

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF LAWRENCE  
MARION COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
12/14/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Jason Fenwick	01-01-17 to 12-31-18
Mayor	Steve Collier	01-01-16 to 12-31-19
President of the Board of Public Works	Dave Freeman	01-01-17 to 12-31-18
President of the Common Council	Joe Williams Lisa Chavis	01-01-17 to 12-31-17 01-01-18 to 12-31-18
President of the Utility Service Board	Steve Hall	01-01-17 to 12-31-18
Superintendent of Utilities	Scott Salsbery	01-01-17 to 12-31-18



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the City of Lawrence (City), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement 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 City'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 statement.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2017.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's 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.

  
Paul D. Joyce, CPA  
State Examiner

October 30, 2018



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Lawrence (City), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated October 30, 2018, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002.

**City of Lawrence's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

October 30, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF LAWRENCE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 2,324,268	\$ 22,977,847	\$ 21,747,216	\$ 3,554,899
Motor Vehicle Highway	2,813,410	2,586,690	2,480,576	2,919,524
Local Road And Street	384,023	704,610	410,132	678,501
Park Nonreverting Operating	128,970	229,322	191,424	166,868
Emergency Medical Services/Ambulanc	2,004,191	2,825,667	2,923,463	1,906,395
Animal Shelter	2,000	-	-	2,000
Law Enforcement Continuing Ed	193,006	43,868	42,667	194,207
Deferral Program	47,051	14,271	-	61,322
Hazardous Materials	760	-	760	-
Federal Revenue Sharing Trust	3,902	1,209	1,553	3,558
Redevelopment Cap Monarch TIF	1,067,662	616,173	553,825	1,130,010
Redevelopment Capital	917,567	461,484	440,832	938,219
Cumulative Building	52,193	-	-	52,193
Cumulative Capital Improvement	350,383	361,727	417,299	294,811
Ft. Harrison Reuse Authority	1,630,650	3,639,425	3,635,914	1,634,161
Self Funding Insurance	1,660,031	4,089,366	3,965,030	1,784,367
Police Pension	5,904	473,753	425,987	53,670
Redevelopment Debt Reserve	185,778	-	-	185,778
Flexible Spending Clearing Account	49,945	-	-	49,945
Federal Grant Fund	(60,559)	341,825	318,942	(37,676)
COIT Special Distribution	660,863	-	660,862	1
Rainy Day Restricted Fund	339,137	-	339,137	-
Administrative Services	-	1,126,728	1,084,601	42,127
Technology Services	-	799,703	732,138	67,565
Levy Excess	-	11,119	-	11,119
Donations	84,812	88,360	61,281	111,891
Federal Grants # 1	(363,048)	60,000	-	(303,048)
State Grant	(14,011)	1,034,654	1,063,554	(42,911)
Developers Escrow Fund	95,745	-	-	95,745
Local Govt Grant # 1	4,112	20,465	20,465	4,112
Loit-Public Safety	1,728,285	2,888,987	2,918,995	1,698,277
Park Building Debt	242,727	-	76,000	166,727
Park Bond - 1990	8,301	-	-	8,301
Park Debt - 1998	143,623	280,000	260,430	163,193
Fire Debt li (Station 3)	16,899	-	-	16,899
Fire Debt V (Station 4)	68,490	-	-	68,490
Fire Debt (Stn 2 - Training Ctr)	331,757	228,240	372,500	187,497
Municipal Building Corp Debt	379,737	667,654	697,437	349,954
Government Center Debt	79,214	-	-	79,214
Transportation Bond (Proceeds)	84,981	-	-	84,981
Payroll	(20,640)	23,499,368	23,496,904	(18,176)
Wastewater Utility-Operating	2,877,802	8,986,695	9,404,919	2,459,578
Wastewater Util-Bond And Interest	-	776,741	776,741	-
Sewer Capital Improvement Fund	95,000	2,000,000	300,949	1,794,051
Sewer Debt Service Reserve '09	253,830	-	-	253,830
Wastewater Utility-Debt Reserve	233,251	-	-	233,251
2017 Water SRF Bond & Interest	-	90,736	-	90,736
Water 2017 SRF Loan Fund	-	1,057,553	1,057,553	-
Water Utility Bond Proceeds	-	229,136	210,703	18,433
Water Bond and Interest Sinking	-	1,227,625	1,227,625	-
Water Utility-Operating	106,164	8,683,102	7,684,772	1,104,494
Water Capital Improvement Fund	-	1,250,000	427,696	822,304
Water Debt Service Reserve '09	395,621	182,897	578,519	(1)
Water Utility-Debt Reserve	664,210	636,598	983,288	317,520
<b>Totals</b>	<b>\$ 22,257,997</b>	<b>\$ 95,193,598</b>	<b>\$ 91,992,689</b>	<b>\$ 25,458,906</b>

