(Book Entry Only)

Dated Date: Date of Delivery

The Obligations (as defined herein) will mature and bear interest as shown on the inside front cover of this Official Statement.

The City will not designate the Obligations as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Obligations will be issued as fully registered obligations without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Obligations. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof (the "Authorized Denomination"). Investors will not receive physical certificates representing their interest in the Obligations purchased. (See "Book Entry System" herein.) The Treasurer of the State of Kansas, Topeka, Kansas will act as registrar and paying agent (the "Registrar and Paying Agent") for the Obligations. The Obligations will be available for delivery at DTC on or about May 24, 2017.

Please see the "UNDERWRITING" section herein for discussion regarding the Purchasers of the Obligations.

City of Lawrence, Kansas

$3,030,000 General Obligation Improvement Bonds, Series 2017-A

The **Series 2017-A Bonds** will bear interest on March 1 and September 1 of each year, commencing March 1, 2018, and will mature September 1 in the years and amounts as follows:

Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP 520121	Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP 520121
2018	$260,000	2.00%	0.95%	MH 4	2023	$305,000	2.00%	1.71%	MN 1
2019	$285,000	2.00%	1.08%	MJ 0	2024	$315,000	2.00%	1.89%	MP 6
2020	$290,000	2.00%	1.21%	MK 7	2025	$320,000	2.25%	2.10%*	MQ 4
2021	$295,000	2.00%	1.37%	ML 5	2026	$325,000	2.50%	2.25%*	MR 2
2022	$300,000	2.00%	1.53%	MM 3	2027	$335,000	2.50%	2.38%*	MS 0

* *Priced to the first optional call date of September 1, 2024.*

At the option of the City, Series 2017-A Bonds maturing on September 1, 2025 and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2024, and thereafter, as a whole or in part (selection of maturities and the amount of Series 2017-A Bonds of each maturity to be redeemed to be determined by the City) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

The Series 2017-A Bonds will be general obligations of the City, payable as to both principal and interest in part from special assessments levied upon the property benefitted by the construction of certain improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Series 2017-A Bonds as the same become due.

$11,375,000 General Obligation Energy Improvement Bonds, Series 2017-B

The **Green Bonds** will bear interest on March 1 and September 1 of each year, commencing September 1, 2017, and will mature September 1 in the years and amounts as follows:

Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP 520121	Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP 520121
2017	$300,000	1.00%	0.85%	MT 8	2028	$ 430,000	3.00%	2.60%(a)	NE 0
2018	$470,000	3.00%	0.95%	MU 5	2029	$ 465,000	3.00%	2.80%(a)	NF 7
2019	$495,000	3.00%	1.08%	MV 3	2031(b)	$1,025,000	3.00%	3.00%	NH 3
2020	$230,000	3.00%	1.21%	MW 1	2032	$ 565,000	3.00%	3.05%	NJ 9
2021	$250,000	3.00%	1.37%	MX 9	2033	$ 605,000	3.00%	3.10%	NK 6
2022	$270,000	3.00%	1.53%	MY 7	2034	$ 645,000	3.125%	3.20%	NL 4
2023	$295,000	3.00%	1.71%	MZ 4	2035	$ 685,000	3.125%	3.25%	NM 2
2024	$320,000	3.00%	1.89%	NA 8	2036	$ 730,000	3.25%	3.30%	NN 0
2025	$345,000	3.00%	2.08%	NB 6	2037	$ 775,000	3.25%	3.35%	NP 5
2026	$375,000	3.00%	2.23%	NC 4	2038	$ 825,000	3.25%	3.382%	NQ 3
2027	$400,000	3.00%	2.35%(a)	ND 2	2039	$ 875,000	3.375%	3.439%	NR 1

(a) *Priced to the first optional call date of September 1, 2026.*

(b) *Term Bonds (see "THE BONDS – Redemption Provisions – Mandatory Redemption" herein).*

At the option of the City, Green Bonds maturing on September 1, 2027 and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2026, and thereafter, as a whole or in part (selection of maturities and the amount of Green Bonds of each maturity to be redeemed to be determined by the City) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

The Green Bonds will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Green Bonds as the same become due.

$6,000,000 General Obligation Temporary Notes, Series 2017-I

The **Notes** will bear interest on May 1 and November 1 of each year, commencing May 1, 2018, and will mature May 1, 2020.

The Notes shall mature May 1, 2020 and bear interest at an annual rate of 1.75%. These Notes are being reoffered at a yield of 1.25%. CUSIP 520121 NS 9

At the option of the City, the Notes will be subject to redemption and payment prior to maturity on May 1, 2018, and thereafter, as a whole or in part (selection of the amount of Notes to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

The Notes will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due.

CITY OF LAWRENCE, KANSAS

CITY COMMISSION

Leslie Soden	Mayor
Stuart Boley	Vice Mayor
Mike Amyx	Commissioner
Matthew Herbert	Commissioner
Lisa Larsen	Commissioner

CITY MANAGER

Thomas M. Markus

FINANCE DIRECTOR

Bryan Kidney

MUNICIPAL ADVISOR

Springsted Incorporated
St. Paul, Minnesota and Kansas City, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

The Official Statement dated May 10, 2017 is a Final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

The City designates the senior managing underwriter of the syndicate to which each series of the Obligations are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. By delivering an offer with respect to the purchase of the Obligations, the senior managing underwriter has agreed that (i) it accepts such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Obligations for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Obligations, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Obligations included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Obligations are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Obligations or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Obligations will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Obligations.

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OFFICIAL STATEMENT

CITY OF LAWRENCE, KANSAS

$3,030,000
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017-A

$11,375,000
GENERAL OBLIGATION ENERGY IMPROVEMENT BONDS, SERIES 2017-B

$6,000,000
GENERAL OBLIGATION TEMPORARY NOTES, SERIES 2017-I

(GENERAL OBLIGATIONS PAYABLE FROM UNLIMITED AD VALOREM TAXES)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Lawrence, Kansas (the "City") and its issuance of $3,030,000 General Obligation Improvement Bonds, Series 2017-A (the "Series 2017-A Bonds"), $11,375,000 General Obligation Energy Improvement Bonds, Series 2017-B (the "Green Bonds"), and $6,000,000 General Obligation Temporary Notes, Series 2017-I (the "Notes"). Collectively, the Series 2017-A Bonds and the Green Bonds are referred to as the "Bonds." Collectively, the Bonds and the Notes are referred to as the "Obligations."

The Series 2017-A Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.*, K.S.A. 12-6a01 *et seq*., Charter Ordinance No. 28 of the City, and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and an ordinance and resolution adopted by the governing body of the City (collectively, the "Series 2017-A Bond Resolution"). Proceeds of the Series 2017-A Bonds will be used to provide permanent financing for (i) a portion of a maturing temporary note and (ii) street and water utility improvements within the City.

The Green Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.*, Charter Ordinance No. 40 of the City, and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and an ordinance and resolution adopted by the governing body of the City (collectively, the "Green Bond Resolution"). Proceeds of the Green Bonds will be used to provide financing for a wide variety of energy efficiency and environmental improvement projects for various City facilities.

The Notes are being issued pursuant to K.S.A. 10-101 to 10-125 inclusive (specifically including K.S.A. 10-123), Charter Ordinance No. 40 of the City and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and a resolution adopted by the governing body of the City (the "Note Resolution"). Proceeds of the Notes will be used to finance the renovation of Fire Station #1 within the City.

CONCURRENT FINANCING

By means of a separate Official Statement dated May 10, 2017, the City is offering its $654,000 General Obligation Improvement Bonds, Series 2017-C (the "Neighborly Bonds"). The proceeds of the Neighborly Bonds are being used to finance the acquisition of a firetruck.

The Neighborly Bonds will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. Settlement of the Neighborly Bonds is expected to take place concurrently with the settlement of the Obligations.

CONTINUING DISCLOSURE

In order to permit bidders for the Obligations and other participating underwriters in the primary offering of the Obligations to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Obligations, in the Series 2017-A Bond Resolution, the Green Bond Resolution and the Note Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Continuing Disclosure Instructions"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and other provisions of the Continuing Disclosure Instructions, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

To the best of its knowledge, the City has complied for the past five years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except as follows:

- The City's annual continuing disclosure filings are required to be made within 180 days of the City's fiscal year end for certain outstanding obligations. Certain annual filings of the City within the past five years have been filed 1-19 days later than the required filing dates. Additionally, certain limited additional operating data was either omitted from the annual filings or not presented in the format shown in prior official statements. The City has issued general obligation debt annually in each of the past five years which produced official statements that have been filed with EMMA containing certain omitted information and can be incorporated by reference for such information. Other certain omitted information is no longer available and cannot be provided.

- Due to an administrative error, the City inadvertently failed to make its October 1, 2014 interest payment due on the General Obligation Temporary Notes, Series 2014-II (CUSIP 520121). The City promptly made the payment as required upon receiving notice of the missed payment, and an event notice was filed with the MSRB through EMMA on November 24, 2014. All other principal and interest due on the City's outstanding obligations, payable October 1, 2014 and November 1, 2014, were paid on time.

- The City's Water and Sewage System Improvement Revenue Bonds, Series 2007 (CUSIP 520192) were originally insured by MBIA Insurance Corp. (MBIA), and subsequently become part of the insured portfolio of National Public Finance Guarantee ("NPFG"), an MBIA Public Finance Subsidiary. NPFG's Moody's rating was upgraded from Baa2 to Baa1 on May 21, 2013 and from Baa1 to A3 on May 21, 2014. The material event and failure to timely file notices related to these rating changes were filed with the MSRB through EMMA on April 4, 2017.

Breach of the Continuing Disclosure Instructions will not constitute a default or an "Event of Default" under the Obligations or the Series 2017-A Bond Resolution, the Green Bond Resolution or the Note Resolution. A broker or dealer is to consider a known breach of the Continuing Disclosure Instructions, however, before recommending the purchase or sale of the Obligations in the secondary market. Thus, a failure on the part of the City to observe the Continuing Disclosure Instructions may adversely affect the transferability and liquidity of the Obligations and their market price.

THE OBLIGATIONS

General Description

The Obligations are dated as of the date of delivery and will mature annually as set forth on the inside front cover of this Official Statement. The Obligations are issued in book entry form. Interest on the Series 2017-A Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2018. Interest on the Green Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2017. Interest on the Notes is payable on May 1 and November 1 of each year, commencing May 1, 2018. Such dates when interest is payable on any Obligation as described above are referred to herein collectively as the "Interest Payment Date(s)." Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar and Paying Agent as of the fifteenth day of the calendar month next preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Obligations will be paid as described in the section herein entitled "Book Entry System."

Designation of Paying Agent and Registrar

The Treasurer of the State of Kansas, Topeka, Kansas (the "Registrar," and "Paying Agent") has been designated by the City as paying agent for the payment of principal of and interest on the Obligations and bond registrar with respect to the registration, transfer and exchange of the Obligations.

Payment Provisions

Method and Place of Payment of the Obligations. The principal of, or Redemption Price, and interest on the Obligations shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Obligation shall be paid at Maturity to the Person in whose name such Obligation is registered on the Bond Register or Note Register at the Maturity thereof, upon presentation and surrender of such Obligation at the principal office of the Paying Agent.

The interest payable on each Obligation on any Interest Payment Date shall be paid to the Owner of such Obligation as shown on the Bond Register/Note Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register/Note Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of $500,000 or more in aggregate principal amount of Obligations, by electronic transfer to such Owner upon written notice given to the Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

"Record Dates" for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Obligation shall cease to be payable to the Owner of such Obligation on the relevant Record Date and shall be payable to the Owner in whose name such Obligation is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The City shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Obligation and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the City of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Obligation entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE OBLIGATIONS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See “THE OBLIGATIONS – Book-Entry System.”

Payments Due on Saturdays, Sundays and Holidays. In any case where a Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, and no interest shall accrue for the period after such Payment Date.

Registration, Transfer and Exchange of Obligations. As long as any Obligation remains outstanding, the Registrar will maintain a register and all transfers and exchanges of the Obligations will be registered therein. All Obligations presented for transfer or exchange shall be accompanied by a written instrument of transfer in a form and with guarantee of signature in a form satisfactory to the Registrar. Obligations may be exchanged for Obligations in the same series, aggregate principal amount and maturity upon presentation to the Registrar, subject to the terms, conditions and limitations set forth in the Resolution, and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer. The City and Registrar shall not be required (a) to register the transfer or exchange of any Obligation that has been called for redemption after notice of such redemption has been mailed by the Registrar and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Obligation during a period beginning at the opening of business on the day after receiving written notice from the City of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Redemption Provisions

Optional Redemption

At the option of the City, Series 2017-A Bonds maturing on September 1, 2025 and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2024, and thereafter, as a whole or in part (selection of maturities and the amount of Series 2017-A Bonds of each maturity to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

At the option of the City, Green Bonds maturing on September 1, 2027 and thereafter, will be subject to redemption and payment prior to maturity on September 1, 2026, and thereafter, as a whole or in part (selection of maturities and the amount of Green Bonds of each maturity to be redeemed to be determined by the City) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

At the option of the City, the Notes will be subject to redemption and payment prior to maturity on May 1, 2018, and thereafter, as a whole or in part (selection of the amount of Notes to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

Selection of Obligations for Redemption

Obligations shall be redeemed only in an Authorized Denomination. When less than all of the Obligations are to be redeemed and paid prior to their Stated Maturity, such Obligations shall be redeemed in such manner as the City shall determine, Obligations of less than a full Stated Maturity shall be selected by the Registrar in minimum Authorized Denomination in such equitable manner as the Registrar may determine. In the case of a partial redemption of Obligations by lot when Obligations of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Obligations of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Obligation is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Obligation to the Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Obligation or Obligations of the aggregate principal amount of the unredeemed portion of the principal amount of such Obligation. If the Owner of any such Obligation fails to present such Obligation to the Paying Agent for payment and exchange as aforesaid, such Obligation shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

If the book entry only system is discontinued, selection of Obligations to be redeemed will be made by the Registrar in such equitable manner as it may determine. Whenever the City is to select Obligations for the purpose of redemption, it will, in the case of Obligations in denominations greater than $5,000, if less than all of the Obligations then outstanding are to be called for redemption, treat each $5,000 of face value of each such fully registered Obligation as though it were a separate Obligation in the denomination of $5,000.

Notice and Effect of Call for Redemption

Unless waived by any Owner of Obligations to be redeemed, if the City shall call any Obligations for redemption and payment prior to the Stated Maturity thereof, the City shall give written notice of its intention to call and pay said Obligations to the Registrar and the State Treasurer. In addition, the City shall cause the Registrar to give written notice of redemption to the Owners of said Obligations. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Obligations are to be redeemed, the identification (and, in the case of partial redemption of any Obligations, the respective principal amounts) of the Obligations to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Obligation or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Obligations are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Obligations or portions of Obligations that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Obligations or portions of Obligations to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the City defaults in the payment of the Redemption Price) such Obligations or portion of Obligations shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Obligations, the Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of an Obligation (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Obligations so affected, shall not affect the validity of the redemption of such Obligation.

In addition to the foregoing notice, the Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Obligation.

Mandatory Redemption

The Series 2017-B Term Bonds maturing on September 1, 2031 (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

2031 Term Bond	
Year	Amount
2030	$495,000
2031*	$530,000

* *Final Maturity.*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the City shall determine.

Levy and Collection of Annual Tax, Transfer to Debt Service Account

The governing body of the City shall annually make provision for the payment of principal of, premium, if any, and interest on the Obligations as the same become due by, to the extent necessary, levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the City in the manner provided by law. Such taxes and/or assessments shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the City are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the City, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Obligations as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE SERIES 2017-A BONDS

Authority and Purpose

The Series 2017-A Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas (the "State"), including, without limitation, K.S.A. 10-101 *et seq.*, K.S.A. 12-6a01 *et seq*., Charter Ordinance No. 28 of the City, and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and the Series 2017-A Bond Resolution. Proceeds of the Series 2017-A Bonds, along with available funds on hand, will be used to provide permanent financing for (i) a portion of a maturing temporary note and (ii) street and water utility improvements within the City, more specifically described as follows (the "Series 2017-A Improvements"):

Project	Ordinance/ Resolution No.	Authority	Allocable Principal Amount
707 Vermont Parking Garage Benefit District	6995	K.S.A. 12-6a01 *et seq.*	$ 349,458.05
707 Vermont Parking Garage – Grant	9323	Article 12, Section 5 of the Constitution of the State	486,195.00
Mesa Way – Pioneer Ridge Center	7116	K.S.A. 12-6a01 *et seq.*	21,063.60
Mesa Way – Pioneer Ridge	7117	K.S.A. 12-6a01 *et seq.*	18,000.27
Corpus Christi Benefit District	7094	K.S.A. 12-6a01 *et seq.*	230,604.48
Maple Street Pump Station	7141 & 7203	Charter Ord. No. 28	1,924,678.60
		Total:	$3,030,000.00

A portion of the costs of the Series 2017-A Improvements have been financed by a portion of the City's General Obligation Temporary Notes, Series 2015-I, dated September 29, 2015 (the "Series 2015-I Notes"). A portion of the Series 2015-I Notes will be retired from proceeds of the Series 2017-A Bonds and certain other funds.

Sources and Uses of Funds

The composition of the Series 2017-A Bonds is as follows:

Sources of Funds:	
Principal Amount	$3,030,000.00
Reoffering Premium	50,257.95
Total Sources of Funds	$3,080,257.95
Uses of Funds:	
Deposit to Improvement Fund	$3,026,801.30
Costs of Issuance	31,148.75
Underwriter's Compensation	22,307.90
Total Uses of Funds	$3,080,257.95

Security and Financing

The Series 2017-A Bonds will be general obligations of the City, payable as to both principal and interest in part from special assessments levied upon the property benefitted by the construction of the improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Series 2017-A Bonds as the same become due.

THE GREEN BONDS

Authority and Purpose

The Green Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.*, Charter Ordinance No. 40 of the City, and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and the Green Bond Resolution. Proceeds of the Green Bonds will be used to provide financing for a wide variety of energy efficiency and environmental improvement projects for various City facilities.

Green Bonds

The purpose of the "Green Bond" designation is to allow holders of the Green Bonds to invest directly in projects that are beneficial to the environment. *The terms "Green Bonds" and "Green Projects" are neither defined in, nor related to the Green Bond Resolution, and their use herein is for identification purposes only and is and is not intended to provide or imply that a holder of the Green Bonds is entitled to any additional security other than as provided in the Green Bond Resolution.*

The Project. The City plans to use proceeds of the Green Bonds to pay for the following projects:

Project	Resolution No.	Authority	Improvement Fund Deposit for Project Costs
Community Health: Install Electronic Air Cleaner Filtration	7191	Charter Ord. No. 40	$ 96,294
Indoor Aquatic Center: Energy & Indoor Air Quality Improvements	7191	Charter Ord. No. 40	1,760,249
Lawrence Arts Center: Replace Air Cooled Chiller with Premium Efficiency Unit	7191	Charter Ord. No. 40	185,472
Holcom Recreation Center: New Packaged HVAC System	7191	Charter Ord. No. 40	382,439
Community Health: Replace Air Cooled Chiller with Premium Efficiency Unit	7191	Charter Ord. No. 40	209,897
Prairie Park: New Ground-Source HCAC System	7191	Charter Ord. No. 40	159,136
Community Health: Replace Boilers	7191	Charter Ord. No. 40	270,409
Outdoor Aquatic Center: Boiler Replacement	7191	Charter Ord. No. 40	71,566
City Hall: Replace Vestibule and Stairwell Cabinet Heaters	7191	Charter Ord. No. 40	18,488
Solid Waste Office: Replace Package Unit	7191	Charter Ord. No. 40	18,637
Public Works: City-Wide Pole Lighting (Downtown, Parking Lots, etc.)	7191	Charter Ord. No. 40	381,913
Parks and Rec: Parks Area Lighting	7191	Charter Ord. No. 40	299,049
Vehicle Maintenance Office: Add Ductless Mini Split for Server Room	7191	Charter Ord. No. 40	6,685
New Hampshire Parking Garage: Replace Wall Pack HVAC Units with Gas Heat	7191	Charter Ord. No. 40	49,923
Airport Terminal: HVAC System Replacements	7191	Charter Ord. No. 40	30,148
East Lawrence Recreation Center: Replace RTU-2,3 & 4	7191	Charter Ord. No. 40	154,399
Community Building: Replace Aging Packaged Units	7191	Charter Ord. No. 40	394,559
Fire Station #2: Replace Outdated RTUs	7191	Charter Ord. No. 40	44,824
Fire Station #3: Replace Roof	7191	Charter Ord. No. 40	129,138
Outdoor Aquatic Center: Concession Stand HVAC	7191	Charter Ord. No. 40	46,716
City-Wide: HVAC Controls Upgrades, Additions and Optimization	7191	Charter Ord. No. 40	1,108,567
Fire Station #5: Solar Power Installation	7191	Charter Ord. No. 40	241,308
City-Wide Building Weatherization	7191	Charter Ord. No. 40	145,831
City Hall: Replace Windows	7191	Charter Ord. No. 40	347,017
Community Health: Replace Roof	7191	Charter Ord. No. 40	278,593
Fire Station #3: Replace Rooftop Units, Relocate One	7191	Charter Ord. No. 40	58,451
Community Building: Replace Roof	7191	Charter Ord. No. 40	281,462
City-Wide: Building LED Retrofits, Replacements & Controls	7191	Charter Ord. No. 40	1,457,914
Parks & Rec: Sports Field Lighting	7191	Charter Ord. No. 40	1,288,718
Holcom Recreation Center: Sports Field Lighting	7191	Charter Ord. No. 40	955,669
Required Program Costs (FCIP Fee and IGA Fee)	7191	Charter Ord. No. 40	159,688
		Total:	$11,033,159

Project Evaluation and Selection. In 2009, the City adopted a Climate Protection Plan, which recommended that the City provide leadership by reducing greenhouse gas emissions in City buildings and facilities.