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

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

**C. Cash and Investments**

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

**D. Receipts**

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

*Licenses and permits.* Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of possible licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants,

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The City may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the City. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687



CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

CITY OF LAWRENCE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the timing of reimbursable grant funds. The cash balance in the Payroll fund may be negative from time to time as a result of the timing of disbursements.

**Note 8. Holding Corporations**

The City has entered into capital leases with the Lawrence Government Center Building Corporation, the Lawrence Municipal Building Corporation, and the Lawrence Fire Station Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessors have been determined to be related-parties of the City. Lease payments during the year 2017 totaled \$2,231,975.

#### OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the City's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Emergency Medical Services/Ambulanc	Animal Shelter
Cash and investments - beginning	\$ 2,324,268	\$ 2,813,410	\$ 384,023	\$ 128,970	\$ 2,004,191	\$ 2,000
Receipts:						
Taxes	11,013,340	-	-	-	-	-
Licenses and permits	946,844	36,035	-	-	-	-
Intergovernmental receipts	5,280,957	2,550,655	704,610	-	-	-
Charges for services	2,221,979	-	-	229,273	2,820,131	-
Fines and forfeits	969,857	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	2,544,870	-	-	49	5,536	-
Total receipts	22,977,847	2,586,690	704,610	229,322	2,825,667	-
Disbursements:						
Personal services	15,290,749	863,725	-	-	1,231,821	-
Supplies	309,397	283,505	-	44,580	112,910	-
Other services and charges	3,747,288	1,104,342	55,429	145,921	812,562	-
Debt service - principal and interest	2,342,817	138,148	354,703	-	451,186	-
Capital outlay	39,354	90,856	-	923	314,984	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	17,611	-	-	-	-	-
Total disbursements	21,747,216	2,480,576	410,132	191,424	2,923,463	-
Excess (deficiency) of receipts over disbursements	1,230,631	106,114	294,478	37,898	(97,796)	-
Cash and investments - ending	\$ 3,554,899	\$ 2,919,524	\$ 678,501	\$ 166,868	\$ 1,906,395	\$ 2,000

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Law Enforcement Continuing Ed	Deferral Program	Hazardous Materials	Federal Revenue Sharing Trust	Redevelopment Cap Monarch TIF	Redevelopment Capital
Cash and investments - beginning	\$ 193,006	\$ 47,051	\$ 760	\$ 3,902	\$ 1,067,662	\$ 917,567
Receipts:						
Taxes	-	-	-	-	616,173	460,219
Licenses and permits	21,540	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	21,336	-	-	-	-	-
Fines and forfeits	992	14,271	-	1,209	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,265
Total receipts	43,868	14,271	-	1,209	616,173	461,484
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	13,953	-	409	1,311	-	-
Other services and charges	28,714	-	351	242	28,825	276,084
Debt service - principal and interest	-	-	-	-	525,000	164,748
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	42,667	-	760	1,553	553,825	440,832
Excess (deficiency) of receipts over disbursements	1,201	14,271	(760)	(344)	62,348	20,652
Cash and investments - ending	\$ 194,207	\$ 61,322	\$ -	\$ 3,558	\$ 1,130,010	\$ 938,219

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Cumulative Building	Cumulative Capital Improvement	Ft. Harrison Reuse Authority	Self Funding Insurance	Police Pension	Redevelopment Debt Reserve	Flexible Spending Clearing Account
Cash and investments - beginning	\$ 52,193	\$ 350,383	\$ 1,630,650	\$ 1,660,031	\$ 5,904	\$ 185,778	\$ 49,945
Receipts:							
Taxes	-	323,005	3,639,425	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	38,590	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	132	-	4,089,366	473,753	-	-
Total receipts	-	361,727	3,639,425	4,089,366	473,753	-	-
Disbursements:							
Personal services	-	-	-	-	425,987	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	199,380	3,635,914	3,965,030	-	-	-
Debt service - principal and interest	-	150,547	-	-	-	-	-
Capital outlay	-	67,372	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	417,299	3,635,914	3,965,030	425,987	-	-
Excess (deficiency) of receipts over disbursements	-	(55,572)	3,511	124,336	47,766	-	-
Cash and investments - ending	\$ 52,193	\$ 294,811	\$ 1,634,161	\$ 1,784,367	\$ 53,670	\$ 185,778	\$ 49,945

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Federal Grant Fund	COIT Special Distribution	Rainy Day Restricted Fund	Administrative Services	Technology Services	Levy Excess
Cash and investments - beginning	\$ (60,559)	\$ 660,863	\$ 339,137	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	11,119
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	341,825	-	-	-	-	-
Charges for services	-	-	-	1,126,728	799,703	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>341,825</u>	<u>-</u>	<u>-</u>	<u>1,126,728</u>	<u>799,703</u>	<u>11,119</u>
Disbursements:						
Personal services	-	-	-	783,619	10,286	-
Supplies	39,965	-	-	5,332	15,827	-
Other services and charges	177,147	660,862	339,137	258,633	688,877	-
Debt service - principal and interest	-	-	-	37,017	-	-
Capital outlay	101,830	-	-	-	17,148	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>318,942</u>	<u>660,862</u>	<u>339,137</u>	<u>1,084,601</u>	<u>732,138</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>22,883</u>	<u>(660,862)</u>	<u>(339,137)</u>	<u>42,127</u>	<u>67,565</u>	<u>11,119</u>
Cash and investments - ending	<u>\$ (37,676)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 42,127</u>	<u>\$ 67,565</u>	<u>\$ 11,119</u>

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Donations	Federal Grants # 1	State Grant	Developers Escrow Fund	Local Govt Grant # 1	Loit-Public Safety
Cash and investments - beginning	\$ 84,812	\$ (363,048)	\$ (14,011)	\$ 95,745	\$ 4,112	\$ 1,728,285
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	60,000	1,034,654	-	20,465	2,884,027
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	88,360	-	-	-	-	4,960
Total receipts	88,360	60,000	1,034,654	-	20,465	2,888,987
Disbursements:						
Personal services	-	-	-	-	20,465	1,474,082
Supplies	26,802	-	-	-	-	346,318
Other services and charges	34,479	-	1,063,554	-	-	645,131
Debt service - principal and interest	-	-	-	-	-	378,662
Capital outlay	-	-	-	-	-	74,802
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	61,281	-	1,063,554	-	20,465	2,918,995
Excess (deficiency) of receipts over disbursements	27,079	60,000	(28,900)	-	-	(30,008)
Cash and investments - ending	\$ 111,891	\$ (303,048)	\$ (42,911)	\$ 95,745	\$ 4,112	\$ 1,698,277



CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Park Building Debt	Park Bond 1990	Park Debt 1998	Fire Debt li (Station 3)	Fire Debt V (Station 4)	Fire Debt (Stn 2 - Training Ctr)
Cash and investments - beginning	\$ 242,727	\$ 8,301	\$ 143,623	\$ 16,899	\$ 68,490	\$ 331,757
Receipts:						
Taxes	-	-	-	-	-	207,055
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	280,000	-	-	21,113
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	72
Total receipts	-	-	280,000	-	-	228,240
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	1,000	-	-	500
Debt service - principal and interest	76,000	-	259,430	-	-	372,000
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	76,000	-	260,430	-	-	372,500
Excess (deficiency) of receipts over disbursements	(76,000)	-	19,570	-	-	(144,260)
Cash and investments - ending	\$ 166,727	\$ 8,301	\$ 163,193	\$ 16,899	\$ 68,490	\$ 187,497