Over the past year, the City has participated in a Facilities Conservation Improvement Program ("FCIP"), a program through the State of Kansas that assists public entities in implementing energy efficiency upgrades. The City hired 360 Energy Engineers to conduct an Investment Grade Audit ("IGA") of more than 40 city facilities, to recommend energy conservation measures, to design each of these systems and to bid projects on behalf of the City. The IGA quantified the energy savings associated with each of the various projects in each of the City facilities. The IGA establishes a baseline energy use for each facility and projected savings for each energy conservation measure.

The Kansas Corporation Commission (the "KCC") reviewed the IGA and determined it meets the statutory requirements for a FCIP under KSA 75-37,125 in that the IGA shows that the energy conservation measures described in the IGA are designed to provide energy and operational cost savings at least equivalent to the amount expended by the City for such projects over a period of not more than 30 years after the date the projects are installed or become operational. The KCC also compared the specifications in the bid documents with the 2015 International Energy Conservation Code ("IECC") which the City adopted through Ordinance 9167, Section 9.

Based on the IGA and the KCC's findings, the City subsequently entered into an Energy Performance Contract with 360 Energy Engineers for the purposes of installing certain energy, water and other operating cost saving equipment described above (the "Green Projects") and providing other services designed to save energy, water and other operating costs for City buildings. The City will receive a third party measurement and verification report annually for three years, starting 18 months after construction of the Green Projects is complete (the "Measurement and Verification Report"). This report will compare the projected energy savings to the achieved energy savings, and will be used to validate the City's Energy Performance Contract with 360 Energy Engineers.

The Green Projects are anticipated to result in clear reductions in energy use and the associated greenhouse gas emissions. Reduction of greenhouse gas emissions support climate change mitigation efforts. Energy savings from the Green Projects are quantified in kilowatt hours and therms of energy saved. These units are easily converted to tons of CO_2 emissions avoided. The Green Projects are projected to save 3,201 tons of CO_2e annually which will reduce the City's contribution to climate change.

The City is issuing the Green Bonds based on the FCIP, the IGA, the external KCC review and the Energy Performance Contract findings regarding the projected environmental benefits of the Green Projects.

Use of Proceeds. The Green Bond proceeds will be deposited into a separate fund of the City and the City will spend the proceeds only to pay for the Green Projects. The City will track the use of Green Bond proceeds and provide reporting on the use of proceeds as described below.

Reporting. The City will post the following information regarding the Green Bonds and the Green Projects to the City's website:

1. An annual update regarding the use of the proceeds of the Green Bonds, until all proceeds are fully expended. Once all proceeds of the Green Bonds have been expended, the City will not post any further updates regarding the expenditure of the Green Bonds proceeds.
2. The Investment Grade Audit
3. The Measurement and Verification Reports received by the City

The reporting on the Green Bonds described above is voluntary disclosure being undertaking by the City, and such voluntary disclosure is not incorporated in the City's Continuing Disclosure Instructions entered into pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Sources and Uses of Funds

The composition of the Green Bonds is as follows:

Sources of Funds:	
Principal Amount	$11,375,000.00
Reoffering Premium	150,065.20
Total Sources of Funds	$11,525,065.20
Uses of Funds:	
Deposit to Improvement Fund:	
Project Costs	$11,033,159.00
Capitalized Interest	280,274.25
Underwriter’s Compensation	151,674.95
Costs of Issuance	59,957.00
Total Uses of Funds	$11,525,065.20

Security and Financing

The Green Bonds will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Green Bonds as the same become due. Capitalized interest has been included in the principal amount of the Green Bonds to pay a portion of the interest payments due on the Green Bonds.

THE NOTES

Authority and Purpose

The Notes are being issued pursuant to K.S.A. 10-101 to 10-125 inclusive (specifically including K.S.A. 10-123), Charter Ordinance No. 40 of the City and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, and the Note Resolution. Proceeds of the Notes will be used to finance the renovation of Fire Station #1 within the City, more specifically described as follows (the “Note Improvements”):

Project	Resolution No.	Authority	Improvement Fund Deposit for Project Costs
Fire Station #1	7192	Charter Ord. No. 40	$5,984,890.00

Sources and Uses of Funds

The composition of the Notes is as follows:

Sources of Funds:	
Principal Amount	$6,000,000.00
Reoffering Premium	27,780.00
Total Sources of Funds	$6,027,780.00
Uses of Funds:	
Deposit to Improvement Fund	$5,984,890.00
Costs of Issuance	21,890.00
Underwriter's Compensation	21,000.00
Total Uses of Funds	$6,027,780.00

Security and Financing

The Notes will be general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE OBLIGATIONS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE OBLIGATIONS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE OBLIGATIONS. PROSPECTIVE PURCHASERS OF THE OBLIGATIONS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE CITY OR THE UNDERWRITER.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Obligations. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City or the taxing authority of the City.

Taxation of Interest on the Obligations

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Obligations is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code;

however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Obligations includable in gross income for federal income tax purposes.

The City has covenanted in the Series 2017-A Bond Resolution, the Green Bond Resolution and the Note Resolution and in other documents and certificates to be delivered in connection with the issuance of the Obligations to comply with the provisions of the Code, including those which require the City to take or omit to take certain actions after the issuance of the Obligations. Because the existence and continuation of the excludability of the interest on the Obligations depends upon events occurring after the date of issuance of the Obligations, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the City with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Obligations in the event of noncompliance with such provisions. The failure of the City to comply with the provisions described above may cause the interest on the Obligations to become includable in gross income as of the date of issuance.

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Series 2017-A Bond Resolution, the Green Bond Resolution and the Note Resolution do not provide for the payment of additional interest or penalty on the Obligations or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Series 2017-A Bond Resolution, the Green Bond Resolution and the Note Resolution do not provide for the payment of any additional interest or penalty on the Obligations if the interest thereon becomes subject to income taxation by the State.

Suitability of Investment

The tax exempt feature of the Obligations is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Obligations are an appropriate investment.

Market for the Obligations

Ratings. The Obligations have been assigned the financial rating set forth in the section hereof entitled "RATINGS." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Obligations.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Obligations. Prices of bonds and notes traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Obligations as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Obligations are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

FUTURE FINANCING

In addition to the issue discussed in the "CONCURRENT FINANCING" section herein, the City anticipates issuing approximately $16.9 million of general obligation bonds and $3.8 million of general obligation temporary notes in September 2017.

ABSENCE OF LITIGATION

There is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the transcript evidencing the issuance of the Obligations, or the constitutionality or validity of the indebtedness represented by the Obligations shown to be authorized in said transcript, or the validity of the Obligations, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

APPROVAL OF LEGALITY

All matters incident to the authorization and issuance of the Obligations are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the City. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE OBLIGATIONS," "TAX MATTERS," "APPENDIX I – PROPOSED FORMS OF BOND COUNSEL OPINIONS," and "APPENDIX II – FORM OF CONTINUING DISCLOSURE INSTRUCTIONS."

TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Obligations. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Obligations as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local, or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Obligations in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Obligations.

Opinion of Bond Counsel. In the opinion of Bond Counsel, under the law existing as of the issue date of the Obligations:

Federal Tax Exemption. The interest on the Obligations (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the Obligations is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Obligations have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b).

Kansas Tax Exemption. The interest on the Obligations is exempt from income taxation by the State of Kansas.

No Other Opinions. Bond Counsel's opinions are provided as of the date of the original issue of the Obligations, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Obligations in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Obligations in gross income for federal income tax purposes retroactive to the date of issuance of the Obligations. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Obligations.

Other Tax Consequences

Original Issue Discount. For Federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of an Obligation over its issue price. The issue price of an Obligation is the first price at which a substantial amount of the Obligations of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Code § 1288, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of an Obligation during any accrual period generally equals: (a) the issue price of that Obligation, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) the yield to maturity on that Obligation (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period); minus (c) any interest payable on that Obligation during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for Federal income tax purposes, and will increase the owner's tax basis in that Obligation. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If an Obligation is issued at a price that exceeds the stated redemption price at maturity of the Obligation, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Obligation. Under Code § 171, the purchaser of that Obligation must amortize the premium over the term of the Obligation using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Obligation and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition of the Obligation prior to its maturity. Even though the owner's basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium for the Obligations.

Sale, Exchange or Retirement of Obligations. Upon the sale, exchange or retirement (including redemption) of an Obligation, an owner of the Obligation generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Obligation (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Obligation. To the extent the Obligations are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Obligation has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Obligations, and to the proceeds paid on the sale of the Obligations, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Obligations should be aware that ownership of the Obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Obligations. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Obligations should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Obligations, including the possible application of state, local, foreign and other tax laws.

RATINGS

Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York has assigned a rating of "Aa1" to each series of the Obligations. The rating reflects only the opinion of Moody's. Any explanation of the significance of the ratings may be obtained only from Moody's

There is no assurance that a rating will continue for any given period of time, or that such ratings will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Obligations.

MUNICIPAL ADVISOR

The City has retained Springsted Incorporated, Public Sector Advisors, of St. Paul, Minnesota and Kansas City, Missouri ("Springsted"), as municipal advisor in connection with certain aspects of the issuance of the Obligations. In preparing this Official Statement, Springsted has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement, and Springsted has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Springsted is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. Springsted is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Springsted is under common ownership with Springsted Investment Advisors, Inc. ("SIA"), an investment adviser registered in the states where services are provided. SIA may provide investment advisory services to the City from time to time in connection with the investment of proceeds from the Obligations as well as advice with respect to portfolio management and investment policies for the City. SIA pays Springsted, as municipal advisor, a referral fee from the fees paid to SIA by the City.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Obligations and a Final Official Statement following award of the Obligations. The Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Series 2017-A Bonds

An underwriting syndicate managed by Robert W. Baird & Company, Incorporated, in Milwaukee, Wisconsin with co-managers C.L. King & Associates; Dougherty & Company LLC; Ross, Sinclaire & Associates, LLC; Edward D. Jones & Company; WNJ Capital; Fidelity Capital Markets Services; Crews & Associates; Samco Capital Markets, Inc.; Loop Capital Markets, LLC; Vining-Sparks IBG, Limited Partnership; Country Club Bank; George K. Baum & Company; Duncan-Williams, Inc.; Davenport & Company LLC; R. Seelaus & Company, Inc.; Sumridge Partners; Northland Securities, Inc.; Oppenheimer & Co. Inc.; Sierra Pacific Securities; Central States Capital Markets; Isaak Bond Investments, Inc.; Alamo Capital WMBE; Wayne Hummer Investments LLC; UMB Bank, N.A.; IFS Securities; Valdes and Moreno Inc.; First Empire Securities; Rafferty Capital Markets; Midland Securities; FMS Bonds, Inc.; and First Kentucky Securities Corp (collectively, the "Series 2017-A Purchaser") has agreed to purchase the Series 2017-A Bonds for a purchase price of $3,057,950.05 (representing the principal amount of $3,030,000.00, plus a reoffering premium of $50,257.95 and less the underwriter's compensation of $22,307.90). The public offering prices of all the Series 2017-A Bonds may be changed from time to time by the Series 2017-A Purchaser.

The Green Bonds

An underwriting syndicate managed by Robert W. Baird & Company, Incorporated, in Milwaukee, Wisconsin with co-managers C.L. King & Associates; Dougherty & Company LLC; Ross, Sinclaire & Associates, LLC; Edward D. Jones & Company; WNJ Capital; Fidelity Capital Markets Services; Crews & Associates; Samco Capital Markets, Inc.; Loop Capital Markets, LLC; Vining-Sparks IBG, Limited Partnership; Country Club Bank; George K. Baum & Company; Duncan-Williams, Inc.; Davenport & Company LLC; R. Seelaus & Company, Inc.; Sumridge Partners; Northland Securities, Inc.; Oppenheimer & Co. Inc.; Sierra Pacific Securities; Central States Capital Markets; Isaak Bond Investments, Inc.; BNY Mellon; Alamo Capital WMBE; Wayne Hummer Investments LLC; Wedbush Securities Inc.; UMB Bank, N.A.; IFS Securities; Valdes and Moreno Inc.; First Empire Securities; Rafferty Capital Markets; Midland Securities; RBC Capital Markets; FMS Bonds, Inc.; and First Kentucky Securities Corp (collectively, the "Green Purchaser") has agreed to purchase the Green Bonds for a purchase price of $11,373,390.25 (representing the principal amount of $11,375,000.00, plus a reoffering premium of $150,065.20 and less the underwriter's compensation of $151,674.95). The public offering prices of all the Green Bonds may be changed from time to time by the Green Purchaser.

The Notes

An underwriting syndicate managed by Citigroup Global Markets, Inc., in Dallas, Texas with co-managers Siebert Cisneros Shank & Co., Inc.; Samuel A. Ramirez & Co., Inc.; Wiley Bros. – Aintree Capital, LLC; Protective Securities; Drexel Hamilton, LLC; Roosevelt & Cross, Inc.; Huntington Investments; American Municipal Securities; Cooper Malone McClain, Inc.; and Stern Brothers & Co. (collectively, the "Note Purchaser") has agreed to purchase the Notes for a purchase price of $6,006,780.00 (representing the principal amount of $6,000,000.00, plus a reoffering premium of $27,780.00 and less an underwriter's discount of $21,000.00). The public offering prices of all the Notes may be changed from time to time by the Note Purchaser.

CITY PROPERTY VALUES

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is conducted by Kansas counties. The Douglas County Appraiser's office determines annually the assessed valuation that is used as a basis for the mill levy on property located in the City. The County Appraiser's determination is based on criteria established by Kansas Statutes.

The market valuation of every property must be updated every year, with physical inspection required once every six years. Valuations as of January 1 are made available in September of each year for taxes payable during the next calendar year. The State Constitution provides that, for ad valorem taxation purposes, real and personal property are divided into classes and assessed at percentages of market value.

Trend of Values

Year[(a)]	Douglas County Sales Ratio	Appraised Valuation	Taxable Assessed Valuation[(b)]	Motor Vehicles	Equalized Assessed Tangible Valuation
2016/17	96.1%[(c)]	$7,871,330,504	$936,593,968	$86,389,994	$1,022,983,962
2015/16	96.1	7,592,218,894	913,000,125	82,923,084	995,923,209
2014/15	96.3	7,422,645,438	878,907,822	79,216,642	958,124,464
2013/14	100.0	7,261,946,740	860,332,675	75,977,454	936,310,129
2012/13	101.7	7,053,268,880	852,323,227	72,323,839	924,647,066

(a) *As valued in the first year for the purpose of computing the rates of taxes collectible in the following year.*

(b) *The value of motor and recreational vehicles is not included in total property valuation for determining the property tax levy. It is, however, included in total property valuation for determining the City's debt limit.*

(c) *2015 sales ratio; most recent information available.*

Sources: The Douglas County Clerk's Office; the Kansas Department of Revenue, http://www.ksrevenue.org. For an explanation of Kansas property taxes, see Appendix III.

2016/17 Equalized Assessed Tangible Valuation: $1,022,983,962

Real Property	$ 893,011,344	95.3%
Personal Property	15,928,269	1.7
State Assessed Utilities	27,654,355	3.0
Total Taxable Assessed Valuation	$ 936,593,968	100.0%
Motor Vehicles	86,389,994	
Total Equalized Assessed Tangible Valuation	$1,022,983,962	

Source: Douglas County Clerk's Office March 2017.

Ten of the Largest Taxpayers in the City

Taxpayer	Type of Property	2016/17 Taxable Assessed Value
Westar Energy	Public Utility	$19,407,537
Wal-Mart	Retail	5,889,787
ARC PRLAWKS001 LLC	Rental Real Estate	5,098,477
IREIT Lawrence Iowa Street LLC	Real Estate	4,121,951
Cherry Hill Properties	Rental Real Estate	3,861,594
Menard Inc.	Home Improvement Retail	3,848,193
Black Hills Corp.	Public Utility	3,796,063
CH Realty VII	Rental Real Estate	3,542,126
North Creek Investors	Rental Real Estate	3,308,886
Westgate L.C.	Rental Real Estate	2,996,702
Total		$55,871,316*

* *Westar Energy represents 1.9% of the City's 2016/17 equalized assessed tangible valuation of $1,022,983,962. The remaining nine taxpayers represent 3.6% of the City's 2016/17 equalized assessed tangible valuation.*

CITY INDEBTEDNESS

Debt Limitations

2016/17 Total Equalized Assessed Tangible Valuation	$1,022,983,962
Debt Limit Ratio	30%
Debt Limit	$ 306,895,189
Outstanding Debt Subject to Debt Limit	(111,005,960)
Debt Authority Remaining as of May 24, 2017	$ 195,889,229

NOTE: *Total outstanding general obligation debt used for estimation purposes. General obligation bonds and temporary notes issued to finance utility improvements, revenue bonds, and certain refunding bonds are not subject to the debt limit pursuant to K.S.A. 10-301 et seq.*

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General Obligation Bonds

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 5-24-17	% Subject to the Debt Limit	Amount Subject to the Debt Limit
9-15-05	$11,095,000	Improvements	9-1-2017	$ 1,085,000	97.29%	$ 1,055,597
9-15-06	17,130,000	Improvements	9-1-2018	3,355,000	98.78	3,314,069
9-15-07	11,345,000	Improvements	9-1-2019	3,310,000	100.00	3,310,000
9-15-08	11,890,000	Refunding & Improvements	9-1-2020	5,005,000	100.00	5,005,000
9-15-09	3,250,000	Improvements	9-1-2021	1,475,000	100.00	1,475,000
1-15-10	2,975,000	Tax Improvements	9-1-2034	2,755,000	100.00	2,755,000
9-15-10	8,920,000	Improvements	9-1-2022	4,705,000	91.58	4,308,839
9-15-10	8,305,000	Refunding	9-1-2023	4,625,000	0.00	0
9-15-11	3,895,000	Improvements	9-1-2023	2,385,000	89.47	2,133,860
9-15-12	7,710,000	Improvements & Refunding	9-1-2024	4,350,000	88.15	3,834,525
9-26-13	4,405,000	Improvements	9-1-2025	3,355,000	100.00	3,355,000
9-25-14	25,065,000	Improvements	9-1-2034	23,290,000	100.00	23,290,000
9-25-14	18,440,000	Improvements	9-1-2034	17,105,000	100.00	17,105,000
9-29-15	9,450,000	Improvements	9-1-2030	8,920,000	100.00	8,920,000
6-29-16	13,385,000	Refunding	11-1-2021	12,250,000	0.00	0
5-24-17	3,030,000	Improvements (the Series 2017-A Bonds)	9-1-2027	3,030,000	76.57	2,320,071
5-24-17	11,375,000	Energy Improvements (the Green Bonds)	9-1-2039	11,375,000	100.00	11,375,000
5-24-17	654,000	Fire Truck (the Neighborly Bonds)	9-1-2027	654,000	100.00	654,000
Total				$113,029,000		$94,210,960

General Obligation Temporary Notes

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 5-24-17	% Subject to the Debt Limit	Amount Subject to the Debt Limit
9-29-15	$10,795,000	Improvements	10-1-2017	$10,795,000	100.00%	$10,795,000*
5-24-17	6,000,000	Improvements (the Notes)	5-1-2020	6,000,000	100.00	6,000,000
Total				$16,795,000		$16,795,000

* *$970,000 principal amount of the Series 2015-I Notes have been called for redemption on June 5, 2017, conditioned on the issuance of the Series 2017-A Bonds. Such notes are expected to be paid from proceeds of the Series 2017-A Bonds and other available City funds.*

Utility System Revenue Bonds

Dated Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 5-24-17
10-1-08	$ 4,270,000	Water & Sewage Improvements	11-1-2027	$ 2,935,000
8-6-09	10,385,000	Taxable Water & Sewage Improvements (BABs)	11-1-2034	8,410,000*
4-28-15	89,900,000	Water & Sewage Improvements	11-1-2040	87,660,000
8-18-15	8,960,000	Water & Sewage Refunding	11-1-2025	7,730,000
6-29-16	60,310,000	Water & Sewage Improvements and Refunding	11-1-2036	60,310,000
		Total		$167,045,000

* *As discussed in the City's Official Statement dated June 10, 2016 for the $13,385,000 General Obligation Refunding Bonds, Series 2016-A Bonds, dated June 29, 2016 (the "Series 2016-A Bonds"), a portion of the proceeds of the Series 2016-A Bonds were deposited in an irrevocable escrow fund, and such moneys are expected to be used to redeem a portion of the City's $10,385,000 Taxable Water and Sewage System Improvement Revenue Bonds, Series 2009-A, Build America Bonds (Direct Pay), dated August 6, 2009 (the "Series 2009-A Bonds") maturing on November 1, 2018 to November 1, 2034, on November 1, 2017 (the "Refunded Series 2009-A Bonds"). The Refunded Series 2009-A Bonds are not legally or financially defeased and remain outstanding in accordance with the provisions of the ordinance and resolution authorizing the Series 2009-A Bonds.*

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Estimated Calendar Year Debt Service Payments