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Municipal Building Corp Debt	Government Center Debt	Transportation Bond (Proceeds)	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 379,737	\$ 79,214	\$ 84,981	\$ (20,640)	\$ 2,877,802	\$ -
Receipts:						
Taxes	605,783	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	61,661	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	8,012,115	-
Penalties	-	-	-	-	244,647	-
Other receipts	210	-	-	23,499,368	729,933	776,741
Total receipts	667,654	-	-	23,499,368	8,986,695	776,741
Disbursements:						
Personal services	-	-	-	-	852,069	-
Supplies	-	-	-	-	-	-
Other services and charges	657	-	-	-	94,896	-
Debt service - principal and interest	696,780	-	-	-	-	773,641
Capital outlay	-	-	-	-	206,791	-
Utility operating expenses	-	-	-	-	2,845,093	-
Other disbursements	-	-	-	23,496,904	5,406,070	3,100
Total disbursements	697,437	-	-	23,496,904	9,404,919	776,741
Excess (deficiency) of receipts over disbursements	(29,783)	-	-	2,464	(418,224)	-
Cash and investments - ending	\$ 349,954	\$ 79,214	\$ 84,981	\$ (18,176)	\$ 2,459,578	\$ -

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Sewer Capital Improvement Fund	Sewer Debt Service Reserve '09	Wastewater Utility-Debt Reserve	2017 Water SRF Bond & Interest	Water 2017 SRF Loan Fund	Water Utility Bond Proceeds
Cash and investments - beginning	\$ 95,000	\$ 253,830	\$ 233,251	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	2,000,000	-	-	90,736	1,057,553	229,136
Total receipts	2,000,000	-	-	90,736	1,057,553	229,136
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	300,949	-	-	-	1,057,553	210,703
Other disbursements	-	-	-	-	-	-
Total disbursements	300,949	-	-	-	1,057,553	210,703
Excess (deficiency) of receipts over disbursements	1,699,051	-	-	90,736	-	18,433
Cash and investments - ending	\$ 1,794,051	\$ 253,830	\$ 233,251	\$ 90,736	\$ -	\$ 18,433

CITY OF LAWRENCE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	Water Bond and Interest Sinking	Water Utility-Operating	Water Capital Improvement Fund	Water Debt Service Reserve '09	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ -	\$ 106,164	\$ -	\$ 395,621	\$ 664,210	\$ 22,257,997
Receipts:						
Taxes	-	-	-	-	-	16,876,119
Licenses and permits	-	-	-	-	-	1,004,419
Intergovernmental receipts	-	-	-	-	-	13,278,557
Charges for services	-	-	-	-	-	7,219,150
Fines and forfeits	-	-	-	-	-	986,329
Utility fees	-	8,479,891	-	-	-	16,492,006
Penalties	-	201,564	-	-	-	446,211
Other receipts	1,227,625	1,647	1,250,000	182,897	636,598	38,890,807
Total receipts	1,227,625	8,683,102	1,250,000	182,897	636,598	95,193,598
Disbursements:						
Personal services	-	1,081,561	-	-	-	22,034,364
Supplies	-	-	-	-	-	1,200,309
Other services and charges	-	94,896	-	-	-	18,059,851
Debt service - principal and interest	1,226,125	-	-	-	-	7,946,804
Capital outlay	-	172,451	-	-	-	1,086,511
Utility operating expenses	-	2,907,588	-	-	-	7,321,886
Other disbursements	1,500	3,428,276	427,696	578,519	983,288	34,342,964
Total disbursements	1,227,625	7,684,772	427,696	578,519	983,288	91,992,689
Excess (deficiency) of receipts over disbursements	-	998,330	822,304	(395,622)	(346,690)	3,200,909
Cash and investments - ending	\$ -	\$ 1,104,494	\$ 822,304	\$ (1)	\$ 317,520	\$ 25,458,906

CITY OF LAWRENCE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ 1,831	\$ -
Water	184,121	10,549
Governmental activities	<u>111,991</u>	<u>114,849</u>
Totals	<u>\$ 297,943</u>	<u>\$ 125,398</u>