Year	General Obligation Bonds Principal	General Obligation Bonds Principal & Interest[(a)]	Utility System Revenue Bonds Principal[(b)]	Utility System Revenue Bonds Principal & Interest[(b)]
2017 (at 5-24)	$ 12,695,000	$ 14,571,042	$ 5,085,000	$ 8,486,830
2018	12,479,000	16,034,067	6,260,000	12,889,288
2019	11,172,000	14,247,109	6,535,000	12,893,483
2020	9,943,000	12,600,490	6,810,000	12,885,058
2021	8,919,000	11,199,940	7,120,000	12,872,718
2022	6,115,000	8,050,306	6,990,000	12,404,495
2023	5,261,000	6,979,949	7,320,000	12,402,240
2024	4,527,000	6,068,506	7,575,000	12,382,070
2025	4,208,000	5,601,158	7,860,000	12,373,350
2026	3,904,000	5,174,825	7,190,000	11,370,685
2027	3,971,000	5,126,510	7,495,000	11,361,865
2028	3,720,000	4,738,781	7,810,000	11,348,875
2029	3,875,000	4,761,569	7,830,000	11,009,100
2030	4,010,000	4,769,649	8,125,000	11,008,225
2031	3,385,000	4,013,349	8,430,000	11,005,843
2032	3,510,000	4,025,129	7,490,000	9,736,413
2033	3,650,000	4,040,814	7,785,000	9,733,150
2034	3,795,000	4,056,689	8,080,000	9,715,050
2035	685,000	811,663	7,150,000	8,493,325
2036	730,000	835,256	7,400,000	8,490,325
2037	775,000	856,531	4,875,000	5,703,200
2038	825,000	881,344	5,070,000	5,703,200
2039	875,000	904,531	5,275,000	5,705,400
2040			5,485,000	5,704,400
Total	$113,029,000[(c)]	$140,349,207	$167,045,000[(d)]	$245,681,588

(a) *Includes debt service on the Series 2017-A Bonds, the Green Bonds, and the Neighborly Bonds based on the interest rates shown in the respective Official Statements.*

(b) *Principal and interest is shown net of debt service reserve funds kept with the City Treasurer in accordance with the resolutions authorizing certain utility revenue bonds of the City. Includes debt service on the Series 2016-A Bonds. As discussed in the City's Official Statement dated June 10, 2016 for the Series 2016-A Bonds, a portion of the proceeds of the Series 2016-A Bonds were deposited in an irrevocable escrow fund, and such moneys are expected to be used to redeem a portion of the City's Series 2009-A Bonds. The Refunded Series 2009-A Bonds are not legally or financially defeased and remain outstanding in accordance with the provisions of the ordinance and resolution authorizing the Series 2009-A Bonds. Debt service payments on the Refunded Series 2009-A Bonds are included in this table.*

(c) *70.1% of this debt will be retired within ten years.*

(d) *41.2% of this debt will be retired within ten years.*

Overlapping Debt

Taxing Unit[a]	Est. G.O. Debt As of 5-24-17[b]	Debt Applicable to Value in City Percent	Debt Applicable to Value in City Amount
Douglas County	$ 2,630,000	74.5%	$ 1,959,350
USD No. 497 (Lawrence)	116,310,000	86.5	100,608,150
Total			$102,567,500

[a] *Only those units with outstanding general obligation debt are shown here.*

[b] *Excludes the utility system revenue bonds.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
2016/17 Appraised Valuation ($7,871,330,504)	1.65%	2.95%
2016/17 Equalized Assessed Tangible Valuation ($1,022,983,962)	12.69%	22.72%
Per Capita – (93,917 - 2015 U.S. Census Bureau Estimate)	$1,382	$2,474

* *Excludes revenue bonds.*

CITY TAX RATES, LEVIES AND COLLECTIONS

Property taxes are certified by the City to the County Clerk by August 25 of each year for the following fiscal year (or October 1 if the City must conduct an election to increase property taxes above the tax lid described herein). Taxes are levied by the County Clerk and payable to the County Treasurer. Property taxes may be paid in two installments, the first due December 20 in the year the taxes are levied and the second due May 10 of the following year. Taxes become delinquent after May 10 and interest accrues at a rate set by State statute until paid or until the property is sold for taxes. Special assessments are levied and collected in the same manner as property taxes.

Budgeting Procedures

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted prior to August 25 of each year (or October 1 if the City must conduct an election to increase property taxes above the tax lid described herein). Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted.

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The Kansas Legislature passed legislation in 2015 and 2016 that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the "Tax Lid"). The Tax Lid was effective on January 1, 2017 and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. The Tax Lid does not require an election in the following situations:

"(1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:
   (A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;
   (B) increased personal property valuation;
   (C) real property located within added jurisdictional territory;
   (D) real property which has changed in use;
   (E) expiration of any abatement of property from property tax; or
   (F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.

(2) Increased property tax revenues that will be spent on:
   (A) Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;
   (B) payment of special assessments not exceeding the amount of ad valorem property taxes levied in support of such payments;
   (C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;
   (D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2017, where the city or county is contractually obligated to provide a service;
   (E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or
   (F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.

(3) Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.

(4) The property tax revenues levied by the city or county have declined:
   (A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or

(B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals."

The Tax Lid also provides that "[w]henever a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county."

Because of ambiguities in the Tax Lid, it is unclear how the various exceptions will be interpreted and how the provisions will be implemented. As a result, is unclear how the Tax Lid will impact the City.

However, as described above, the Tax Lid provides a specific exception for "[b]ond, temporary notes, no fund warrants, state infrastructure loans, and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments" as well as certain lease payments. Therefore, the City is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on the Obligations and the Neighborly Bonds, as required by the Series 2017A Bond Resolution, the Green Bond Resolution, the Note Resolution, and the Neighborly Bond Resolution.

The City cannot predict the impact of the Tax Lid on the ratings on the Obligations or the Neighborly Bonds, or the general rating of the City. A change in the rating on the Obligations or the Neighborly Bonds or a change in the general rating of the City may adversely impact the market price of the Obligations or the Neighborly Bonds in the secondary market.

Tax Rates (Expressed in Mills)

Tax Rates of the City

Levy Year	Budget Year	General	Debt Service	Library	Total City
2016	2017	19.475	8.504	4.039	32.018
2015	2016	19.227	8.504	3.757	31.488
2014	2015	19.219	8.500	3.755	31.474
2013	2014	18.017	8.513	3.512	30.042
2012	2013	17.560	8.511	3.463	29.534

Tax Rates for Jurisdictions Overlapping with the City

Levy Year	Budget Year	City of Lawrence	Douglas County	USD 497 (Lawrence)	State	Total
2016	2017	32.018	44.092	53.360	1.500	130.970
2015	2016	31.488	41.098	56.906	1.500	130.992
2014	2015	31.474	41.010	55.752	1.500	129.736
2013	2014	30.042	37.152	57.788	1.500	126.482
2012	2013	29.534	35.769	58.005	1.500	124.808

Source: Douglas County Clerk's Office.

Tax Levies and Collections

The City may levy taxes in accordance with the requirements of its adopted budget and within the restrictions of Kansas statute. The County Clerk determines property tax levies based on the assessed valuation provided by the appraiser and spreads the levies on the tax rolls.

Levy Year/ Budget Year	Total Tax Levy	Current Tax Collections	% Current Tax Collected	Prior Years Tax Collected	Total Tax Collections	Ratio Collection Versus Levy
2016/17*	$30,027,937	$17,046,900	56.8%	$ 52,219	$17,099,119	56.9%
2015/16	28,430,518	28,125,139	98.9	257,466	28,382,605	99.8
2014/15	27,596,842	27,120,455	98.3	136,578	27,257,033	98.8
2013/14	25,828,888	25,530,059	98.8	235,347	25,765,406	99.8
2012/13	25,281,826	24,997,409	98.9	319,976	25,317,385	100.1

* *Collections through February 28, 2017.*

Source: Douglas County Treasurer's Office.

Special Assessment Collections

Levy Year/ Budget Year	Total Tax Levy	Current Tax Collections	% Current Tax Collected	Prior Years Tax Collected	Total Tax Collections	Ratio Collection Versus Levy
2016/17*	$1,955,807	$ 907,812	46.4%	$ 3,181	$ 910,993	46.6%
2015/16	2,088,190	1,765,399	84.5	2,424	1,767,823	84.7
2014/15	2,333,768	2,084,530	89.3	3,091	2,087,621	89.5
2013/14	2,545,612	2,307,987	90.7	33,718	2,341,705	92.0
2012/13	2,669,506	2,409,562	90.3	58,312	2,467,874	92.4

* *Collections through February 28, 2017.*

Source: Douglas County Treasurer's Office.

FUNDS ON HAND
As of February 28, 2017

Fund	Cash and Investments
General Fund	$ 29,324,355
Special Revenue Funds	28,406,119
Debt Service Fund	16,365,636
Enterprise Funds	95,267,009
Internal Service Funds	5,728,105
Total	$175,091,224

INVESTMENTS

The City has a formal investment policy. The governing body of the City has authority to invest all operating funds of the City pursuant to K.S.A. 12-1675, a state law that governs the investment of public funds by governmental subdivisions, units, and entities. The City has a formal investment policy, the purpose of which is to set forth the general public policy objectives of the City as it relates to City investments and cash management. The objectives of the City's investment policy are safety of principal, maintenance of adequate liquidity and maximizing earnings on the investment portfolio. City investments are the responsibility of its Director of Financial Services who has established written procedures and internal controls and maintains a list of financial institutions authorized to provide investment services.

As of February 28, 2017, the City's funds were invested as follows:

Certificates of Deposit	$ 50,000,000
Guaranteed Investment Contracts	64,297,480
Overnight Municipal Investment Pool	1,457,447
Total	$115,754,927

GENERAL INFORMATION CONCERNING THE CITY

The City is the county seat of Douglas County in the northeastern portion of the State of Kansas, and is 38 miles west of the City of Kansas City, Missouri. The City encompasses an area of approximately 34.3 square miles (21,952 acres).

Population

The City's population trend is shown below.

	Population	Percent Change
2015 U.S. Census Estimate	93,917	7.2%
2010 U.S. Census	87,643	9.4
2000 U.S. Census	80,098	22.1
1990 U.S. Census	65,608	24.4
1980 U.S. Census	52,738	--

Source: United States Census Bureau, http://www.census.gov/.

The City's population by age group for the past four years is as follows:

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2016/17	17,747	39,071	28,749	9,701
2015/16	17,405	39,311	28,118	9,296
2014/15	16,703	38,984	27,290	8,721
2013/14	16,162	39,429	26,460	8,138

Source: Claritas, Inc. and The Nielsen Company.

Transportation

The City is accessible by five major highways. I-70 runs east-west through the north part of the City; Highways 40, 59, 24, and 10 all are through the City. This highway network allows accessibility to the Lawrence Municipal Airport, the Kansas City International Airport, and the Topeka Municipal Airport.

Rail service is provided by Burlington Northern Santa Fe Railroad, Union Pacific Railroad, and AMTRAK. The City is also served by the Greyhound Bus Lines.

Major Employers

Employer	Product/Service	Approximate Number of Employees
University of Kansas	Higher education	10,089
General Dynamics	Call Center	1,500-2,500
Unified School District No. 497 (Lawrence)	Public education	1,856
Lawrence Memorial Hospital	Hospital	1,403
City of Lawrence	City government	861
Hallmark Cards	Manufacturer	800
Berry Plastics	Manufacturer	750
Amarr Garage Doors	Manufacturer	750
HyVee	Grocery	540
Dillions	Grocery	465
Boston Financial Data Services	Data services	405
Douglas County	County government	384
USA800	Call Center	300
DCCCA	Social Services Agency	295
K-Mart Distribution Center	Distribution Center	293
Allen Press	Printer/Publisher	260
Haskell Indian Nations University	Higher education	250
P1 Group, INC	Construction	242
Cottonwood Incorporated	Social Services Agency	225
Community Living Opportunities	Social Services Agency	222
The Olivia Collection	Hospitality	212
Lawrence Paper Company		

Source: Lawrence Chamber of Commerce.

Labor Force Data

	Annual Average				February
	2013	2014	2015	2016	2017
Labor Force:					
City of Lawrence	50,726	51,785	52,222	N/A	53,965
Douglas County	63,512	64,740	65,273	N/A	67,516
State of Kansas	1,486,910	1,493,986	1,489,165	1,484,001	1,478,963
Unemployment Rate:					
City of Lawrence	4.8%	4.1%	3.7%	N/A	3.3%
Douglas County	4.8	4.1	3.7	N/A	3.4
State of Kansas	5.3	4.5	4.2	4.2%	4.1

Source: Kansas Labor Information Center, http://www.klic.dol.ks.gov. 2017 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Lawrence

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2016/17	$1,735,280	$2,131,965	$40,766
2015/16	1,532,195	2,203,592	43,953
2014/15	1,400,888	1,996,532	40,464
2013/14	1,423,268	1,768,922	38,680

Douglas County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2016/17	$1,823,678	$2,727,064	$43,158
2015/16	1,669,902	2,836,565	46,517
2014/15	1,554,858	2,570,312	42,743
2013/14	1,579,202	2,325,515	41,787
2012/13	1,512,683	2,268,402	39,838

The 2016/17 Median Household EBI for the State of Kansas was $46,930. The 2016/17 Median Household EBI for the United States was $48,043.

Source: Claritas, Inc. and The Nielsen Company.

Sales Tax

Effective July 1, 2015, the current total sales tax rate within the City is 9.05%, of which the State's portion is 6.50%, the County's portion is 1.00%, and the City's portion is 1.55%. A sales tax of 0.5% was first imposed in 1971. An additional 0.5% was approved in 1990. On April 1, 2009, retailers in the City began collecting an additional 0.55% sales tax that was approved by voters in November 2008 and will sunset in 2019. The use of proceeds from the 1.55% sales tax is not restricted to any specific purpose, and the sales taxes do not have a sunset provision.

The following table represents the City's share of the sales taxes generated.

Year	City Sales and Use Tax	County Sales and Use Tax
2017 (to 2-28)	$ 4,953,942	$ 1,983,935
2016	27,396,576	11,037,450
2015	25,563,595	10,510,321
2014	24,635,194	10,155,857
2013	23,360,471	9,596,190
2012	23,007,680	9,401,628
2011	21,953,262	8,881,904

NOTE: Retail Sales subject to local sales tax.

Source: City of Lawrence.

Permits Issued by the City

Year	New Single Family Residential Number	Value	New Commercial/Industrial Number	Value	Total Value* (All Permits)
2017 (to 2-28)	33	$ 9,844,150	4	$ 3,986,103	$ 22,665,804
2016	137	38,923,093	28	37,717,200	220,882,201
2015	161	44,921,350	22	35,494,368	227,899,792
2014	101	26,561,875	18	25,270,632	99,707,903
2013	155	36,875,582	9	49,927,401	171,995,682
2012	123	29,381,806	12	11,839,853	100,656,131
2011	95	22,281,269	15	23,412,046	107,767,956
2010	146	28,462,343	9	13,609,341	85,005,034

* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

Source: City of Lawrence.

Recent Development

The largest permitted projects in 2017, as of February 28, 2017, are as follows:

Project Description	Construction Valuation
Alvamar County Club Wellness Building	$2,233,645
Rainbow International	932,458
Slim Chickens	700,000
LMH – Total Family Care	650,000

Some other larger building permit projects current under review and not yet issued include:

Project Description	Construction Valuation
Country Inn & Suites	$3,900,000
City of Lawrence Solid Waste Complex	2,500,000
Pi Kappa Phi Fraternity House	1,700,000

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The largest permitted projects in 2016 were as follows:

Project Description	Construction Valuation
The Links at Lawrence Apartments, 5400-5401 Rock Chalk Drive	$26,486,063
Alvamar Apartments, 1575-1675-1775 Birdie Way	14,400,000
West End Apartments, 5400 Overland Drive	14,229,107
Village Cooperative, 5325 W 6th Street	8,350,000
Bauer Farms Residential, 4541 Bauer Farms Drive	6,000,000
Maple Street Pump Station, 547 Maple Street	5,937,631
Pinckney Elementary School addition and renovations, 810 W. 6th Street	5,700,000
Bethel Estates of Lawrence, 2140 E 25th Terrace	5,518,200
800 New Hampshire multi-family dwelling addition, 800 New Hampshire	4,000,000
KU Tennis Facility, 6100 Rock Chalk Drive	3,965,500
Clinton Water Treatment Plant improvements, 2101 Wakarusa Drive	3,879,000
Sunflower Elementary School renovations, 2521 Inverness Drive	3,350,000
Growing Smiles Dental Office, 4320 W 6th Street	2,886,000
Douglas County Fairgrounds Open Pavilion, 2120 Harper Street	2,725,000
PetSmart, 4820 Bauer Farm Drive	2,333,952
525 Wakarusa Retail, 525 Wakarusa Drive	2,000,000
Lawrence Paper Company Addition, 2801 Lakeview Road	1,866,200
826 Pennsylvania Brewery + Apartments, 826 Pennsylvania Street	1,766,000
Regal Cinema Southwind Stadium renovations, 3433 Iowa Street	1,560,000
Clinton Raw Water Pump Station improvements, 1316 E 902 Road	1,527,000
Marsh Building Renovation, 623 Massachusetts Street	1,400,000
Popeye's Restaurant, 2540 Iowa Street	1,304,804
Wakarusa Township Fire Station #1, 300 W 31st Street	1,170,000
Broken Arrow Elementary School renovations, 2704 Louisiana Street	1,079,000
KU Golf Practice Facility, 1610 Birdie Way	1,071,500
Mid America Credit Union, 550 Wakarusa Drive	1,023,761

Financial Institutions

The following full service banks are located in the City*:

	Deposits As of 12-31-16
Peoples Bank	$416,824,000
Great American Bank	140,517,000
The University National Bank of Lawrence	65,873,000
Total	$623,214,000

In addition, branch offices of Bank of America, National Association; Capital City Bank; Capitol Federal Savings Bank; Central Bank of the Midwest; Central National Bank; Commerce Bank; Emprise Bank; First Federal Bank and Trust; Intrust Bank, National Association; Landmark National Bank; Mid-America Bank; RBC Bank; Silver Lake Bank; Sunflower Bank, National Association; U.S. Bank National Association; and UMB Bank, National Association are located throughout the City.

* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, http://www.fdic.gov/.

Health Care Facilities

The following is a summary of health care facilities located in the City:

Facility	Location	No. of Beds
Lawrence Memorial Hospital	City of Lawrence	148

Source: Kansas Department of Health and Environment, www.kdheks.gov/bhfr/fac_list/.

Education

Public Education

The following district serves the residents of the City:

School	Location	Grades	2016/17 Enrollment
USD No. 497 (Lawrence)	City of Lawrence	K-12	11,707

Source: Kansas K-12 Reports, http://svapp15586.ksde.org/k12/k12org.aspx.

Post-Secondary Education

Post-secondary education is available to City residents at the University of Kansas, located in the City. Haskel Indian Nations University is also located on the eastern edge of the City.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was founded in 1854 and became a City of the First Class in the year 1946. The City has had a Commissioner-City Manager form of government since 1951, with the five member Commission being elected at large. The City Manager serves at the discretion of the Commission. Each year the Commission chooses one of its members to serve as the Mayor.

The following individuals comprise the current City Council:

		Expiration of Term
Leslie Soden	Mayor	December 2019
Stuart Boley	Vice Mayor	December 2019
Mike Amyx	Commissioner	December 2017
Matthew Herbert	Commissioner	December 2017
Lisa Larsen	Commissioner	December 2017

Key Appointed Officials		Employed Since
Thomas M. Markus	City Manager	March 21, 2016
Bryan Kidney	Finance Director	January 30, 2015
Sherri Riedemann	City Clerk	March 14, 2011
Charles F. Soules, P.E.	Public Works Director	February 4, 2002
Michael Eglinski	City Auditor	February 25, 2008
Toni R. Wheeler, Esq.	City Attorney	August 9, 1999

The daily administration of City operations is the responsibility of the appointed City Manager. Mr. Markus became the City Manager on March 21, 2016. Previously, Mr. Markus was the City Manager at the City of Iowa City, Iowa and several management positions across the Midwest.

Mr. Bryan Kidney, Finance Director, is responsible for the City's financial services. Previously, Mr. Kidney was the Finance Director for the cities of Shawnee and Gardner, Kansas.

The City has 861 regular full-time and part-time employees.

Services

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 sewage utilities. In addition, the City provides both residential and commercial sanitation services to its citizens. In October 2014, the City began a curbside recycling service. All revenues to enable the City to provide water, sewer and sanitation service are generated exclusively by user fees.

Other utility services in the City are provided by private companies. Natural gas is provided by Black Hills. Westar Energy Corp. sells electricity to both urban and rural customers in and around the City. AT&T serves the City with over 34,000 access lines and 13 exchanges. In 1986, AT&T installed nearly 63 miles of underground fiber optics cable in the City. The current franchise agreement with AT&T was negotiated in 2006. Equal carrier access is provided for long distance service outside the City. AT&T and WOW provide telephone, cable and internet services to the City. Cellular telephone service is also available.

Labor Contracts

Employees of the City have never been on strike against the management. The status of labor contracts in the City is as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
Lawrence Police Officers Association	128	December 31, 2018
Local 1596 International Association of Firefighters	112	December 31, 2019
Subtotal	240	
Non-unionized employees	621	
Total employees	861	

Employee Pensions

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fire Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans 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 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan's qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a "contributory" defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The City's employees currently annually contribute: (a) 4% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), or (b) 6% of their gross salary to the plan if such employees are KPERS Tier 2 members (covered employment on or after July 1, 2009).

In 2012, the Kansas legislature created a new KPERS Tier 3 category (covered employment on or after January 1, 2015) based on a cash balance plan. Each Tier 3 participant shall have a retirement annuity account to which such participant shall contribute 6% of their gross salary to the plan. The employer or State contribution varies based on longevity of participant service: (a) 3% for less than 5 years; (b) 4% for at least 5 years but less than 12 years; (c) 5% for at least 12 years but less than 24 years; and (d) 6% for 24 or more years. Such account shall receive an interest credit of 5.25% per annum, and under certain circumstances, shall receive additional interest credits. Subject to certain exceptions, a Tier 3 participant, upon retirement, shall receive a single life annuity benefit.