CITY OF LAWRENCE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
<b>Governmental activities:</b>				
Crossroads Bank	Nederham Exhaust Systems - Fire Stations	\$ 17,028	5/23/2014	4/1/2018
Huntington Public Capital Corporation	Park Dump Trump	15,780	2/28/2015	7/31/2018
Huntington Public Capital Corporation	Schedule 3 - Police Vehicles & related equipment	176,753	6/30/2014	7/31/2018
Huntington Public Capital Corporation	Schedule 4 - EMS Vehicles & related Equipment	177,076	6/30/2014	7/31/2018
Huntington Public Capital Corporation	2014 Schwarze Air Sweeper	37,302	8/15/2014	7/31/2018
Lawrence Fire Station Building Corporation	First Mortgage Refunding Bonds Series 2012	374,500	7/5/2012	1/5/2023
Lawrence Government Center Building Corporation	Park Facility Improvement Bonds Series 2012	76,000	1/1/2013	7/1/2019
Lawrence Municipal Building Corporation	First Mortgage Refunding Bonds Series 2006	693,509	2/15/2007	2/15/2022
Regions Equipment Finance	Schedule 5 - Police Vehicles	108,025	5/26/2017	5/26/2022
Regions Equipment Finance	Schedule 2 - Pierce Pumper Truck	79,424	12/13/2016	12/13/2023
Regions Equipment Finance	Schedule 1 - IT Equipment	59,074	12/9/2016	12/9/2020
Regions Equipment Finance	Schedule 8 - Parks Vehicle	6,232	12/19/2017	12/19/2022
Regions Equipment Finance	Schedule 4 - Pierce Ladder Truck	135,489	12/16/2017	2/16/2024
Regions Equipment Finance	Schedule 3 - 2017 Salt Truck	29,744	12/20/2016	12/20/2021
Regions Equipment Finance	Schedule 7 - 2018 Salt Truck	22,308	12/19/2017	12/19/2024
<b>Total governmental activities</b>		<u>2,008,244</u>		
<b>Wastewater:</b>				
Catepillar Financial Services	Hydraulic Excavator 9/24/2013 50%	6,036	9/24/2013	1/1/2019
Crossroads Bank	Valve Turner	5,642	8/1/2014	7/1/2018
Regions Equipment Finance	Schedule 6 - Vactor	49,206	12/19/2017	12/19/2024
US Bank	IBAK Camera System	124,692	9/24/2014	9/24/2018
<b>Total Wastewater</b>		<u>185,576</u>		
<b>Water:</b>				
Bank of America	Water Meter Replacement Program	235,964	5/27/2011	5/27/2026
Catepillar Financial Services	Hydraulic Excavator 50%	6,036	9/24/2013	1/1/2019
Crossroads Bank	Valve Turner	5,642	8/1/2014	7/1/2018
<b>Total Water</b>		<u>247,642</u>		
<b>Total of annual lease payments</b>		<u>\$ 2,441,462</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental activities:</b>			
General obligation bonds	City of Lawrence Park and Recreation District Refunding Bonds Series 2012	\$ 255,000	\$ 259,972
Revenue bonds	City of Lawrence Redevelopment District Bonds Series 2011	790,000	167,854
Revenue bonds	City of Lawrence Redevelopment District Tax Increment Revenue Capital Appreciation Bonds Series 2008	3,880,116	590,000
Revenue bonds	City of Lawrence Transportation Refunding Revenue Bond Series 2014	2,717,000	357,539
<b>Total governmental activities</b>		<u>7,642,116</u>	<u>1,375,365</u>
<b>Wastewater:</b>			
Revenue bonds	Sewage Works Refunding Revenue Bonds Series 2015	2,010,000	215,874
Revenue bonds	Sewage Works Revenue Bonds Series 2009 A (Issued by the Indiana State Revolving Fund Loan Program)	2,332,564	190,395
Revenue bonds	Sewage Works Revenue Bonds Series 2009 B (Issued by the Indiana Bond Bank)	2,890,000	316,348
Revenue bonds	Sewage Works Taxable Revenue Bonds Series 2009 C (Issued by the Indiana Bond Bank)	265,000	42,939
<b>Total Wastewater</b>		<u>7,497,564</u>	<u>765,556</u>
<b>Water:</b>			
Revenue bonds	Taxable Waterworks Refunding Revenue Bonds Series 2017B	3,880,000	430,910
Revenue bonds	Waterworks Refunding Revenue Bonds Series 2017A	5,465,000	651,433
Revenue bonds	Waterworks Revenue Bonds Series 2017	8,505,000	175,298
<b>Total Water</b>		<u>17,850,000</u>	<u>1,257,641</u>
<b>Totals</b>		<u>\$ 32,989,680</u>	<u>\$ 3,398,562</u>