The 2012 Kansas legislature adopted a number of other changes to KPERS including: (a) increasing the statutory maximum employer contribution annual increase from 0.6% per year (status quo) to 0.9% per year in 2014, 1.0% in 2015, 1.1% in 2016 and 1.2% per year by 2017, (b) providing additional contribution flexibility for Tier 1 participants with corresponding benefit adjustments (effective January 1, 2014), (c) eliminating COLA adjustments for Tier 2 participants with corresponding benefit adjustments (effective January 1, 2014), and (d) providing additional flexibility for alternative investments for the plan.

The City's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The City's contribution is 9.18% of the employee's gross salary for calendar year 2015. In addition, the City contributes 1.00% of the employee's gross salary for Death and Disability Insurance for covered employees through March 2016.

According to the Valuation Report as of December 31, 2015 (the "2015 Valuation Report") the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability ("UAAL") of $1.485 billion at the end of 2015. The 2015 Valuation Report includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group, and is available on the KPERS website at kpers.org/about/reports.html. The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2015 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2015 Valuation Report sets the employer contribution rate for the period beginning January 1, 2018, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.39% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by 2033, the end of the actuarial period. The statutory contribution rate of employers currently equals the 2015 Valuation Report's actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum statutorily allowed rate, which is 1.1% in fiscal year 2016 and 1.2% in fiscal year 2017 and thereafter.

The City has established membership in KP&F. KP&F is a division of and is administered by KPERS. Annual contributions are adjusted annually based on actuarial studies, subject to legislative caps on percentage increases. According to the 2015 Valuation Report, KP&F carried an UAAL of $772 million at the end of 2015. For the year beginning January 1, 2016, employees contributed 7.15% of gross compensation and the City contributed 20.42% of employees' gross compensation. Beginning January 1, 2017, the City's contribution will change to 19.03% of gross compensation for calendar year 2017.

In 2013, the Kansas Legislature adopted a number of changes to the KP&F which included (a) raising the cap on maximum KP&F benefits from 80% to 90% of final average salary and (b) permitting certain active KP&F members to pay a lump sum amount prior to or on their retirement date to enhance the individual retirement benefit at their own cost.

The City's contributions to KPERS and KP&F for the past five years are shown below:

	KPERS	KP&F
2016 (unaudited)	$2,706,322	$4,921,125
2015	2,783,814	5,137,753
2014	2,640,896	4,525,297
2013	2,338,186	3,875,412
2012	2,165,501	3,580,641

For more information regarding the liability of the City with respect to its employees, please reference "Note 7. Defined Benefit Pension Plan" of the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016 is not yet available.)

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for KPERS and KP&F for the past two years are as follows:

	KPERS		KP&F	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2016	1.683%	$26,042,494	4.954%	$46,031,452
2015	1.678	22,035,579	5.068	36,797,128

For more information regarding the liability of the City with respect to its employees, please reference "Note 7. Defined Benefit Pension Plan" of the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016 is not yet available.)

The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. The City has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. Under existing State law, the City has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

Sources: City's Comprehensive Annual Financial Reports.

Other Post-Employment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or "OPEB").

As of January 1, 2017, the City has 60 participants. The City currently finances the plan on a pay-as-you-go basis. During 2016 the City expended $1,459,489 for these benefits.

With the advent of GASB Statement 45, the City has engaged actuaries to provide actuarial valuation reports. Under GASB 45 such costs must be accounted for on an accrual basis. The City must report an annual OPEB cost based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay these benefits. The most recent actuarial report is dated January 1, 2015, for a valuation date of December 31, 2015. Components of the City's annual OPEB cost, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the plan for the fiscal year ended December 31, 2016 (unaudited) are as follows:

Annual required contribution	$1,524,000
Interest on net OPEB obligation	207,165
Adjustment to annual required contribution	(328,000)
Annual OPEB cost (expense)	$1,403,165
Contributions made	(997,908)
Increase in net OPEB obligation	$ 405,257
Net OPEB obligation – beginning of year	$5,918,999
Net OPEB obligation – end of year	$6,324,256

Funded status of the City's OPEB as reported in the actuarial reports received to-date:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	UAAL as a percentage of Annual Covered Payroll
January 1, 2015	- 0 -	$10,639,177	$10,639,177	23.0%
January 1, 2013	- 0 -	9,414,166	9,414,166	21.6
January 1, 2011	- 0 -	21,303,407	21,303,407	49.9

Required contributions as reported in the actuarial reports received to-date:

Fiscal Year Ended	OPEB Cost	Employer Contributions	% of Annual OPEB Cost Contributed	OPEB Obligation
December 31, 2016 (Unaudited)	$1,403,165	$1,524,000	65.47%	$6,324,256
December 31, 2015	1,418,000	1,524,000	45.3	5,918,999
December 31, 2014	1,070,000	1,152,000	72.1	5,191,000
December 31, 2013	1,077,000	1,152,000	60.7	4,892,000
December 31, 2012	2,066,000	2,063,000	4.0	4,468,000

For more information regarding the liability of the City with respect to its employees, please reference "Note 13, Postemployment Health Care Plan" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2015, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016 is not yet available.)

Sources: City's Comprehensive Annual Financial Reports.

General Fund Budget Summary

	2016 Actual (unaudited)	2017 Budget	2017 Estimate
Fund Balance January 1:	$12,718,259	$15,683,117	$19,990,802
Revenues:			
Taxes	$55,077,182	$56,482,000	$57,248,600
Licenses and Permits	1,858,794	1,382,000	1,268,000
Charges for Services	6,048,613	5,997,000	6,062,000
Fines, Forfeitures and Penalties	2,382,974	3,029,000	2,400,000
Interest	98,627	93,000	123,000
Intergovernmental	1,131,581	1,287,000	1,314,250
Miscellaneous	334,228	299,000	299,000
Transfers In	3,656,141	3,657,000	3,657,000
Total Revenues	$70,588,140	$72,226,000	$72,371,850
Expenditures:			
General Government	$16,521,641	$11,381,700	$10,911,700
Public Safety	34,902,740	41,497,900	41,497,900
Public Works	6,390,404	7,606,300	7,606,300
Health	1,007,660	1,056,000	1,056,000
Culture and Recreation	3,688,955	5,561,300	5,561,300
Airport	134,867	159,800	159,800
Capital Outlay	713,138	2,215,000	2,215,000
Transfers Out	5,601,809	2,748,000	2,748,000
Total Expenditures	$68,961,214	$72,226,000	$71,756,000
Prior Year Adjustment (close reserve fund)	$ 2,212,339		
Prior Year Adjustment	3,433,199		
Fund Balance December 31:	$19,990,802	$15,683,117	$20,606,652
Fund Balance as % of Expenditures	29.0%	21.7%	28.7%

Sources: *City's Preliminary Comprehensive Annual Financial Reports, 2017 Budget, and the City's budget workpapers.*

Major General Fund Revenue Sources

Revenue	2012	2013	2014	2015	2016*
Taxes	$44,987,617	$46,810,872	$49,361,379	$51,156,290	$55,077,182
Charges for Services	4,576,574	4,608,267	4,609,303	5,273,573	6,048,613
Fines, Forfeitures, and Penalties	2,731,108	2,979,218	3,177,454	2,895,570	2,382,974
Licenses and Permits	968,947	1,028,880	974,690	1,525,191	1,858,794
Intergovernmental	10,615,745	10,515,947	11,335,239	11,388,676	1,131,581

* *Unaudited.*

Sources: *City's Comprehensive Annual Financial Reports.*

PROPOSED FORMS OF BOND COUNSEL OPINIONS

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

May 24, 2017

Governing Body
City of Lawrence, Kansas

Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Re: $3,030,000 General Obligation Improvement Bonds, Series 2017-A, of the City of Lawrence, Kansas, Dated May 24, 2017

We have acted as Bond Counsel in connection with the issuance by the City of Lawrence, Kansas (the "Issuer"), of the above-captioned bonds (the "Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer prescribing the details of the Bonds.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Bonds are payable as to both principal and interest in part from special assessments levied upon the property benefited by the construction of certain improvements and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. The interest on the Bonds is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The interest on the Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

GILMORE & BELL, P.C.

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

May 24, 2017

Governing Body
City of Lawrence, Kansas

Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Re: $11,375,000 General Obligation Energy Improvement Bonds, Series 2017-B, of the City of Lawrence, Kansas, Dated May 24, 2017

We have acted as Bond Counsel in connection with the issuance by the City of Lawrence, Kansas (the "Issuer"), of the above-captioned bonds (the "Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer prescribing the details of the Bonds.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. The interest on the Bonds (including any original issue discount properly allocable to an owner of a Bond) is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The interest on the Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

GILMORE & BELL, P.C.

GILMORE & BELL, P.C.
Attorneys at Law
2405 Grand Boulevard
Suite 1100
Kansas City, Missouri 64108-2521

May 24, 2017

Governing Body
City of Lawrence, Kansas
Kansas City, Kansas

Citigroup Global Markets, Inc.
Dallas, Texas

Re: $6,000,000 General Obligation Temporary Notes, Series 2017-I of the City of Lawrence, Kansas, Dated May 24, 2017

We have acted as Bond Counsel in connection with the issuance by the City of Lawrence, Kansas (the "Issuer"), of the above-captioned notes (the "Notes"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer authorizing the issuance of the Notes.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Notes have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.

2. The Notes are payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes to the extent that necessary funds are not provided from other sources.

3. The interest on the Notes is: (a) excludable from gross income for federal income tax purposes; and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Notes have **not** been designated as "qualified tax-exempt obligations" for purposes of Code § 265(b)(3). We express no opinion regarding other federal tax consequences arising with respect to the Notes.

4. The interest on the Notes is exempt from income taxation by the State of Kansas.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth in this opinion.

The rights of the owners of the Notes and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

GILMORE & BELL, P.C.

APPENDIX II

FORM OF CONTINUING DISCLOSURE INSTRUCTIONS

CITY OF LAWRENCE, KANSAS

$3,030,000
GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2017-A

$11,375,000
GENERAL OBLIGATION ENERGY IMPROVEMENT BONDS
SERIES 2017-B

$6,000,000
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2017-I

DATED MAY 24, 2017

THESE CONTINUING DISCLOSURE INSTRUCTIONS (the "Disclosure Instructions") are executed and delivered by the Issuer in connection with the issuance of the above-described bonds and notes (collectively, the "Obligations") which are being issued simultaneously herewith as of May 24, 2017, pursuant to the Bond Resolution, in which the Issuer covenants to enter into this undertaking to provide certain financial and other information with respect to the Obligations in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The Issuer is the only "obligated person" with responsibility for continuing disclosure with respect to the Obligations.

Section 1. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in these Disclosure Instructions, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report filed by the Issuer pursuant to, and as described in, ***Section 2*** of these Disclosure Instructions.

"Beneficial Owner" means any registered owner of any Obligations and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including persons holding Obligations through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Obligations for federal income tax purposes.

"Bond Resolution" means collectively, the ordinance and/or the resolution of the governing body of the Issuer authorizing the issuance of the Obligations.

"CAFR" means the Issuer's Comprehensive Annual Financial Report.

"Dissemination Agent" means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to these Disclosure Instructions and which has filed with the Issuer a written acceptance of such designation substantially in the form attached hereto as ***Exhibit B***.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Financial Information" means the financial information of the Issuer described in ***Section 2(a)(1)*** hereof.

"Fiscal Year" means the one year period ending December 31, or such other date or dates as may be adopted by the Issuer for its general accounting purposes.

"GAAP" means generally accepted accounting principles, as applied to governmental units, as in effect at the time of the preparation of the Financial Information.

"Issuer" means the City of Lawrence, Kansas, and any successors or assigns.

"Material Events" means any of the events listed in ***Section 3(a)*** hereof.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the Issuer's Official Statement for the Obligations.

"Operating Data" means the operating data of the Issuer described in ***Section 2(a)(2)*** hereof.

"Participating Underwriter" means any of the original underwriters of the Obligations required to comply with the SEC Rule in connection with offering of the Obligations.

"Repository" means the MSRB via EMMA.

"SEC" means the Securities and Exchange Commission of the United States.

"SEC Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than June 30th each year, commencing with the Fiscal Year ended in 2016, file with the Repository the Issuer's CAFR, which will contain the Financial Information and Operating Data (collectively, the "Annual Report"), as follows:

(1) ***Financial Information***. The financial statements of the Issuer for such prior Fiscal Year, accompanied by an audit report resulting from an audit conducted by an Independent Accountant in conformity with generally accepted auditing standards. Such financial statements will be prepared on a modified accrual basis of accounting other than GAAP which demonstrates compliance with the State's "cash-basis" and "budget" laws. A more detailed explanation of the accounting basis is contained in the Official Statement. If such audit report is not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain summary unaudited financial information and the audit report and accompanying financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event under ***Section 3(b)*** hereof.

(2) ***Operating Data.*** Updates as of the end of the Fiscal Year of substantially all of the information and data contained in the following sections of the Official Statement (with such modifications to the formatting and general presentation thereof as deemed appropriate by the Issuer):

CITY PROPERTY VALUES – Trend of Values, Ten of the Largest Taxpayers in the City
CITY INDEBTEDNESS – Debt Limitations, General Obligation Bonds, General Obligation Temporary Notes, Utility System Revenue Bonds, Overlapping Debt

CITY TAX RATES, LEVIES AND COLLECTIONS – Tax Rates, Tax Levies and Collections
GENERAL INFORMATION CONCERNING THE CITY – Major Employers, Sales Tax, Permits Issued by the City
GOVERNMENTAL ORGANIZATION AND SERVICES – General Fund Budget Summary, Major General Fund Revenue Sources

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB via EMMA. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; *provided* that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under ***Section 3(b).***

(b) If no Dissemination Agent has been appointed, the Issuer shall file the Annual Report as specified by ***Section 2(a)*** hereof; or if the Annual Report is not filed within the time period specified in ***Section 2(a)*** hereof, the Issuer shall send a notice to each Repository in substantially the form attached as ***Exhibit A*** within 10 Business Days after the date the Annual Report is required to be filed as set forth herein.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this Section, the Issuer shall give, or cause the Dissemination Agent, if any, to give, to the Repository within 10 Business Days after the occurrence of any of the following events with respect to the Obligations, notice of the following events:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions ; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax-exempt status of the Obligations;
(7) modifications to rights of Owners, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Obligations, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional Paying Agent or the change of name of the Paying Agent, if material.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

(b) Notwithstanding the foregoing, notice of Material Events described in ***subsections (a)(8)*** and ***(9)*** need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Obligations pursuant to the Bond Resolution.

Section 4. Dissemination Agent.

(a) ***General.*** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under these Disclosure Instructions, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

(b) ***Annual Reports.*** If a Dissemination Agent is appointed, not later than 15 Business Days prior to the date specified in ***Section 2(a)*** for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to these Disclosure Instructions, stating the date it was filed, or that the Issuer has certified to the Dissemination Agent that the Issuer has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has filed an Annual Report with the Repository, by the date required in ***Section 2(a)***, the Dissemination Agent shall send a notice to the Repository in substantially the form attached as ***Exhibit A***.

(c) ***Material Event Notices***.

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to ***Section 4(c)(3)***.

(2) Whenever the Issuer obtains knowledge of the occurrence of an event, because of a notice from the Dissemination Agent pursuant to ***Section 4(c)(1)*** or otherwise, the Issuer shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent of such determination. If appropriate, such writing shall instruct the Dissemination Agent to report the occurrence pursuant to ***Section 4(c)(3).***

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event pursuant to ***Section 4(c)(2)***, the Dissemination Agent shall promptly file a notice of such Material Event with the Repository and provide a copy thereof to the Issuer. Notwithstanding the foregoing, notice of Material Events described in ***Sections 3(a)(8)*** and ***(9)*** need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Obligations pursuant to the Bond Resolution.

(d) ***Duties, Immunities and Liabilities of Dissemination Agent.*** The Dissemination Agent shall have only such duties as are specifically set forth in these Disclosure Instructions, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to these Disclosure Instructions.

Section 5. Termination of Reporting Obligation. The Issuer's obligations under these Disclosure Instructions shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. If the Issuer's obligations hereunder are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under these Disclosure Instructions in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Obligations, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under ***Section 3(b)***.

Section 6. Amendment; Waiver. Notwithstanding any other provision of these Disclosure Instructions, the Issuer and the Dissemination Agent, if any, may amend of these Disclosure Instructions (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Issuer) and any provision of these Disclosure Instructions may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer and the Dissemination Agent, if any, with its opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to these Disclosure Instructions; (b) if the amendment or waiver relates to ***Sections 2(a)*** or ***3(a),*** it may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Obligations, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Obligations in the same manner as provided in the Bond Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Obligations.

If there is an amendment or waiver of a provision of these Disclosure Instructions, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of Financial Information or Operating Data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under ***Section 3(b),*** and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in these Disclosure Instructions shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in these Disclosure Instructions or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by these Disclosure Instructions. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by these Disclosure Instructions, the Issuer shall have no obligation under these Disclosure Instructions to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of these Disclosure Instructions, the Participating Underwriter or any Beneficial Owner of the Obligations may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under these Disclosure Instructions. Noncompliance with the provisions of these Disclosure Instructions shall not be deemed an Event of Default under the Bond

Resolution, and the sole remedy under these Disclosure Instructions in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with these Disclosure Instructions shall be an action to compel performance.

Section 9. **Notices.** Any notices or communications to or among any of the parties referenced in these Disclosure Instructions may be given as follows:

(a) To the Issuer at:

City of Lawrence, Kansas
Six East Sixth Street
Lawrence, Kansas 66044
Attention: Clerk

(b) To the Participating Underwriter at the address set forth in the Bond Resolution.

or such other address as is furnished in writing to the other parties referenced herein.

(c) To the Dissemination Agent at the address set forth on ***Exhibit B*** attached hereto.

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 10. **Electronic Transactions.** Actions taken hereunder and the arrangement described herein may be conducted and related documents may be stored by electronic means.

Section 11. **Beneficiaries.** These Disclosure Instructions shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, the Participating Underwriter and Beneficial Owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 12. **Severability.** If any provision in these Disclosure Instructions, the Bond Resolution or the Obligations relating hereto, shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13. **Governing Law.** These Disclosure Instructions shall be governed by and construed in accordance with the laws of the State of Kansas.

CITY OF LAWRENCE, KANSAS

By: ____________________________________
Mayor

(SEAL)

ATTEST:

By: ____________________________________
Clerk

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Lawrence, Kansas
Name of Bond Issue:	
Name of Obligated Person:	City of Lawrence, Kansas
Date of Issuance:	May 24, 2017

NOTICE IS GIVEN that the City of Lawrence, Kansas (the "Issuer") has not provided an Annual Report with respect to the above-named Obligations as required by the Continuing Disclosure Instructions dated as of May 24, 2017. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: ______________

CITY OF LAWRENCE, KANSAS

By ________________________________

By ________________________________, as
Dissemination Agent

cc: City of Lawrence, Kansas

EXHIBIT B

ACCEPTANCE OF DISSEMINATION AGENT

Name of Issuer: City of Lawrence, Kansas
Name of Bond Issue:
Dissemination Agent:
Notice Address of Dissemination Agent:

_________________________, having been duly appointed by the City of Lawrence, Kansas to act in the capacity of Dissemination Agent pursuant to the Continuing Disclosure Instructions to which this acceptance is attached, accepts such duties and responsibilities set forth therein.

Dated:

SUMMARY OF PROPERTY VALUATION, TAX LEVIES, PAYMENT PROVISIONS AND THE CASH-BASIS LAW

Following is a summary of certain statutory and constitutional provisions relative to the mechanisms of real property valuation, tax levy procedures, tax payment and distribution procedures, and the cash-basis laws of the state. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes and articles of the State Constitution. This summary reflects changes to Kansas property tax laws following amendment of the State Constitution in 1986 and 1992 relating to reappraisal and classification of real property for the purpose of property taxation.

Property Valuations (Chapter 79, Article 14, Kansas Statutes Annotated, and Article 11, Kansas Constitution)

Assessor's Estimated Fair Market Value

The valuation of each parcel of real property subject to taxation must, by law, be updated each year, as of each January 1, and must be physically inspected by the appraiser at least once every six years. With the exception of agricultural land, all property is valued at its market value in money which is the value the appraiser determines to be the price the appraiser believes the property to be fairly worth, and which is referred to as the "Fair Market Value." Land devoted to agricultural use is appraised on the basis of the income-generating capabilities of such land for agricultural purposes at median levels of production.

Assessed Value and Property Classification

For taxable years commencing January 1, 1993, and thereafter, property is classified and assessed at the percentages of value as follows:

Class 1

This class consists of real property. Real property is further classified into seven subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

(1) Real property used for residential purposes including multi-family residential real property and real property necessary to accommodate a residential community of mobile or manufactured homes including the real property upon which such homes are located 11½%

(2) Land devoted to agricultural use which shall be valued upon the basis of its agricultural income or agricultural productivity pursuant to Section 12 of Article 11 of the Constitution 30%

(3) Vacant lots 12%

(4) Real property which is owned and operated by a not-for-profit organization not subject to federal income taxation pursuant to Section 501 of the federal Internal Revenue Code, and which is included in this subclass by law 12%

(5) Public utility real property, except railroad real property which shall be assessed at the average rate that all other commercial and industrial property is assessed........ 33%

(6) Real property used for commercial and industrial purposes and buildings and other improvements located upon land devoted to agricultural use 25%

(7) All other urban and rural real property not otherwise specifically subclassified 30%

Class 2

This class consists of tangible personal property. Such tangible personal property is further classified into six subclasses. Such property is defined by law for the purpose of subclassification and assessed uniformly as to subclass at the following percentages of market value:

(1)	Mobile homes used for residential purposes	11½%
(2)	Mineral leasehold interests, except oil leasehold interests, the average daily production from which is five barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%	30%
(3)	Public utility tangible personal property including inventories thereof, except railroad personal property including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed	33%
(4)	All categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985	30%
(5)	Commercial and industrial machinery and equipment which, if its economic life is seven years or more, shall be valued at its retail cost less seven-year straight-line depreciation, or which, if its economic life is less than seven years, shall be valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property	25%
(6)	All other tangible personal property not otherwise specifically classified	30%

All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories (other than public utility inventories included in Subclass (3) of Class 2), livestock, and all household goods and personal effects not used for the production of income is exempted from property taxation.

The 2006 Kansas Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

Property Tax Payments and Delinquencies (Chapter 79, Articles 18, 20, 23, 24, 28 and 29, Kansas Statutes Annotated)

The amount of ad valorem taxes to be levied against property within a taxing jurisdiction is determined by the governing body of the jurisdiction as part of the annual budget approval process and certified, along with special assessments, to the county clerk not later than August 25 of each year. The county clerk assembles the tax levies and assessments from the various jurisdictions located within the county, together with any State property tax levies, into a tax roll specifying the tax on each taxable parcel of land in the county. The county treasurer receives the certified tax roll not later than September 1 each year and mails tax statements to taxpayers not later than December 15. Taxpayers have the option of paying the entire amount of taxes owed not later than December 20, or paying half at that time and the other half by the following May 10.

Property taxes not paid when and in the amounts due are considered delinquent and are subject to an interest penalty at a rate set by law. If delinquent taxes, plus accrued interest, have not been paid by July 10, the county treasurer will convey ownership of the property to the county, pursuant to statute. Delinquent taxpayers then have three years (or two years if both property taxes and special assessments are owed) to redeem their property by paying all unpaid taxes, fees, accrued interest and costs thereon. If not redeemed, the real estate will be disposed of by sheriff's sale at public auction to the highest bidder following judicial foreclosure proceedings. The net proceeds of the sheriff's sale are apportioned on a pro rata basis to the various taxing units having jurisdiction over the property.

Property Tax Distributions (Section 12-1678a, Kansas Statutes Annotated)

Property taxes and special assessments collected by the county treasurer on December 20 and May 10 are distributed to the various taxing units on January 20 and June 5, respectively, in the actual amount collected as of not more than 20 days prior to the distribution date. In addition, distributions of interim collections are made on March 20 and September 20, in an amount equal to 95% of the estimated amount collected but not less than the actual amount collected as of not more than 20 days prior to such distribution dates. A final distribution is made on October 31, just prior to the receipt by the treasurer of the following year's tax roll.

The Kansas Cash-Basis Law (Chapter 10, Article 11, Kansas Statutes Annotated)

All municipalities and taxing subdivisions of the State are required by law to administer their financial operations on a cash basis, except in specific instances. Simply stated, a municipality may not incur a financial obligation in an amount which exceeds the amount of funds actually on hand at the time the obligation is incurred. The most notable exceptions to the cash-basis law are bonds, notes and warrants issued in accordance with State law, contracts approved by referenda and teacher contracts.

In order to operate efficiently on a cash basis, municipalities must adhere to certain statutory budgeting and accounting requirements which segregate financial resources into various operating funds, such as the general fund and the debt service fund, and limit the expenditure of such resources to the amounts identified in the duly adopted budget for each fund. Budgeted expenditures must be balanced with budgeted revenue for each fund, and moneys cannot be transferred between funds to cover excessive spending. Likewise, surplus revenue must be carried forward and used to reduce tax levies in the following year, with allowance for reasonable reserves.

According to the Kansas Supreme Court, the purpose of the cash-basis and budget laws is to provide for "the systematical, intelligent and economical administration of the financial affairs of municipalities and other taxing subdivisions of the state, so as to avoid waste and extravagance and yet permit such units of government to function so as to supply the governmental wants and needs of the people." (State, ex rel., v. Republic County Commissioners, 148 Kan. 376, 383.) It has the collateral effect of ensuring that financial obligations legally entered into will be paid.

EXCERPT OF 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2015, audited by Mize Houser & Company PA. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2016 is not yet available.) The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's comprehensive annual financial reports for the years ending 1990 through 2015 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Lawrence, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2015, 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 an opinion on the financial statement based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets of $290,475,283 as of December 31, 2015 and total expenses of $190,673,893 for the year then ended, the Lawrence-Douglas County Housing Authority which statements reflect total assets of $21,138,744 as of December 31, 2015 and total expenses of $8,542,920 for the year then ended, which are discretely presented component units in the accompanying financial statement. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital, and Lawrence-Douglas County Housing Authority is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The financial statements of the Lawrence Memorial Hospital, and Lawrence Public Library, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 15 to the financial statements, the City implemented GASB 68 during the current year. As a result of the implementation, a restatement was made to the net position for the proportionate share of the City's net pension liability at December 31, 2014. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 15 to the financial statements, certain errors resulting in amounts previously reported as revenues, expenses and inventory as of December 31, 2014, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2015, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters

Other Matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 the schedule of funding progress on page 55, the schedule of the City's proportionate share of the net pension liability on page 56, and the schedule of City contributions on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mize Houser & Company PA

Certified Public Accountants
Lawrence, Kansas

May 13, 2016

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, 2015. 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 2015 by $335,258,155. Of this amount, $14,849,082 may be used to meet the government's ongoing obligations.

- The City's net position decreased by $50.9 million due mainly to the addition of the net pension liability of $58.8 million required by GASB 68. 2015 is the first year this liability has been reported. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as liabilities on the balance sheet for the first time. This resulted in the restatement of beginning fund balance for the City. Essentially, GASB 68 requires that the KPERS overall liability is prorated among all participating employers. This resulted in a negative unrestricted net position for governmental activities in the statement of net position.

- Without implementation of GASB 68, the City's net position increased $7.9 million due to water and sewer fund and sanitation fund net income and overall governmental revenues in excess of expenditures.

- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of $47,472,597, an increase of $.5 million in comparison with the prior year. Most of this increase occurred as the result of the permanent financing of construction related expenses offset by construction expenditures in reserve funds.

- At the end of 2015, the City's unassigned general fund balance was $12,718,338 or 20.6% of total general fund expenditures. The general fund decrease in 2015 of $218,081 is mainly due to a $500,000 grant to the Dwayne Peaslee Technical Training Center.

- The City's total long term liabilities increased by $126.8 million during the year. This includes the net pension liability of $58.8 million as well as the issuance of revenue bonds for improvements of $89.9 million. An additional $9 million of revenues bonds was issued for refunding the outstanding 2005 bonds.

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 or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental, proprietary, and fiduciary.

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

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

	Governmental 2014	Governmental 2015	Business-type 2014	Business-type 2015	Total 2014	Total 2015
Current Assets	$ 115,024	$ 104,931	$ 80,062	$ 90,291	$ 195,086	$ 195,222
Capital Assets	258,418	264,112	234,863	254,041	493,281	518,153
Deferred outflows of resources	-	4,522	-	1,111	-	5,633
Total Assets and Deferred Outflows of Resources	$ 373,442	$ 373,565	$ 314,925	$ 345,443	$ 688,367	$ 719,008
Other Liabilities	$ 26,501	$ 31,270	$ 70,999	$ 16,507	$ 97,500	$ 47,777
Long term Liabilities	101,654	136,084	75,653	167,993	177,307	304,077
Total Liabilities	$ 128,155	$ 167,354	$ 146,652	$ 184,500	$ 274,807	$ 351,854
Deferred Inflows	$ 27,410	$ 30,968	$ -	$ 928	$ 27,410	$ 31,896
Net Position:						
Net Investment in Capital Assets	$ 153,651	$ 165,283	$ 142,129	$ 138,095	$ 295,780	$ 303,378
Restricted	24,515	17,032	-	-	24,515	17,032
Unrestricted	39,711	(7,072)	26,144	21,920	65,855	14,848
Total Net Position	$ 217,877	$ 175,243	$ 168,273	$ 160,015	$ 386,150	$ 335,258

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 2015, the City is able to report positive balances in all three categories of net position, for the government as a whole. The deferred inflows in the governmental funds mainly represent taxes that are receivable in the subsequent year. The balance of the deferred inflows and all deferred outflows are pension related.

There was a decrease in net position for the governmental type funds due in large part to an increase in liabilities associated with GASB 68. Capital assets increased by $5.7 million due to equipment replacement and infrastructure improvements.

There was also a decrease of $8.3 million in net position reported in connection with the business-type activities also due largely to an increase in liabilities associated with GASB 68. Capital assets increased primarily due to continuing work on the Wakarusa River Wastewater Treatment Plant and other water and wastewater improvements.

The City's net position decreased by $50,892,010 during 2015. Overall, citywide revenues exceeded expenditures in both government and business type activities, and would have resulted in an increase in ending net positon without recording the net pension obligation as required by GASB 68.

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

	Governmental 2014	Governmental 2015	Business-type 2014	Business-type 2015	Total 2014	Total 2015
Revenues:						
Program Revenues:						
Charges for Service	$ 12,716	$ 12,605	$ 50,554	$ 53,264	$ 63,270	$ 65,869
Operating Grants	10,229	11,137	-	-	10,229	11,137
Capital Grants	5,433	390	-	-	5,433	390
General Revenues:						
Property Taxes	28,388	30,163	-	-	28,388	30,163
Sales Taxes	34,791	25,563	-	-	34,791	25,563
Franchise Fees	7,646	7,128	-	-	7,646	7,128
Unrestricted Grants	732	11,231	-	-	732	11,231
Other	478	2,681	823	1,000	1,301	3,681
Total	100,413	100,898	51,377	54,264	151,790	155,162
Expenses						
General Government	27,277	31,176	-	-	27,277	31,176
Public Safety	33,404	33,067	-	-	33,404	33,067
Public Works	14,560	20,263	-	-	14,560	20,263
Social Services	1,319	775	-	-	1,319	775
Recreation	9,747	9,914	-	-	9,747	9,914
Health	1,309	1,098	-	-	1,309	1,098
Interest on Debt	3,860	2,804	-	-	3,860	2,804
Water and Sewer	-	-	29,021	32,175	29,021	32,175
Sanitation	-	-	12,175	10,943	12,175	10,943
Public Parking	-	-	1,498	1,405	1,498	1,405
Storm Water	-	-	1,865	1,787	1,865	1,787
Golf	-	-	974	962	974	962
Total expenses	91,476	99,097	45,533	47,272	137,009	146,369
Excess [deficiency]	8,937	1,801	5,844	6,992	14,781	8,793
Transfers	3,883	3,653	[3,883]	[3,653]	-	-
Change in Net Position	12,820	5,454	1,961	3,339	14,781	8,793
Beginning Net Position	205,056	217,876	166,312	168,273	371,368	386,149
Prior Period Adjustment	-	(48,087)	-	(11,597)	-	(59,684)
Ending Net Position	$ 217,876	$ 175,243	$ 168,273	$ 160,015	$ 386,149	$ 335,258

Governmental funds
Governmental funds increased the City's fund balance by $469,795 during the year. Key elements of governmental activities during the year are as follows:

Total governmental revenues increased by $3.4 million in 2015. Property taxes increased due to overall increased property valuations and sales tax increased due to higher retail sales. Charges for services increased primarily due to higher recreation fees and higher EMS fees.

Expenditures for governmental purposes net of capital outlay increased 7.0%. The increases are largely attributable to salary and pension increases, as well as an economic development grant.

Business-type activities
Before the GASB 68 restatement, business-type activities increased the City's net position by $3,709,391. The Water and Sewer Fund, Sanitation Fund and Storm Water Fund 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 $1.2 million due to increases in water and sewer rates for 2015 .
- Positive net income in the Sanitation Fund equaling $1.9 due in part to increased revenues from the first full year of recycling operations.
- Positive net income in the Storm Water Fund equaling $854,012 due to lower expenses. Storm water fee rates were not changed in 2015 .

Financial Analysis of the Government's Major Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending in future years. As of December 31, 2015, the City of Lawrence's governmental funds reported combined ending fund balances of $47,472,597, an increase of $404,268 from the prior year. The City has 3 major governmental funds, the general fund, the debt service fund and the capital projects fund.

The general fund is the primary operating fund of the City. At the end of 2015, unassigned general fund balance totaled $12,718,338, while total general fund balance was $13,202,220. Unassigned general fund balance represents 20.6% of total general fund expenditures, within the 15%-30% range established by the City Commission's adopted fund balance policy.

The City of Lawrence adopts its budget on a fund basis. The 2015 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, overall revenues exceeded the budgeted amount by $1.2 million.

General fund budget basis expenditures increased 4.7%. General government expenditures experienced a 5% increase largely due to increased salary and pension costs and economic development grant. Non-represented employees were eligible for merit increases funded by a 1.0% merit pool. Public safety expenses increased 4.1% because of increased salary and benefits, including an increase in pension costs.

Key factors affecting the general fund balance are as follows:

- An increase of 3.8% in sales tax revenues
- An increase of 4.7% in general fund expenditures, driven by compensation increases, increased pension contributions, and economic grants.

The debt service fund has a total fund balance of $10,901,622, all of which is restricted for debt service. The primary source of revenue for the debt service fund is property taxes currently at 8.504 mills.

The capital project fund has a total fund deficit of $8,530,229. The capital project fund is used to account for debt financed projects. Projects will have a deficit fund balance until long term financing has been issued. Currently there is $10.8 million in bond anticipation notes outstanding.

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

Unrestricted net position of the Water and Sewer Fund totaled $16,744,917 at the end of 2015. The unrestricted net position of the Sanitation Fund amounted to $110,461 at the end of 2015. The change in net position for the Water and Sewer Fund was [$5,297,381]. The Sanitation Fund had a decrease in net position of $1,737,206. These are due to the net pension obligation that was recorded in 2015. Before the restatement, the Water and Sewer Fund showed an increase in net position of $1,164,255 and the Sanitation Fund an increase of $1,962,149.

Capital Asset and Debt Administration

Capital assets
The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to $518,152,868 (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 5.0%. For governmental activities, this was primarily normal equipment replacement and infrastructure. The business-type activity additions of $24.9 million was primarily due to the new wastewater treatment plant and related water and wastewater improvements. (For additional information on the city's capital assets please read Note 6).

The major capital asset addition during the year was the following:

-Wakarusa River Wastewater Treatment Plant CIP $16,626,619

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

	Governmental		Business-type		Total	
	2014	2015	2014	2015	2014	2015
Land	$ 16,423	$ 16,423	$ 6,811	$ 6,893	$ 23,234	$ 23,316
Buildings	55,718	52,994	64,948	62,950	120,666	115,944
Improvements	17,077	16,676	119,236	125,129	136,313	141,805
Equipment	12,140	14,084	6,284	6,010	18,424	20,094
Infrastructure	126,252	154,501	-	-	126,252	154,501
Construction in Progress	30,808	9,433	37,584	53,059	68,392	62,492
Total	$ 258,418	$ 264,111	$ 234,863	$ 254,041	$ 493,281	$ 518,152

Long-term debt
At the end of 2015, the City of Lawrence had total bonded debt outstanding of $243,421,937. Of this amount, $97,940,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the bonded debt represents bonds secured solely by revenue generated by the Water and Sewer

utility (revenue bonds). In addition, the City had $15,946,937 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 5).

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

	Governmental		Business-type		Total	
	2014	2015	2014	2015	2014	2015
General Obligation	$ 90,795	$ 89,689	$ 9,800	$ 8,251	$ 100,595	$ 97,940
Revenue	-	-	44,030	129,535	44,030	129,535
SRF	-	-	18,302	15,947	18,302	15,947
Total	$ 90,795	$ 89,689	$ 72,132	$ 153,733	$ 162,927	$ 243,422

The City's total outstanding bonded debt increased $80 million during the year. In governmental activities, $9.5 million in general obligation bonds was issued while $10.5 million was retired. The general obligation bonds were issued for various street and other improvements. In business-type activities, $98.9 million in revenue bonds were issued to finance the Wakarusa River Wastewater Treatment Plant, other water and sewer improvements and refunding of 2005 revenue bonds while $17.2 million in debt was retired with storm water revenue, sanitation revenue and water and sewer revenue.

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, 2015 the debt limitation for the City of Lawrence was $287,437,339. The City's general obligation debt as of December 31, 2015 was $97,940,000. This is only 34% of the maximum allowed under statutes.

Economic Factors and 2015 Budget

The average unemployment rate for Lawrence MSA in 2015 was 3.7%, a decrease of 0.3% from the previous year. This is below the 2015 State average of 4.2%. The City experienced an increase of 0.7% in its assessed valuation in 2014. The 2015 property tax based on the assessed valuation is used to fund the 2016 budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Lawrence's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Lawrence, Finance Director, P.O. Box 708, Lawrence, KS 66044. The City's website can be found at www.lawrenceks.org.

BASIC FINANCIAL STATEMENTS

CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Current assets:				
Cash and investments	$ 70,787,252	$ 80,256,127	$ 151,043,379	$ 155,445,550
Receivables (net of allowance for uncollectibles)				
Accounts	1,259,180	3,725,836	4,985,016	27,375,401
Taxes	25,912,828	-	25,912,828	-
Special assessments	5,385,760	-	5,385,760	-
Intergovernmental	3,637,464	-	3,637,464	-
Franchise fees	772,118	-	772,118	-
Loans	506,574	-	506,574	-
Accrued interest	8,065	2,845	10,910	25
Internal balances	[3,651,400]	3,651,400	-	-
Inventory	313,466	2,214,456	2,527,922	3,494,797
Due from other entities	-	-	-	800,647
Prepaids	-	440,327	440,327	7,054,894
Other assets	-	-	-	746,866
Total current assets	104,931,307	90,290,991	195,222,298	194,918,180
Noncurrent assets:				
Capital assets, nondepreciable				
Land	16,423,212	6,892,719	23,315,931	6,513,436
Construction in progress	9,433,193	53,059,123	62,492,316	3,615,903
Capital assets, depreciable	395,737,423	312,871,632	708,609,055	248,286,132
Less: Accumulated depreciation	[157,482,438]	[118,781,996]	[276,264,434]	[138,272,751]
Total noncurrent assets	264,111,390	254,041,478	518,152,868	120,142,720
Total assets	369,042,697	344,332,469	713,375,166	315,060,900
Deferred outflows of resources				
Deferred amount on refunding	-	-	-	462,045
Pension - contributions subsequent to the measurement date	3,361,847	761,402	4,123,249	194,186
Pension - differences between expected and actual experience	332,630	3,165	335,795	-
Pension - changes in proportion	827,737	345,882	1,173,619	269,666
Total deferred outflows of resources	4,522,214	1,110,449	5,632,663	925,897
Total assets and deferred outflows of resources	$ 373,564,911	$ 345,442,918	$ 719,007,829	$ 315,986,797
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current liabilities:				
Accounts payable	$ 4,477,398	$ 4,073,341	$ 8,550,739	$ 5,243,814
Accrued payroll	728,949	255,785	984,734	11,343,752
Interest payable	1,047,407	1,226,025	2,273,432	1,309,458
Retirement obligation payable	-	-	-	434,720
Meter deposits payable	-	1,182,570	1,182,570	-
Due to other entities	-	-	-	952,091
Unearned revenue	492,915	-	492,915	25,614
Other liabilities	-	-	-	330,765
Temporary notes payable	10,876,070	-	10,876,070	-
Current portion of compensated absences payable	2,942,503	1,043,639	3,986,142	12,725
Current portion of revenue bonds payable	-	4,625,000	4,625,000	2,670,000
Current portion of notes payable	-	2,520,986	2,520,986	-
Current portion of general obligation bonds payable	10,640,819	1,579,181	12,220,000	-
Current portion of capital lease payable	64,246	-	64,246	-
Total current liabilities	31,270,307	16,506,527	47,776,834	22,322,939
Noncurrent liabilities:				
Compensated absences payable	3,902,266	1,165,069	5,067,335	306,064
Net OPEB obligation	4,346,302	1,572,697	5,918,999	16,328
Net pension liability	47,310,636	11,525,071	58,835,707	3,156,571
Claims payable	760,188	-	760,188	-
General obligation bonds payable	79,697,423	6,671,938	86,369,361	-
Revenue bonds payable	-	133,632,416	133,632,416	56,771,246
Notes payable	-	13,425,951	13,425,951	-
Capital lease payable	67,298	-	67,298	-
Total non-current liabilities	136,084,113	167,993,142	304,077,255	60,250,209
Total liabilities	167,354,420	184,499,669	351,854,089	82,573,148
Deferred inflows of resources				
Unavailable revenue - property taxes	27,953,343	-	27,953,343	-
Pension - differences between expected and actual experience	917,570	322,239	1,239,809	89,356
Pension - net difference between projected and actual investment earnings	1,580,311	446,145	2,026,456	122,874
Pension - changes in proportion	-	-	-	138,335
Pension - changes of assumptions	516,280	159,697	675,977	44,116
Total deferred inflows of resources	30,967,504	928,081	31,895,585	394,681
Total liabilities and deferred inflows of resources	$ 198,321,924	$ 185,427,750	$ 383,749,674	$ 82,967,829
Net Position				
Net investment in capital assets	$ 165,282,595	$ 138,094,523	$ 303,377,118	$ 64,226,993
Restricted for:				
Debt service	10,901,622	-	10,901,622	107,716
Improvements	5,567,374	-	5,567,374	1,527,491
Other purposes	562,959	-	562,959	-
Unrestricted	[7,071,563]	21,920,645	14,849,082	167,156,768
Total net position	$ 175,242,987	$ 160,015,168	$ 335,258,155	$ 233,018,968