CITY OF LAWRENCE  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2017

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 2,320,600
Infrastructure	124,889,169
Buildings	2,237,100
Improvements other than buildings	4,302,000
Machinery, equipment, and vehicles	<u>11,063,547</u>
Total governmental activities	<u>144,812,416</u>
Wastewater:	
Infrastructure	20,728,674
Improvements other than buildings	8,187,291
Machinery, equipment, and vehicles	<u>312,500</u>
Total Wastewater	<u>29,228,465</u>
Water:	
Land	610,062
Infrastructure	125,088,438
Buildings	3,310,900
Machinery, equipment, and vehicles	<u>253,280</u>
Total Water	<u>129,262,680</u>
Total capital assets	<u>\$ 303,303,561</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the City of Lawrence's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-004. Our opinion on the major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**


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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004, that we consider to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

October 30, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF LAWRENCE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<b>Department of Defense</b>					
National Guard Military Operations and Maintenance (O&M) Projects	Adjutant General of Indiana	12.401			
National Guard Military Operations and Maintenance (O&M) Projects			FY 2017	\$ -	\$ 20,840
Total - Department of Defense				-	20,840
<b>Department of Justice</b>					
Crime Victim Compensation	Indiana Criminal Justice Institute	16.576			
Crime Victim Compensation			FY 2017	-	1,936
Bulletproof Vest Partnership Program	Direct grant	16.607			
Bulletproof Vest Grant			FY 2017	-	5,344
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738			
2017 Byrne Grant			2017-DJ-BX-1191	-	34,621
Edward Byrne Memorial Competitive Grant Program	Indiana Criminal Justice Institute	16.751			
2014 Byrne Grant			2014-DJ-BX-0744	-	11,958
Total - Department of Justice				-	53,859
<b>Department of Transportation</b>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Amy Beverland SRTS			DES-1298645	-	89,311
56th Street Bike/Pedestrian Facilities			DES-1006365	-	19,084
Sign Replacement			DES-1173121	-	15,478
Total - Highway Planning and Construction Cluster				-	123,873
Total - Department of Transportation				-	123,873
<b>Environmental Protection Agency</b>					
Capitalization Grants for Drinking Water State Revolving Funds	Indiana Finance Authority	66.468			
2017 Water SRF Loan			FY 2017	-	1,057,553
Brownfields Assessment and Cleanup Cooperative Agreements	Direct grant	66.818			
Brownfield			BF-00E01516	-	110,848
Total - Environmental Protection Agency				-	1,168,401
<b>Department of Homeland Security</b>					
Assistance to Firefighters Grant	Direct grant	97.044			
Assistance to Firefighters Grant			EMW 2015 FO 05884	-	89,743
Total - Department of Homeland Security				-	89,743
Total federal awards expended				\$ -	\$ 1,456,717

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF LAWRENCE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2017-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

*Context*

The SEFA contained the following errors:

1. \$1,000,000 of state matching funds were improperly included.



CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Two grants totaling \$22,776 were not included.
3. State grant amounts were reported, Federal Grantor Agencies and Pass-Through Entities were misreported, and some CFDA numbers were not included.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the City's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-002**

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness; Noncompliance

*Condition*

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

Cash and Investments: Bank reconciliations for each bank account were not performed monthly during the audit period. Bank reconciliations were only performed monthly for the Operating and Utility accounts; however, the reconciliations did not balance to the ledger. In addition, the City did not perform a combined reconciliation for all accounts for December 31, 2017.