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

		Program Revenues			Net [Expenses] Revenue and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total	Component Units
Governmental activities:								
General government	$ 29,469,833	$ 8,769,512	$ 3,999,348	$ -	$ [16,700,973]	$ -	$ [16,700,973]	$ -
Public safety	33,066,853	427,146	177,530	62,338	[32,399,839]	-	[32,399,839]	-
Public works	20,010,423	107,499	2,811,909	242,901	[16,848,114]	-	[16,848,114]	-
Health	1,098,022	163,796	-	-	[934,226]	-	[934,226]	-
Social services	774,782	176,416	1,769,354	-	1,170,988	-	1,170,988	-
Culture and recreation	9,914,279	2,946,433	769,500	84,400	[6,113,946]	-	[6,113,946]	-
Tourism	1,706,788	-	1,609,899	-	[96,889]	-	[96,889]	-
Airport	252,735	13,797	-	-	[238,938]	-	[238,938]	-
Interest on long-term debt	2,803,653	-	-	-	[2,803,653]	-	[2,803,653]	-
Total governmental activities	99,097,368	12,604,599	11,137,540	389,639	[74,965,590]	-	[74,965,590]	-
Business-type activities:								
Water and Sewer	32,175,287	35,608,968	-	-	-	3,433,681	3,433,681	-
Sanitation	10,943,115	12,565,494	-	-	-	1,622,379	1,622,379	-
Stormwater	1,787,179	3,015,164	-	-	-	1,227,985	1,227,985	-
Public Parking	1,405,290	1,340,528	-	-	-	[64,762]	[64,762]	-
Golf Course	961,517	733,798	-	-	-	[227,719]	[227,719]	-
Total business-type activities	47,272,388	53,263,952	-	-	-	5,991,564	5,991,564	-
Total primary government	$ 146,369,756	$ 65,868,551	$ 11,137,540	$ 389,639	[74,965,590]	5,991,564	[68,974,026]	-
Component units:								
Lawrence Housing Authority	$ 8,542,920	$ 8,226,224	$ 736,594	$ 506,378	-	-	-	926,276
Lawrence Memorial Hospital	190,673,893	206,235,886	-	894,632	-	-	-	16,456,625
Lawrence Public Library	4,140,946	203,188	3,812,102	-	-	-	-	[125,656]
Total component units	$ 203,357,759	$ 214,665,298	$ 4,548,696	$ 1,401,010	-	-	-	17,257,245
General Revenues:								
Property tax					30,163,532	-	30,163,532	-
Sales tax					25,563,595	-	25,563,595	-
Franchise tax					7,127,746	-	7,127,746	-
Unrestricted grants and contributions					11,230,708	-	11,230,708	-
Use of money or property					100,697	233,589	334,286	1,602,567
Reimbursements					1,577,241	-	1,577,241	-
Miscellaneous					1,003,105	767,015	1,770,120	493
Transfers, net					3,653,030	[3,653,030]	-	-
Subtotal general revenues					80,419,654	[2,652,426]	77,767,228	1,603,060
Change in net position					5,454,064	3,339,138	8,793,202	18,860,305
Net position - January 1					217,876,211	168,273,954	386,150,165	217,297,840
Prior period adjustment					[48,087,288]	[11,597,924]	[59,685,212]	[3,139,177]
Net position - January 1, restated					169,788,923	156,676,030	326,464,953	214,158,663
Net position - December 31					$ 175,242,987	$ 160,015,168	$ 335,258,155	$ 233,018,968

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

CITY OF LAWRENCE, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 12,398,202	$ 11,487,526	$ 2,385,518	$ 27,727,778	$ 53,999,024
Receivables:					
Taxes	15,816,478	7,005,934	-	3,090,416	25,912,828
Special assessments	-	5,385,760	-	-	5,385,760
Intergovernmental	3,053,672	-	-	583,792	3,637,464
Accounts (net allowance for uncollectibles)	889,953	36,987	-	174,816	1,101,756
Franchise fees	772,118	-	-	-	772,118
Loans	-	-	-	506,574	506,574
Accrued interest	2,013	1,318	323	3,402	7,056
Due from other funds	751,000	-	-	-	751,000
Restricted assets:					
Cash	-	-	-	5,649,627	5,649,627
Total assets	$ 33,683,436	$ 23,917,525	$ 2,385,841	$ 37,736,405	$ 97,723,207
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,279,649	$ -	$ 121,070	$ 1,618,101	$ 4,018,820
Accrued payroll	628,890	-	-	85,532	714,422
Due to other funds	-	-	-	629,000	629,000
Unearned revenue	492,915	-	-	-	492,915
Temporary notes payable	-	-	10,795,000	-	10,795,000
Total liabilities	3,401,454	-	10,916,070	2,332,633	16,650,157
Deferred inflows of resources:					
Unavailable revenue	17,079,762	13,015,903	-	3,504,788	33,600,453
Total liabilities and deferred inflows of resources	20,481,216	13,015,903	10,916,070	5,837,421	50,250,610
Fund balance:					
Nonspendable	-	-	-	562,959	562,959
Restricted	-	10,901,622	-	5,567,374	16,468,996
Assigned	483,882	-	-	25,955,112	26,438,994
Unassigned	12,718,338	-	[8,530,229]	[186,461]	4,001,648
Total fund balances	13,202,220	10,901,622	[8,530,229]	31,898,984	47,472,597
Total liabilities, deferred inflows of resources and fund balances	$ 33,683,436	$ 23,917,525	$ 2,385,841	$ 37,736,405	$ 97,723,207

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

CITY OF LAWRENCE, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2015

Total Governmental Fund Balances		$ 47,472,597
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	420,354,787	
Accumulated depreciation is	[156,618,258]	263,736,529
Internal service funds are used by the City's management to charge the costs of various services to other funds. The assets and liabilities of certain internal service funds are included with governmental activities.		6,408,384
Pension contributions are reported as expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position.		4,456,760
Pension fundings are reported as a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position.		[2,959,010]
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		5,647,111
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[6,693,296]	
Net OPEB obligation	[4,346,302]	
Net pension liability	[46,631,523]	
Claims and judgements payable	[250,000]	
General obligation bonds payable	[90,338,242]	
Temporary note premium	[81,070]	
Capital lease payable	[131,544]	
Accrued interest on the bonds	[1,047,407]	[149,519,384]
Net Position of Governmental Activities		$ 175,242,987

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 36,773,048	$ 8,314,719	$ -	$ 17,934,669	$ 63,022,436
Special assessments	-	2,411,557	-	-	2,411,557
Licenses and permits	1,525,191	-	-	-	1,525,191
Charges for services	5,273,573	-	-	2,818,285	8,091,858
Fines, forfeitures, and penalties	2,895,570	-	-	91,980	2,987,550
Interest	46,544	10,095	3,997	34,407	95,043
Intergovernmental	11,388,676	-	-	11,112,707	22,501,383
Reimbursements	13,329	-	50,000	1,513,907	1,577,236
Miscellaneous	200,894	218,770	-	653,260	1,072,924
Total revenues	58,116,825	10,955,141	53,997	34,159,215	103,285,178
EXPENDITURES					
Current expenditures:					
General government	17,577,112	-	-	9,093,680	26,670,792
Public safety	32,712,138	-	-	1,033,185	33,745,323
Public works	6,507,734	-	-	2,226,715	8,734,449
Health	1,004,687	-	-	166,162	1,170,849
Social services	-	-	-	1,236,327	1,236,327
Culture and recreation	3,295,827	-	-	6,270,784	9,566,611
Tourism	-	-	-	1,566,103	1,566,103
Airport	134,062	-	-	-	134,062
Capital outlay	559,540	-	4,189,132	14,846,226	19,594,898
Debt service:					
Principal retirement	-	8,575,568	-	1,980,153	10,555,721
Interest and fiscal charges	-	2,289,466	314,215	769,664	3,373,345
Total expenditures	61,791,100	10,865,034	4,503,347	39,188,999	116,348,480
Excess [deficiency] of revenues over [under] expenditures	[3,674,275]	90,107	[4,449,350]	[5,029,784]	[13,063,302]
Other financing sources [uses]					
Transfers in	3,656,194	-	-	200,000	3,856,194
Transfers [out]	[200,000]	-	-	[53]	[200,053]
Issuance of general obligation bonds	-	-	9,450,000	-	9,450,000
Premiums on general obligation bonds	-	-	426,956	-	426,956
Total other financing sources [uses]	3,456,194	-	9,876,956	199,947	13,533,097
Net change in fund balance	[218,081]	90,107	5,427,606	[4,829,837]	469,795
Fund balance - January 1	13,622,434	10,674,909	[13,957,835]	36,728,821	47,068,329
Restatement to fund balance	[202,133]	136,606	-	-	[65,527]
Fund balance - January 1, restatement	13,420,301	10,811,515	[13,957,835]	36,728,821	47,002,802
Fund balance - December 31	$ 13,202,220	$ 10,901,622	$ [8,530,229]	$ 31,898,984	$ 47,472,597

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

CITY OF LAWRENCE, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Total Net Change In Fund Balances - Governmental Funds		$ 469,795
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Loss on sale of assets	[14,456]	
Capital outlays	16,809,372	
Depreciation expense	[11,075,182]	5,719,734
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.		569,692
Internal service funds are used by the City's management to charge the costs of certain activities to the individual funds. The revenues and expenses of certain internal service funds are reported with governmental activities.		[738,204]
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		[2,412,518]
Some expenses reported in the statement of activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		[818,384]
Pension payments are reported as expenditures in the governmental funds and do not affect the statement of activities.		2,185,008
Bond proceeds are other financing sources in the governmental funds, but they increase long-term liabilities in the statement of net position and do not affect the statement of activities.		[9,876,956]
Repayment of principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
General obligation debt		10,589,441
Claims and judgements payable		[102,000]
Capital leases		[131,544]
Changes In Net Position of Governmental Activities		$ 5,454,064

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2015

	GAAP Basis Actual	Adjustments to Budgetary Basis	Budgetary Basis Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues						
Taxes	$ 36,773,048	$ 14,383,242	$ 51,156,290	$ 50,101,739	$ 50,101,739	$ 1,054,551
Licenses and permits	1,525,191	-	1,525,191	1,506,500	1,506,500	18,691
Charges for services	5,273,573	-	5,273,573	5,395,413	5,395,413	[121,840]
Fines, forfeitures, and penalties	2,895,570	-	2,895,570	3,170,000	3,170,000	[274,430]
Interest	46,544	-	46,544	75,000	75,000	[28,456]
Intergovernmental	11,388,676	-	11,388,676	10,790,648	10,790,648	598,028
Reimbursements	13,329	-	13,329	104,200	104,200	[90,871]
Miscellaneous	200,894	-	200,894	158,000	158,000	42,894
Total revenues	58,116,825	14,383,242	72,500,067	71,301,500	71,301,500	1,198,567
Expenditures						
General government	17,577,112	60,999	17,638,111	31,721,458	31,721,458	14,083,347
Public safety	32,712,138	[39,278]	32,672,860	32,815,498	32,815,498	142,638
Public works	6,507,734	40,313	6,548,047	7,043,115	7,043,115	495,068
Health	1,004,687	[6,352]	998,335	1,037,979	1,037,979	39,644
Culture and recreation	3,295,827	20,974	3,316,801	3,452,619	3,452,619	135,818
Airport	134,062	-	134,062	211,794	211,794	77,732
Capital outlay	559,540	[11,698]	547,842	-	-	[547,842]
Total expenditures	61,791,100	64,958	61,856,058	76,282,463	76,282,463	14,426,405
Excess [deficiency] of revenues over [under] expenditures	[3,674,275]	14,318,284	10,644,009	[4,980,963]	[4,980,963]	15,624,972
Other financing sources [uses]						
Transfer in	3,656,194	-	3,656,194	3,656,751	3,656,751	(557)
Transfer out	[200,000]	[14,383,242]	[14,583,242]	[5,398,451]	[5,398,451]	[9,184,791]
Total other financing sources [uses]	3,456,194	[14,383,242]	[10,927,048]	[1,741,700]	[1,741,700]	[9,185,348]
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[218,081]	[64,958]	[283,039]	$ [6,722,663]	$ [6,722,663]	$ 6,439,624
Fund balance, January 1	13,622,434	[418,924]	13,203,510			
Restatement to fund balance	[202,133]	-	[202,133]			
Fund balance, January 1, restated	13,420,301	[418,924]	13,001,377			
Fund balance, December 31	$ 13,202,220	$ [483,882]	$ 12,718,338			

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities: Enterprise Funds					
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Current assets:						
Cash	$ 20,057,848	$ 4,795,645	$ 2,544,547	$ 542,000	$ 27,940,040	$ 11,138,601
Receivables (net of allowances for uncollectibles):						
Accounts	2,641,683	875,919	202,996	5,238	3,725,836	157,424
Accrued interest	1,871	601	308	65	2,845	1,009
Inventory	2,211,942	-	-	2,514	2,214,456	313,466
Prepaids	440,327	-	-	-	440,327	-
Restricted Cash:						
Customer deposits	1,161,452	21,118	-	-	1,182,570	-
Current portion of revenue bonds	4,625,000	-	-	-	4,625,000	-
Total current assets	31,140,123	5,693,283	2,747,851	549,817	40,131,074	11,610,500
Noncurrent assets:						
Restricted cash and investments	46,508,517	-	-	-	46,508,517	-
Total restricted assets	46,508,517	-	-	-	46,508,517	-
Capital assets:						
Land	4,568,381	-	1,845,283	479,055	6,892,719	-
Building and Improvements	270,624,322	1,555,872	13,270,802	7,729,316	293,180,312	762,567
Construction in progress	51,651,963	1,297,150	110,010	-	53,059,123	-
Equipment	7,764,960	8,910,889	2,365,274	650,197	19,691,320	476,472
Less: accumulated depreciation	(99,075,879)	(7,591,378)	(4,968,685)	(7,146,054)	(118,781,996)	(864,179)
Total capital assets	235,533,747	4,172,533	12,622,684	1,712,514	254,041,478	374,860
Total noncurrent assets	282,042,264	4,172,533	12,622,684	1,712,514	300,549,995	374,860
Total assets	313,182,387	9,865,816	15,370,535	2,262,331	340,681,069	11,985,360
Deferred outflows of resources:						
Pension - contributions subsequent to the measurement date	431,686	235,374	28,495	65,847	761,402	44,728
Pension - differences between expected and actual experience	-	-	-	3,165	3,165	-
Pension - changes in proportion	200,041	109,071	13,204	23,566	345,882	20,726
Total deferred outflows of resources	631,727	344,445	41,699	92,578	1,110,449	65,454
Total assets and deferred outflows of resources	$ 313,814,114	$ 10,210,261	$ 15,412,234	$ 2,354,909	$ 341,791,518	$ 12,050,814
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:						
Liabilities:						
Current liabilities						
Accounts payable	$ 3,431,232	$ 608,361	$ 6,814	$ 26,934	$ 4,073,341	$ 458,578
Interest payable	1,181,261	29,667	15,097	-	1,226,025	-
Claims payable	-	-	-	-	-	510,188
Accrued payroll	144,617	83,745	9,531	17,892	255,785	14,527
Compensated absences	602,960	333,636	37,276	69,767	1,043,639	65,721
Due to other funds	-	-	-	-	-	122,000
Current portion of general obligation bonds payable	635,000	265,000	679,181	-	1,579,181	-
Current portion of notes payable	2,520,986	-	-	-	2,520,986	-
Total unrestricted current liabilities	8,516,056	1,320,409	747,899	114,593	10,698,957	1,171,014
Current Liabilities payable from restricted assets:						
Customer deposits	1,161,452	21,118	-	-	1,182,570	-
Current portion of revenue bonds	4,625,000	-	-	-	4,625,000	-
Total current liabilities payable from restricted assets	5,786,452	21,118	-	-	5,807,570	-
Total current liabilities	14,302,508	1,341,527	747,899	114,593	16,506,527	1,171,014
Noncurrent liabilities:						
Compensated absences	657,141	373,527	50,919	83,482	1,165,069	85,752
General obligation bonds payable	4,625,000	1,515,000	531,938	-	6,671,938	-
Revenue bonds payable	133,632,416	-	-	-	133,632,416	-
Notes payable	13,425,951	-	-	-	13,425,951	-
Net pension liability	6,554,423	3,573,755	432,645	964,248	11,525,071	679,113
Net OPEB obligation	761,558	613,231	58,781	139,127	1,572,697	-
Total noncurrent liabilities	159,656,489	6,075,513	1,074,283	1,186,857	167,993,142	764,865
Total liabilities	173,958,997	7,417,040	1,822,182	1,301,450	184,499,669	1,935,879
Deferred inflows of resources:						
Pension - differences between expected and actual experience	185,542	101,166	12,247	23,284	322,239	19,224
Pension - net difference between projected and actual earnings on pension plan investments	255,141	139,114	16,841	35,049	446,145	26,436
Pension - changes of assumptions	91,606	49,947	6,047	12,097	159,697	9,491
Total deferred inflows of resources	532,289	290,227	35,135	70,430	928,081	55,151
Total liabilities and deferred inflows of resources	$ 174,491,286	$ 7,707,267	$ 1,857,317	$ 1,371,880	$ 185,427,750	$ 1,991,030
NET POSITION:						
Net investment in capital assets	$ 122,577,911	$ 2,392,533	$ 11,411,565	$ 1,712,514	$ 138,094,523	$ 374,860
Unrestricted	16,744,917	110,461	2,143,352	(729,485)	18,269,245	9,684,924
Total net position	$ 139,322,828	$ 2,502,994	$ 13,554,917	$ 983,029	156,363,768	$ 10,059,784
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,651,400	
Net position of business-type activities					$ 160,015,168	

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Operating revenue						
Charges for services	$ 35,342,902	$ 12,565,494	$ 3,015,164	$ 2,074,326	$ 52,997,886	$ 13,998,527
Other sales	266,066	-	-	-	266,066	-
Total operating revenues	35,608,968	12,565,494	3,015,164	2,074,326	53,263,952	13,998,527
Operating expenses						
Continuing operations	-	10,118,222	1,238,232	1,994,606	13,351,060	3,940,399
Transmission and distribution	17,118,947	-	-	-	17,118,947	-
General administration	2,519,042	-	-	-	2,519,042	1,836,779
Health insurance claims	-	-	-	-	-	9,291,662
Depreciation and amortization	6,665,565	664,002	478,129	351,412	8,159,108	42,157
Total operating expense	26,303,554	10,782,224	1,716,361	2,346,018	41,148,157	15,110,997
Operating income [loss]	9,305,414	1,783,270	1,298,803	[271,692]	12,115,795	[1,112,470]
Nonoperating revenues [expenses]						
Interest income	219,238	6,934	2,443	438	229,053	9,162
Interest expense	[5,692,257]	-	[61,074]	-	[5,753,331]	-
Gain [loss] on sale of capital assets	600	6,460	13,840	-	20,900	1,851
Miscellaneous	416,156	329,730	-	229	746,115	-
Total nonoperating revenues [expenses]	[5,056,263]	343,124	[44,791]	667	[4,757,263]	11,013
Income [loss] before transfers	4,249,151	2,126,394	1,254,012	[271,025]	7,358,532	[1,101,457]
Transfers from [to] other funds						
Transfers [to]	[3,084,896]	[164,245]	[400,000]	-	[3,649,141]	[7,000]
Total transfers	[3,084,896]	[164,245]	[400,000]	-	[3,649,141]	[7,000]
Change in net position	1,164,255	1,962,149	854,012	[271,025]	3,709,391	[1,108,457]
Net position, January 1	144,620,209	4,240,200	13,148,755	2,243,137		11,871,221
Restatement to net position	[6,461,636]	[3,699,355]	[447,850]	[989,083]		[702,980]
Net position, January 1, restated	138,158,573	540,845	12,700,905	1,254,054		11,168,241
Net position, December 31	$ 139,322,828	$ 2,502,994	$ 13,554,917	$ 983,029		$ 10,059,784

Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	[370,253]
Change in net position of business-type activities	$ 3,339,138

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	$ 35,234,091	$ 12,639,400	$ 3,020,809	$ 2,073,823	$ 52,968,123	$ 14,215,049
Cash paid to suppliers of goods and services	[20,788,714]	[3,945,631]	[538,893]	[639,035]	[25,912,273]	[13,879,083]
Cash paid to employees	[2,966,888]	[6,173,406]	[729,613]	[1,425,171]	[11,295,078]	[1,170,516]
Net cash provided by [used in] operating activities	11,478,489	2,520,363	1,752,303	9,617	15,760,772	[834,550]
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[25,377,738]	[1,615,924]	[328,949]	[14,988]	[27,337,599]	[16,040]
Proceeds from sale of capital assets	600	6,460	13,840	-	20,900	1,851
Proceeds from other activities	323,144	329,730	-	229	653,103	-
Proceeds from issuance of debt	106,852,819	-	-	-	106,852,819	-
Principal payments on general obligation bonds	[625,000]	[270,000]	[654,279]	-	[1,549,279]	-
Principal payments on revenue bonds	[13,355,000]	-	-	-	[13,355,000]	-
Principal payments on temporary notes	[59,900,000]	-	-	-	[59,900,000]	-
Principal payments loans payable	[2,354,751]	-	-	-	[2,354,751]	-
Interest payments on debt	[5,414,873]	[2,223]	[68,966]	-	[5,486,062]	-
Net cash provided by [used in] capital and related financing activities	149,201	[1,551,957]	[1,038,354]	[14,759]	[2,455,869]	[14,189]
Cash flows from noncapital financing activities						
Interfund loan	-	-	-	-	-	[17,000]
Transfers [out]	[3,084,896]	[164,245]	[400,000]	-	[3,649,141]	[7,000]
Net cash provided by [used in] noncapital financing activities	[3,084,896]	[164,245]	[400,000]	-	[3,649,141]	[24,000]
Cash flows from investing activities:						
Interest received	224,955	8,478	2,135	374	235,942	15,233
Sale of investments	51,502,981	2,000,000	-	-	53,502,981	4,999,072
Net cash provided by [used in] investing activities	51,727,936	2,008,478	2,135	374	53,738,923	5,014,305
Net increase [decrease] in cash and cash equivalent	60,270,730	2,812,639	316,084	[4,768]	63,394,685	4,141,566
Cash and cash equivalents, beginning	12,082,087	2,004,124	2,228,463	546,768	16,861,442	6,997,035
Cash and cash equivalents, ending	$ 72,352,817	$ 4,816,763	$ 2,544,547	$ 542,000	$ 80,256,127	$ 11,138,601

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

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds					
	Water and Sewer	Sanitation	Stormwater Utility	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	$ 9,305,414	$ 1,783,270	$ 1,298,803	$ [271,692]	$ 12,115,795	$ [1,112,470]
Net cash provided by [used in] operating activities						
Depreciation expense	6,665,565	664,002	478,130	351,412	8,159,109	42,157
[Increase] decrease in accounts receivable	[374,069]	72,035	5,645	[502]	[296,891]	216,522
[Increase] decrease in inventory	[410,478]	-	-	[1,071]	[411,549]	[30,468]
[Increase] decrease in prepaid items	[5,674]	-	-	-	[5,674]	-
[Increase] decrease in deferred outflows	[237,346]	[126,402]	[15,303]	[27,760]	[406,811]	[24,020]
Increase [decrease] in meter deposits payable	[808]	1,871	-	-	1,063	-
Increase [decrease] in accounts payable	[3,253,615]	295,923	[1,444]	[3,163]	[2,962,299]	84,843
Increase [decrease] in claims payable	-	-	-	-	-	35,634
Increase [decrease] in accrued payroll	[293,712]	[166,750]	[19,201]	[36,185]	[515,848]	[34,995]
Increase [decrease] in deferred inflows	[706,938]	[385,453]	[46,664]	[113,654]	[1,252,709]	[73,247]
Increase [decrease] in net pension liability	608,971	332,038	40,197	94,431	1,075,637	63,097
Increase [decrease] in net OPEB obligation	93,648	75,443	7,218	17,138	193,447	-
Increase [decrease] in accrued compensated absences	87,531	[25,614]	4,922	663	67,502	[1,603]
Net cash provided by [used in] operating activities	$ 11,478,489	$ 2,520,363	$ 1,752,303	$ 9,617	$ 15,760,772	$ [834,550]
Cash consists of:						
Cash	$ 20,057,848	$ 4,795,645	$ 2,544,547	$ 542,000	$ 27,940,040	$ 11,138,601
Restricted cash - customer deposits	1,161,452	21,118	-	-	1,182,570	-
Restricted cash - revenue bonds	4,625,000	-	-	-	4,625,000	-
Restricted cash - noncurrent	46,508,517	-	-	-	46,508,517	-
	$ 72,352,817	$ 4,816,763	$ 2,544,547	$ 542,000	$ 80,256,127	$ 11,138,601

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS
December 31, 2015

	Agency Funds
Assets	
Cash	$ 1,176,685
Accounts receivable	21,375
Total assets	$ 1,198,060
Liabilities	
Accounts payable	$ 1,176,685
Due to others	21,375
Total liabilities	$ 1,198,060

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	$ 6,573,413	$ 147,759,568	$ 1,112,569	$ 155,445,550
Receivables (net of allowances for uncollectibles)				
Accounts	20,664	27,354,737	-	27,375,401
Accrued interest	25	-	-	25
Due from other entities	800,647	-	-	800,647
Inventory	77,422	3,417,375	-	3,494,797
Prepaids	85,728	6,969,166	-	7,054,894
Other assets	-	746,866	-	746,866
Restricted cash	-	-	-	-
Customer deposits	-	-	-	-
Current portion of revenue bonds	-	-	-	-
Total current assets	7,557,899	186,247,712	1,112,569	194,918,180
Capital assets:				
Capital assets, nondepreciable				
Land	1,128,679	5,384,757	-	6,513,436
Construction in progress	686,770	2,929,133	-	3,615,903
Capital assets, depreciable	24,593,297	218,871,368	4,821,467	248,286,132
Less: accumulated depreciation	[12,929,886]	[123,419,732]	[1,923,133]	[138,272,751]
Total capital assets	13,478,860	103,765,526	2,898,334	120,142,720
Total assets	21,036,759	290,013,238	4,010,903	315,060,900
Deferred outflows of resources:				
Deferred amount on refunding	-	462,045	-	462,045
Pension liability - changes in proportion	5,656	-	264,010	269,666
Pension liability - contributions made after measurement date	96,329	-	97,857	194,186
Total deferred outflows of resources	101,985	462,045	361,867	925,897
Total assets and deferred outflows of resources	$ 21,138,744	$ 290,475,283	$ 4,372,770	$ 315,986,797
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities				
Accounts payable	$ 49,795	$ 5,169,465	$ 24,554	$ 5,243,814
Interest payable	-	1,309,458	-	1,309,458
Claims Payable				
Accrued payroll	91,109	11,250,222	2,421	11,343,752
Retirement plan obligation	-	434,720	-	434,720
Due to other entities	101,574	850,517	-	952,091
Unearned revenue	25,614	-	-	25,614
Other liabilities	175,081	155,684	-	330,765
Temporary notes payable	-	-	-	-
Current portion of compensated absences	12,725	-	-	12,725
Current portion of revenue bonds payable	-	2,670,000	-	2,670,000
Current portion of general obligation bonds payable	-	-	-	-
Current portion of notes payable	-	-	-	-
Total current liabilities	455,898	21,840,066	26,975	22,322,939
Noncurrent liabilities:				
Compensated absences	114,524	-	191,540	306,064
General obligation bonds payable	-	-	-	-
Revenue bonds payable	-	56,771,246	-	56,771,246
Notes payable	-	-	-	-
Net pension liability	1,518,470	-	1,638,101	3,156,571
Net OPEB obligation	-	-	16,328	16,328
Total noncurrent liabilities	1,632,994	56,771,246	1,845,969	60,250,209
Total liabilities	2,088,892	78,611,312	1,872,944	82,573,148
Deferred inflows of resources				
Pension - difference between expected and actual experience	42,985	-	46,371	89,356
Pension - difference between expected and actual investment earnings	59,109	-	63,765	122,874
Pension - changes in proportion	138,335	-	-	138,335
Pension - changes in assumptions	21,222	-	22,894	44,116
Total deferred inflows of resources	261,651	-	133,030	394,681
Total liabilities and deferred inflows of resources	$ 2,350,543	$ 78,611,312	$ 2,005,974	$ 82,967,829
NET POSITION:				
Net investment in capital assets	$ 13,478,860	$ 47,849,799	$ 2,898,334	$ 64,226,993
Restricted for:				
Debt service	-	1,527,491	-	1,527,491
Housing authority - HUD programs	107,716	-	-	107,716
Unrestricted	5,201,625	162,486,681	[531,538]	167,156,768
Total net position	$ 18,788,201	$ 211,863,971	$ 2,366,796	$ 233,018,968

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

CITY OF LAWRENCE, KANSAS

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2015

	Business-Type Activities: Enterprise Funds			
	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Revenues				
Charges for services	$ 8,226,224	$ 206,235,886	$ 203,188	$ 214,665,298
Operating grants and contributions	736,594	-	3,812,102	4,548,696
Capital grants and contributions	506,378	894,632	-	1,401,010
Total revenues	9,469,196	207,130,518	4,015,290	220,615,004
Operating expenses				
Lawrence Housing Authority	8,542,920	-	-	8,542,920
Lawrence Memorial Hospital	-	187,996,435	-	187,996,435
Lawrence Public Library	-	-	4,140,946	4,140,946
Total operating expense	8,542,920	187,996,435	4,140,946	200,680,301
Operating income [loss]	926,276	19,134,083	[125,656]	19,934,703
Nonoperating revenues [expenses]				
Use of money or property	9,540	1,582,938	10,089	1,602,567
Interest expense	-	[2,677,458]	-	[2,677,458]
Gain [loss] on sale of capital assets	-	-	-	-
Miscellaneous	-	-	493	493
Total nonoperating revenues [expenses]	9,540	[1,094,520]	10,582	[1,074,398]
Income [loss] before transfers	935,816	18,039,563	[115,074]	18,860,305
Transfers from [to] other funds				
Transfers from	-	-	-	-
Transfers [to]	-	-	-	-
Total transfers	-	-	-	-
Change in net position	935,816	18,039,563	[115,074]	18,860,305
Net position, January 1	19,644,892	193,824,408	3,828,540	217,297,840
Restatement to net position	[1,792,507]	-	[1,346,670]	[3,139,177]
Net position, January 1, restated	17,852,385	193,824,408	2,481,870	214,158,663
Net position, December 31	$ 18,788,201	$ 211,863,971	$ 2,366,796	$ 233,018,968

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

1. Summary of Significant Accounting Policies

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

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from certain business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses arc recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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

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

The City reports the following major proprietary funds:

Water and Sewer Fund is used to account for the operations of the City's water and sewer operations.

Sanitation Fund is used to account for the operations of the City's refuse collection service.

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

C. Inventories

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

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Procedures

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

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

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

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 the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The budget was not amended for the year ended December 31, 2015.

The statues 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.

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Procedures (Continued)

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

	Major Governmental Funds				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
GAAP FUND BALANCE December 31, 2015	$ 13,202,220	$ 10,901,622	$ [8,530,229]	$ 31,898,984	$ 47,472,597
Adjustments:					
Fund balances not subject to the Kansas Budget Law	-	-	8,530,229	[22,677,184]	[14,146,955]
Encumbrances	[483,882]	-	-	[667,878]	[1,151,760]
Total deductions	[483,882]	-	8,530,229	[23,345,062]	[15,298,715]
BUDGETARY FUND BALANCE December 31, 2015	$ 12,718,338	$ 10,901,622	$ -	$ 8,553,922	$ 32,173,882

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

F. Receivables and Payables

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

Taxes Receivable. Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2016. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

1. **Summary of Significant Accounting Policies (Continued)**

G. Capital Assets

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

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

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

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

H. Bond Discounts/ Issuance Costs

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

I. Compensated Absences

Under the terms of the City's personnel policy, employees are granted vacation and sick leave in varying amounts based upon the length of service. In the event of termination, an employee with over six months of service will receive all accumulated vacation and one-fourth accumulated sick leave. All vacation and sick leave is accrued when incurred in the government wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid from the find 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 2015.

K. Use of Estimates

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

1. **Summary of Significant Accounting Policies (Continued)**

L. Deferred Revenue

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

M. Comparative Data/ Reclassification

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports pension contributions subsequent to the measurement date, changes in the pension liability proportion and differences between expected and actual experience as deferred outflows of resources in the government activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues from two sources: property taxes and special assessments. Differences between expected and actual experience, net differences between projected and actual investment earnings, changes in assumptions, and changes in the pension liability proportion are reported as deferred inflows for governmental activities. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Fund Equity

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city commission. Any modification of the commitment requires the same type of action. Assigned fund balances include amounts that are constrained by the City management's or governing bod's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that governmental fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is

1. Summary of Significant Accounting Policies (Continued)

O. Fund Equity (Continued)

available, the following is the order in which resources will be expended: committed, assigned and unassigned. The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds				
	General Fund	Debt Service Fund	Capital Projects Fund	Other Government Funds	Total Governmental Funds
Fund Balances:					
Nonspendable for:					
Donor Restrictions	$ -	$ -	$ -	$ 23,000	$ 23,000
Loans	-	-	-	539,959	539,959
Restricted for:					
Capital outlay	-	-	-	5,567,374	5,567,374
Debt service	-	10,901,622	-	-	10,901,622
Assigned for:					
General Government	143,586	-	-	11,208,026	11,351,612
Public Safety	157,784	-	-	233,701	391,485
Public Works	100,624	-	-	1,200,217	1,300,841
Health	1,350	-	-	-	1,350
Social Service	-	-	-	220,591	220,591
Culture and recreation	80,538	-	-	5,217,755	5,298,293
Tourism	-	-	-	1,169,898	1,169,898
Capital outlay	-	-	-	6,704,924	6,704,924
Unassigned	12,718,338	-	(8,530,229)	(186,461)	4,001,648
	$ 13,202,220	$ 10,901,622	$ (8,530,229)	$ 31,898,984	$ 47,472,597

P. Net Position

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

2. Reporting Entity

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

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

2. Reporting Entity (Continued)

2. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of other circumstances.

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

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

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

The 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 considered 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	Lawrence Memorial Hospital	Lawrence Public Library
1600 Haskell Avenue	325 Maine	707 Vermont
Lawrence, Kansas 66044	Lawrence, Kansas 66044	Lawrence, Kansas 66044

3. Deposits and Investments

Deposits- At December 31, 2015, the City held the following investments:

Investment Type	Fair Value	Rating	Maturity Less Than 5 Years
Certificate of Deposit	$ 39,996,413	n/a	$ 39,996,413
Money Market	35,079,876	n/a	35,079,876
Guaranteed Investment Contract	32,608,889	A	32,608,889
Kansas Municipal Investment Pool	12,104	AAA	12,104
Total	$ 107,697,282		

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

3. Deposits and Investments (Continued)

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

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

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

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

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

4. Tax Revenue

Tax revenue for the year ended December 31, 2015 is as follows:

	Primary Government			
	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	$ 16,831,806	$ 7,586,828	$ 3,286,534	$ 27,705,168
Motor vehicle taxes	1,537,057	727,891	299,689	2,564,637
Payment in lieu of taxes	96,085	-	-	96,085
Utility franchise taxes	7,127,746	-	-	7,127,746
Sales tax	11,180,354	-	14,348,446	25,528,800
Total	$ 36,773,048	$ 8,314,719	$ 17,934,669	$ 63,022,436

*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, 2015 were as follows:

	Primary Government			
	General Fund	Debt Service Fund	Library Fund	Total
Levy	$ 19.227	$ 8.504	$ 3.757	$ 31.488

5. Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2015:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 90,794,602	$ 9,450,000	$ 10,555,721	$ 89,688,881	$ 10,640,819
General obligation bonds premium	337,195	345,885	33,719	649,361	-
General obligation bonds, net	91,131,797	9,795,885	10,589,440	90,338,242	10,640,819
Capital Lease	-	202,039	70,495	131,544	64,246
Accrued vacation and sick pay	6,562,539	4,127,445	3,845,215	6,844,769	2,942,503
Net OPEB obligation	3,811,750	1,041,219	506,667	4,346,302	-
Total	$ 101,506,086	$ 15,166,588	$ 15,011,817	$ 101,660,857	$ 13,647,568
Business-type activities:					
General obligation bonds	$ 9,800,398	$ -	$ 1,549,279	$ 8,251,119	$ 1,579,181
Revenue bonds	44,030,000	98,860,000	13,355,000	129,535,000	4,625,000
Revenue bonds premium	-	8,722,416	-	8,722,416	-
Revenue bonds, net	44,030,000	107,582,416	13,355,000	138,257,416	4,625,000
Long term notes payable	18,301,688	-	2,354,751	15,946,937	2,520,986
Accrued vacation and sick pay	2,141,205	1,485,271	1,417,768	2,208,708	1,043,639
Net OPEB obligation	1,379,250	376,781	183,334	1,572,697	-
Total	$ 75,652,541	$ 109,444,468	$ 18,860,132	$ 166,236,877	$ 9,768,806

The following is a summary of general obligation temporary note transactions for the year ended December 31, 2015:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 19,030,000	$ -	$ 19,030,000	$ -
Premium	296,714	81,070	296,714	81,070
Business-type activities	59,900,000	10,795,000	59,900,000	10,795,000
Premium	974,573	-	974,573	-
Total	$ 80,201,287	$ 10,876,070	$ 80,201,287	$ 10,876,070

5. Long-Term Debt (Continued)

Debt payable, other than claims and judgments and compensated absences, at December 31, 2015 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due In One Year
General obligation bonds:						
Internal improvement	2004-B	2016	2.5-3.0	$ 10,600,000	$ 1,035,000	$ 1,035,000
Internal improvement	2004-C	2016	3.0-4.5	1,600,000	160,000	160,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	2,135,000	1,050,000
Internal improvement	2006	2018	4.00	17,130,000	4,945,000	1,590,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	4,330,000	1,020,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	6,155,000	1,150,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	1,745,000	270,000
Internal improvement	2010	2034	4.25-5.7	2,975,000	2,865,000	110,000
Internal improvement	2010	2022	1.25-3.0	8,920,000	5,430,000	725,000
Internal improvement	2010	2023	1.25-3.0	8,305,000	5,260,000	635,000
Internal improvement	2011	2023	2.0-3.0	3,895,000	2,695,000	310,000
Internal improvement	2012	2024	2.0-3.0	7,710,000	5,215,000	865,000
Internal improvement	2012	2016	1.5-2.0	3,480,000	885,000	885,000
Internal improvement	2013	2025	2.0-4.0	4,405,000	3,705,000	350,000
Internal improvement	2014	2024	2.0-5.0	25,065,000	24,170,000	880,000
Internal improvement	2014	2024	3.0-4.0	18,440,000	17,760,000	655,000
Internal improvement	2015	2030	2.0-3.0	9,450,000	9,450,000	530,000
					97,940,000	12,220,000
Revenue bonds:						
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	18,820,000	645,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	3,120,000	185,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	8,735,000	325,000
Water and sewerage improvement refunding	2015	2025	3.0-5.0	8,960,000	8,960,000	1,230,000
Water and sewerage improvement	2015	2040	2.0-5.0	89,900,000	89,900,000	2,240,000
					129,535,000	4,625,000
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	15,946,937	2,520,986
					15,946,937	2,520,986
Total primary government					$ 243,421,937	$ 19,365,986

In 2015, the City issued $89,900,000 in revenue bonds for paying the costs of certain water and sewerage system improvements. The Revenue Bonds, Series 2015, are due in annual installments of $2,240,000 to $5,485,000 through November 2040, with interest due in semiannual installments at an interest rate ranging between 2.00% to 5.00%.

In 2015, the City issued $8,960,000 in revenue bonds to provide for the current refunding of outstanding water and sewer revenue bond series 2005. The current refunding resulted in a net present value savings of $1,362,196. The Revenue Bonds, Series 2015-B, are due in annual installments of $770,000 to $1,230,000 through November 2025, with interest due in semiannual installments at an interest rate ranging between 3.00% to 5.00%.

In 2015, the City issued $9,450,000 in general obligation bonds for paying the costs of certain street, building, and equipment improvements. The General Obligation Bonds, Series 2015-A, are due in annual installments of $530,000 to $760,000 through September 2030, with interest due in semiannual installments at an interest rate ranging between 2.00% to 3.00%.

In 2015, the City issued $10,795,000 in general obligation temporary notes to fund certain street, sewer and parking improvements and to retire a portion of the 2014-III Temporary Notes. The Series 2015-I notes mature October 1, 2017 and carry an interest rate of 1.25%.

5. Long-Term Debt (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2015, are as follows:

	Governmental Activities		Business-type Activities		Total
Year	Principal	Interest	Principal	Interest	due
2016	$ 10,640,819	$ 3,039,895	$ 1,579,181	$ 264,909	$ 15,524,804
2017	8,724,579	2,700,096	1,435,421	213,722	13,073,818
2018	8,388,483	2,385,863	976,517	167,629	11,918,492
2019	6,910,000	2,092,886	980,000	137,169	10,120,055
2020	5,795,000	1,880,230	1,005,000	105,888	8,786,118
2021-2025	20,720,000	6,940,188	2,275,000	126,138	30,061,326
2026-2030	16,515,000	3,868,405	-	-	20,383,405
2031-2035	11,995,000	1,104,455	-	-	13,099,455
Total	$ 89,688,881	$ 24,012,018	$ 8,251,119	$ 1,015,455	$ 122,967,473

The future annual requirements for revenue bonds outstanding as of December 31, 2015, are as follows:

Year	Principal due	Interest due	Total due
2016	$ 4,625,000	$ 5,287,290	$ 9,912,290
2017	4,675,000	5,097,273	9,772,273
2018	4,820,000	4,933,850	9,753,850
2019	5,015,000	4,740,695	9,755,695
2020	5,200,000	4,539,195	9,739,195
2021-2025	27,460,000	19,269,235	46,729,235
2026-2030	26,375,000	14,023,425	40,398,425
2031-2035	25,970,000	8,214,055	34,184,055
2036-2040	25,395,000	3,127,000	28,522,000
Total	$ 129,535,000	$ 69,232,018	$ 198,767,018

The future annual requirements for long-term notes payable as of December 31, 2015, are as follows:

Year	Principal due	Interest due	Total due
2016	$ 2,520,986	$ 411,051	$ 2,932,037
2017	2,608,454	329,940	2,938,394
2018	2,698,956	246,015	2,944,971
2019	2,698,956	246,015	2,944,971
2020	2,792,599	159,178	2,951,777
2021-2025	2,626,986	69,328	2,696,314
Total	$ 15,946,937	$ 1,461,527	$ 17,408,464

5. Long-Term Debt (Continued)

The Water and Sewage System Revenue Bond require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due to set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 120% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of $50,000. The City is in compliance with all requirements.

Conduit Debt. The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprise are equal to the mortgage payment schedule related to the original debt. At December 31, 2015, total outstanding conduit debt was $41,002,218.