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of control and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the City had not established an effective system of internal control over financial transactions and reporting and cash and investments.

*Effect*

The failure to establish controls enabled material misstatements to remain undetected.

*Recommendation*

We recommended that the City's management establish controls related to financial transactions and reporting and cash and investments.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2017-003**

Subject: Capitalization Grants for Drinking Water State Revolving Funds - Cash Management  
Federal Agency: Environmental Protection Agency  
Federal Program: Drinking Water State Revolving Fund  
CFDA Number: 66.468  
Federal Award Number and Year (or Other Identifying Number): FY 2017  
Pass-Through Entity: Indiana Finance Authority  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Reimbursement requests were prepared by one individual without a system of oversight, review, or approval.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the City's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance supplement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-004**

Subject: Capitalization Grants for Drinking Water State Revolving Funds - Reporting  
Federal Agency: Environmental Protection Agency  
Federal Program: Drinking Water State Revolving Fund  
CFDA Number: 66.468  
Federal Award Number and Year (or Other Identifying Number): FY 2017  
Pass-Through Entity: Indiana Finance Authority  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The City did not have a system in place to assign and employees to complete and review the completion of the required MBE/WBE annual report. The City did not submit the required MBE/WBE report for 2017.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

40 CFR 33.502 states in part: "MBE and WBE participation must be reported by all recipients, including those recipients exempted under § 33.411 from the requirement to apply the fair share objectives, on EPA Form 5700-52A. . . ."

CITY OF LAWRENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish controls related to the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



*City of*  
**LAWRENCE**  
*Indiana*

Jason C. Fenwick, City Controller/Deputy Mayor

**FINDING 2017-001**

Contact Person Responsible for Corrective Action: Jason C. Fenwick, City Controller  
Contact Phone Number: 317.542.4441

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The City has implemented policy number CC.02.035 Recording of Grants, effective immediately. This policy will implement a system of internal control designed to prevent, detect, and correct errors on the Schedule of Expenditures of Federal Awards ("SEFA") to ensure accurate reporting of federal awards. The system is effective immediately and will include reporting for the 2018 Annual Report.

Anticipated Completion Date: October 24, 2018

**FINDING 2017-002**

Contact Person Responsible for Corrective Action: Jason C. Fenwick, City Controller  
Contact Phone Number: 317.542.4441

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The City has implemented additional internal controls designed to ensure the accuracy and completion of the City bank reconciliations for each bank account.

Anticipated Completion Date: December 31, 2018

**FINDING 2017-003**

Contact Person Responsible for Corrective Action: Jason C. Fenwick, City Controller  
Contact Phone Number: 317.542.4441

9001 East 59<sup>th</sup> Street, Suite 300  
Lawrence, Indiana 46216  
317.542.4441  
jfenwick@cityoflawrence.org



Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

The City has implemented a review process for disbursement requests for eligible expenditures under the State Revolving Fund loan program. This review includes a system of internal controls designed to prevent, detect, and correct errors in recording expenditures and receipts for this program. The system includes a formal approval from the Controller prior to submission and includes a notation for either reimbursement or direct payment from SRF. This is effective immediately and will include reporting for the 2018 Annual Report.

Anticipated Completion Date:

October 24, 2018

**FINDING 2017-004**

Contact Person Responsible for Corrective Action:

Jason C. Fenwick, City Controller

Contact Phone Number:

317.542.4441

Views of Responsible Official:

We concur with the finding

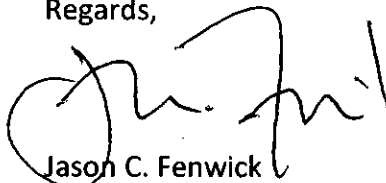
Description of Corrective Action Plan:

The City was first made aware of this requirement during the audit period. The City has complied with the filing for fiscal year 2018. The City has implemented a system of internal controls designed to prevent any future omissions of filing this report. The City also recommends that administrators of the State Revolving Loan Fund program make participants aware of this reporting requirement during the loan closing process. The City was not aware of the requirement last year.

Anticipated Completion Date:

October 24, 2018

Regards,



Jason C. Fenwick  
City Controller

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.