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	$ 62,085,654	$ -	$ 2,644,408	$ 59,441,246	$ 2,670,000
Retirement plan obligation	915,548	-	759,864	155,684	155,684
	$ 63,001,202	$ -	$ 3,404,272	$ 59,596,930	$ 2,825,684

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	$ 45,575,000	$ 875,000
Series 2012	2036	2.53	10,500,000	9,200,000	455,000
Series 2013	2021	1.06	6,865,000	4,060,000	1,340,000
Total Revenue Bonds				58,835,000	2,670,000
Unamortized premiums				606,246	-
				$ 59,441,246	$ 2,670,000

5. Long-Term Debt (Continued)

Annual debt service requirements for the hospital revenue bonds as of December 31, 2015 are as follows:

Year	Principal Due	Interest Due	Total Due
2016	$ 2,670,000	$ 2,610,658	$ 5,280,658
2017	2,745,000	2,538,524	5,283,524
2018	2,815,000	2,463,669	5,278,669
2019	1,515,000	2,385,827	3,900,827
2020	2,040,000	2,319,627	4,359,627
2021-2025	15,940,000	9,723,392	25,663,392
2026-2030	12,065,000	6,763,776	18,828,776
2031-2035	15,465,000	3,358,789	18,823,789
2036	3,580,000	182,725	3,762,725
Total	$ 58,835,000	$ 32,346,987	$ 91,181,987

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, 2015.

6. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 16,423,212	$ -	$ -	$ 16,423,212
Construction in progress	30,807,591	13,849,958	35,224,356	9,433,193
Total capital assets, not being depreciated	47,230,803	13,849,958	35,224,356	25,856,405
Capital assets, being depreciated:				
Buildings	92,469,846	201,294	-	92,671,140
Improvements other than buildings	33,205,094	885,549	-	34,090,643
Machinery and equipment	35,426,670	4,605,832	765,496	39,267,006
Infrastructure	197,201,502	32,507,132	-	229,708,634
Total capital assets being depreciated	358,303,112	38,199,807	765,496	395,737,423
Less accumulated depreciation for:				
Buildings	36,752,093	2,924,328	-	39,676,421
Improvements other than buildings	16,128,027	1,286,001	-	17,414,028
Machinery and equipment	23,287,389	2,647,016	751,040	25,183,365
Infrastructure	70,948,632	4,259,992	-	75,208,624
Total accumulated depreciation	147,116,141	11,117,337	751,040	157,482,438
Total capital assets, being depreciated, net	211,186,971	27,082,470	14,456	238,254,985
Governmental activities capital assets, net	$ 258,417,774	$ 40,932,428	$ 35,238,812	$ 264,111,390

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 6,810,960	$ 81,759	$ -	$ 6,892,719
Construction in progress	37,583,990	29,488,114	14,012,981	53,059,123
Total capital assets, not being depreciated	44,394,950	29,569,873	14,012,981	59,951,842
Capital assets, being depreciated:				
Buildings	88,874,763	-	-	88,874,763
Improvements other than buildings	193,540,018	10,765,532	-	204,305,550
Machinery and equipment	19,085,789	1,015,176	409,646	19,691,319
Total capital assets being depreciated	301,500,570	11,780,708	409,646	312,871,632
Less accumulated depreciation for:				
Buildings	23,926,586	1,998,493	-	25,925,079
Improvements other than buildings	74,303,799	4,872,633	-	79,176,432
Machinery and equipment	12,802,149	1,287,982	409,646	13,680,485
Total accumulated depreciation	111,032,534	8,159,108	409,646	118,781,996
Total capital assets, being depreciated, net	190,468,036	3,621,600	-	194,089,636
Business-type activities capital assets, net	$ 234,862,986	$ 33,191,473	$ 14,012,981	$ 254,041,478

6. Capital Assets (Continued)

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

Governmental activities:	
General government	$ 36,412
Public safety	472,103
Public works	9,166,783
Social services	856,710
Culture and recreation	525,294
Tourism	6,165
Airport	11,713
	11,075,180
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	42,157
Total depreciation expense - governmental activities:	$ 11,117,337
Business-type activities:	
Water and sewer	$ 6,665,565
Sanitation	664,002
Parking	147,312
Stormwater	478,129
Golf course	204,100
Total depreciation expense - business-type activities:	$ 8,159,108

7. Defined Benefit Pension Plan

Description of Pension Plan. The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans.* The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local employees group and the Kansas Police and Firemen group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

7. Defined Benefit Pension Plan (Continued)

Benefits. Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local government employees	9.48%	9.48%
Police and Firemen	21.36%	21.36%

Member contribution rates as a percentage of eligible compensation for the fiscal year 2015 are 5.00% or 6.00% for Local employees and 7.15% for Police and Firemen.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

7. Defined Benefit Pension Plan (Continued)

Employer Allocations. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2015, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended December 31, 2015.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion for the Local employees group was 1.678%, which was an increase of .054% from its proportion measured at June 30, 2014. At June 30, 2015, the City's proportion for the Police and Firemen group was 5.068%, which was an increase of .057% from its proportion measured at June 30, 2014.

Net Pension Liability. At December 31, 2015 and 2014, the City reported a liability of $58,835,707 and $52,855,497, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions:

Assumptions	Rate
Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4% to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

7. Defined Benefit Pension Plan (Continued)

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset	Long-Term Allocation	Long-Term Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	13.00%	0.80%
Yield driven	8.00%	4.20%
Real Return	11.00%	1.70%
Real estate	11.00%	5.40%
Alternatives	8.00%	9.40%
Short-term investments	2.00%	-0.50%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Local	$ 31,284,932	$ 22,038,579	$ 14,199,488
Police & Firemen	53,435,864	36,797,128	22,743,085
Total	$ 84,720,796	$ 58,835,707	$ 36,942,573

Pension Expense. For the year ended December 31, 2015, the City recognized Local pension expense of $1,596,566 and Police and Firemen pension expense of $3,451,824, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

7. Defined Benefit Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

Local	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ -	$ 623,865
Net differences between projected and actual earnings on investments	-	857,887
Changes in assumptions	-	308,014
Changes in proportion	672,619	-
Total	$ 672,619	$ 1,789,766

Police & Firemen	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 335,795	$ 615,944
Net differences between projected and actual earnings on investments	-	1,168,569
Changes in assumptions	-	367,963
Changes in proportion	501,000	-
Total	$ 836,795	$ 2,152,476

$4,123,249 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Local Year ended December 31,	Local Deferred [Inflows] Outflows Amount	Police & Firemen Year ended December 31,	Police & Firemen Deferred [Inflows] Outflows Amount
2016	$ [523,670]	2016	$ [751,338]
2017	[523,670]	2017	[751,338]
2018	[523,670]	2018	[751,338]
2019	423,570	2019	1,033,203
2020	30,293	2020	[94,870]
Total	$ [1,117,147]	Total	$ [1,315,681]

8. Interfund Transactions

Interfund Receivables and Payables. At December 31, 2015, the following funds had interfund receivables and payables to the following funds:

Due From	Amount Due To General Fund
Central Maintenance	$ 122,000
Farmland Remediation	56,000
Outside Agency	250,000
Community Development	220,000
Home Program	70,000
Transportation Planning	33,000
Total	$ 751,000

8. Interfund Transactions (Continued)

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 cared in less than one year.

Interfund Transfers. A summary of transfers for the year ended December 31, 2015 follows:

Fund	Transfers Out	Transfers In
General	$ 200,000	$ 3,656,194
Capital Improvement Reserve	-	200,000
Water and Sewer	3,084,896	-
Sanitation	164,245	-
Central Maintenance	7,000	-
Stormwater	400,000	-
CDBG Recovery	51	-
Rehabilitation Escrow	2	-
Total	$ 3,856,194	$ 3,856,194

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

9. Commitments and Contingencies

Contract Commitments. At December 31, 2015, the City had construction contract commitments totaling approximately $48,553,390. The City expects to receive the contracted services during fiscal year 2015

Encumbrances. The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as assigned fund balance. As of December 31, 2015, the City had a total of $1,151,760 in encumbrances, which are reported as part of the government fund balance sheet as follows:

	Assigned
General	$ 483,882
Nonmajor governmental funds	667,878
Total	$ 1,151,760

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.

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

9. Commitments and Contingencies (Continued)

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 $2,661,292 at December 31, 2015. The primary government's claims liability reported in the Statement of Net Position at December 31, 2015 was $250,000. The liability reported in the financial statements at December 31, 2015 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of loss can be reasonably estimated.

Employee Health Care. The City has established a program to pay medical claims of covered current and former City employees and additional health insurance premiums. Liabilities are reported when it is probable that claims have been incurred and the amount of the liability can be reasonably estimated. Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available resources. This program is accounted for in an internal service fund.

	2015	2014
Unpaid claims, January 1	$ 420,499	$ 353,545
Incurred claims (including IBNR's)	9,378,490	8,993,714
Claim payments	9,342,856	8,926,760
Unpaid claims, December 31	$ 456,133	$ 420,499

10. Fund Deficit

The Capital Project Fund has a deficiency of $8,530,229 due to projects for which permanent financing has not yet been obtained. The Transportation Planning Fund had a deficiency for $7,596 due to grant expenditures which had not yet been received.

11. Cost Sharing Arrangements

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

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

In 1996, the County emergency medical services and the City fire department were combined with the City paying 73.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance services and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment, and furniture were transferred to the ownership of the City. This agreement was later modified inn 1997, 1998, and 2005.

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

Also, the County pays one-sixth of the cost of the City's planning department.

12. Net Assets

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

	Governmental Activities	Business-type Activities	Total
Total net capital assets	$ 264,111,390	$ 254,041,478	$ 518,152,868
Less:			
Current portion of general obligation bonds	[10,640,819]	[1,579,181]	[12,220,000]
Current portion of notes payable	-	[2,520,986]	[2,520,986]
Current portion of revenue bonds	-	[4,625,000]	[4,625,000]
Temporary notes payable	[10,876,070]	-	[10,876,070]
Noncurrent portion of general obligation bonds	[79,697,423]	[6,671,938]	[86,369,361]
Noncurrent portion of revenue bonds	-	[133,632,416]	[133,632,416]
Noncurrent portion of notes payable	-	[13,425,951]	[13,425,951]
Plus:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	2,385,517	46,508,517	48,894,034
Net investment in capital assets	$ 165,282,595	$ 138,094,523	$ 303,377,118

13. Postemployment Health Care Plan

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

Funding Policy. The contribution requirements of plan participants and the City are established by the City. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended December 31, 2015, the City contributed $690,001 to the Plan. (approximately 61% of total contributions). Plan participants contributed $438,738 to the Plan (approximately 39% of total contributions) through their required contributions of 80% of premiums, ranging from $449 to $1,386 per month for coverage.

Net OPEB obligation. The City operates a single employer defined benefit healthcare plan administered by the City. The Employee Benefit Plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group healthcare plan to make participation available to all retirees and dependents until the retirees reaches the age of 5 years. The Health Insurance Fund has been used to liquidate net other postemployment benefit obligations in prior years. No separate financial report is issued for the Plan. OPEB expenses are paid from the Health Insurance internal services fund

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of finding 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:

13. Postemployment Health Care Plan (Continued)

Annual required contribution	$ 1,524,000
Interest on Net OPEB obligation	181,000
Adjustment to annual required contrib	[287,000]
Annual OPEB cost	1,418,000
Contributions made	[690,001]
Increase in Net OPEB obligation	727,999
Net OPEB obligation - beginning of ye	5,191,000
Net OPEB obligation - end of year	$ 5,918,999

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, 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of ARC Contributed	OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 1,077,000	4.00%	$ 653,000	$ 4,892,000
December 31, 2014	1,070,000	60.70%	771,000	5,191,000
December 31, 2015	1,418,000	45.28%	690,001	5,918,999

Funding Status and Funding Progress. As of January 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was $10,639,177 and the actuarial value of the asset was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $10,639,177. The covered payroll (annual payroll of active employees covered by the plan) was $46,184,545, and the ratio of the UAAL to the covered payroll was 23.0%. A Schedule of Funding Progress is shown on page 52 and provides multi-year information about the City's OPEB.

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

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

As of January 1, 2015, the most recent actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and initial annual healthcare cost trends of 7.5% for medical, 7.5% for drugs and 3.5% for dental, reduced by decrements to ultimate rates of 5.0% after eight years. Projected salary increases are 1.5% and the projected rate of inflation is 2.75%. Post-retirement benefits are not projected to change. The UAAL is being amortized as a level percentage over a closed thirty-year period.

14. Pollution Remediation

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015

15. Restatement of Equity

On January 1, 2015, the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

In addition, it was determined the prior year tax revenues were recorded in the incorrect fund. It was also determined that inventory in the Water and Sewer Fund was not properly recorded. The effects of those adjustments are as follows:

	Governmental Activities	Business-type Activities	Component Units
Net position - January 1	$ 217,876,211	$ 168,273,954	$ 217,297,840
Period period adjustment	[48,087,288]	[11,597,924]	[3,139,177]
Net position - January 1, restated	$ 169,788,923	$ 156,676,030	$ 214,158,663

16. Subsequent Event

eXplore Lawrence, an organization that promotes Lawrence to meeting, conference and sporting event planners and to leisure travelers, will be included in the City of Lawrence year ended December 31, 2016, financial statements as a discretely presented component unit.

17. Tax Increment Financing

Property Tax Abatements

Property tax abatements are authorized under Kansas state statutes K.S.A. 12-1740 et seq. and K.S.A. 79-201a and subject to City policy (city code chapter 1, article 21). The program has no specific name. The City provides property tax abatements to encourage existing industry to expand, assist new business start-ups, recruit new companies from out-of-state or internationally, encourage high technology and research based businesses, encourage training and development of Lawrence area employees, and encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in the community through leadership and support of civic and philanthropic organizations. Property tax abatements reduce ad valorem property taxes, by reducing the assessed value of the property. The percentage of reduction ranges from 50% to 100%, but in all cases, the maximum duration is for ten years as per state statute. To receive an abatement, applicants must submit an application, which undergoes due diligence and analysis before being considered by the City Commission. If the abatement is authorized, the applicant must sign a performance agreement that specifies annual compliance measures. These measures include capital investment and job creation. Each year, the applicant must submit a renewal application, along with compliance information, which is reviewed by City staff for conformance with agreement provisions. If compliance is not met, details are reviewed by advisory boards and the City Commission to determine the amount of incentives, if any, to be received by the property owner. Compliance details are reported annually in the City's economic development report. In 2015, the City of Lawrence participated in real property tax abatements for four local companies.

17. Tax Increment Financing (Continued)

No other governments have entered into tax abatement agreements that reduce the City's tax revenues. The City of Lawrence negotiates property tax abatements on an individual basis. The City had the property tax abatements listed below in 2015 totaling $606,204:

Company	Committments	Type & % Abatement in 2015	Amount Abated in 2015
Amarr Garage Doors	Job creation/retention	Personal Property Taxes, 55%	$28,593
3840 Greenway Circle LLC/Screen-It Graphics (Grandstand)	Business relocation and expansion, job creation and retention	Real Property Taxes, 65%	$99,422
Sunlite Science & Technology, Inc.	Business relocation and expansion, job creation and retention	Real Property Taxes, 50%	$21,182
Rock Chalk Park	A property tax abatement was authorized to assist the University of Kansas (KU) in pursuing this project. KU would normally enjoy a 100% property tax abatement on their property for the duration of ownership. However, due to the structure of the project with KU Athletics entering into a long term lease with a private developer to construct the facilities, an automatic property tax exemption was not possible.	Real Property Taxes, 100%	$457,007

Neighborhood Revitalization Areas (NRA)

The City of Lawrence has seven established neighborhood revitalization areas, three of which received tax rebates in 2015. NRAs are authorized under Kansas state statutes K.S.A. 12-117 and subject to City policy (Res. 6954).

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

17. Tax Increment Financing (Continued)

The City of Lawrence negotiates NRAs on an individual basis. The City had the NRAs listed below in 2015:

Company	Purpose	Duration-% of Increment Subject to NRA	Rebate Amount in 2015
8th and Pennsylvania District: (720 E 9th Street)	Revitalization of historic warehouse district	95% - Note 1	$13,617
1040 Vermont (Treanor Architect's Headquarters)	Redevelopment of vacant building into architectural headquarters/office space	10Y-95% in 2015 – Note 2	$29,718
810/812 Pennsylvania (Cider Building)	Redevelopment of vacant, historic building into art gallery and commercial office space	10Y-95%	$26,370
1106 Rhode Island (Hernly Architect's)	Rehab and development of vacant, historical structures into office and residential space	10Y-85%,	n/a: First rebate tax year will be 2016
1101/1115 Indiana (Mixed-Use, Student Housing)	Redevelopment of underutilized property for mixed-use commercial and residential space	10Y-85%,	n/a: First rebate tax year will be 2017
900 Delaware (9 Del Lofts)	Redevelopment of vacant parcel into multi-family, affordable housing	15Y-95%	n/a: First rebate tax year will be 2016

Note 1 – The 8th & Pennsylvania NRA district allows up to twenty years of NRA rebates (subject to capped amount correlating with costs). As per agreement with the City, rebates are due until the maximum amount of $324,673.18 has been rebated or 12-31-2032, whichever comes first.

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

Tax Increment Financing (TIF)

TIFs are an economic development tool established by the Kansas TIF Act (K.S.A. 12-1770 et seq.) and subject to City policy (Res. 6789) to aid in financing projects for substantial public benefit. Public benefits can include creating jobs or retaining existing employment, eliminating blight, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, upgrading older neighborhoods, facilitating economic self-sufficiency, promoting projects that are of community wide importance, or implementing the Comprehensive Plan and economic development goals of the City. The program works by reimbursing a portion of the incremental increase in property taxes resulting from improvements and a portion of local sales tax generated within the district to the property owner. The base value, or what the property was valued at prior to improvements, is shielded from the rebate.

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

17. Tax Increment Financing (Continued)

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

The City of Lawrence negotiates TIFs on an individual basis. The City had the TIFs listed below in 2015:

TIF District	Purpose	Expires	TIF Reimbursement Amount in 2015
Downtown 2000 Redevelopment (Original 9th and New Hampshire)	Aid construction and funding of multi-level, City public parking garage.	2020	$28,085 – Note 1
The Oread TIF District – Note 2			
The Oread: TIF Sales Tax	Fund public improvements for multi-level hotel project	2028	$181,009
The Oread: TIF Property Tax			$270,490
9th & New Hampshire TIF District			
TIF Sales Tax: **South Project** (900 New Hampshire)	Fund public improvements for development of vacant parcel into mixed-use hotel with on-site, underground parking	2032	$50,786
TIF Property Tax: **South Project** (900 New Hampshire)			$22,685
TIF Sales Tax: **North Project**	Fund public improvements for redevelopment of property into mixed-use apartment and banking center with on-site, underground parking.	2034	n/a: Project under construction in 2015
TIF Property Tax: **North Project**			n/a: Project under construction in 2015

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

Note 2 – For 2015, not all distributions collected had been reimbursed due to a contractual dispute.

Transportation Development District

Transportation Development Districts (TDD) are an economic development tool established by the Kansas TDD Act (K.S.A. 12-17,140 et seq.) and subject to City policy (Res. 6952) to assist with the development of transportation improvements which can benefit a development and the public. In all TDD districts, public improvements were financed initially by the developer and are reimbursed annually via a one percent (1%) transportation district sales tax on retail or taxable services occurring within the district.

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

17. Tax Increment Financing (Continued)

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

The City of Lawrence negotiates TDDs on an individual basis. The City had the TDDs listed below in 2015.

TDD District	Purpose	Expires	TDD Reimbursement Amount in 2015
The Oread	Aid in funding transportation improvements related to The Oread Hotel TDD district.	2031	$93,559
Free-State (Bauer Farms)	Aid in funding transportation improvements related to the Free-State TDD development district.	2031	$115,851
9th & New Hampshire			
South Project: 900 New Hampshire St.	Aid in funding transportation improvements related to the 9th & New Hampshire TDD district.	2037	$0 – Note 1
North Project: 100 E 9th St.			n/a: Project under construction in 2015

Note 1 - $21,622 in TDD revenue was distributed in 2015 on behalf of the South Project. The City retains the first $850,000 as contribution toward the City parking garage at 10th & New Hampshire. In 2015, the City retained the entire amount of $21,622.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAWRENCE, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as Percent of Payroll (b)-(a) /(c)
1/1/2011	$ -	$ 21,303,407	$ 21,303,407	$ -	$ 42,671,173	49.92%
1/1/2013	-	9,414,166	9,414,166	-	43,500,165	21.64%
1/1/2015	-	10,639,177	10,639,177	-	46,184,545	23.04%

CITY OF LAWRENCE, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2015

KPERS PENSION PLAN

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

	Local 12/31/15	Police and Firemen 12/31/15
City's proportion of the net pension liability	1.678%	5.068%
City's proportionate share of the net pension liability	$ 22,038,579	$ 36,797,128
City's covered-employee payroll	$ 27,253,827	$ 22,717,357
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.86%	161.98%
Plan fiduciary net position as a percentage of the total pension liability	71.98%	74.60%

* - The amounts presented for each fiscal year were determined as of 12/31. Data became available with the inception of GASB 68 during fiscal year 2015, therefore 10 years of data is unavailable.

Schedule of the City's Contributions
Last Ten Fiscal Years*

	Local 12/31/15	Police and Firemen 12/31/15
Contractually required contribution	$ 2,783,814	$ 5,137,753
Contributions in relation to the contractually required contribution	2,783,814	5,137,753
Contribution deficiency [excess]	$ -	$ -
City's covered-employee payroll	$ 29,365,147	$ 24,053,146
Contributions as a percentage of covered employee payroll	9.48%	21.36%

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