

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2009

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Mission Statement

MISSION

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

VALUES

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

We are committed to these basic principles:

*Integrity
Courtesy
Fairness
Honesty*

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

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

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

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

CITY OF LAWRENCE, KANSAS

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INTRODUCTORY SECTION

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City of Lawrence

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CITY MANAGER

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CITY COMMISSION

MAYOR
MIKE AMYX

COMMISSIONERS
ARON E. CROMWELL
LANCE M. JOHNSON
MICHAEL DEVER
ROBERT CHESTNUT

April 30, 2010

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2009 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal, Webb and Odermann, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lawrence for the fiscal year ended December 31, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lawrence's financial statements for the year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



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

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

Profile of the City

The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City is located thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 31.3 square miles and had an estimated population in 2009 of 91,156.

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

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

The annual budget provides a foundation for financial planning and control. The City must submit its annual budget to the State of Kansas prior to the end of August. The City Commission is required to hold a public hearing to discuss the budget prior to its adoption. The budget is adopted by fund. An amendment to increase the budget is allowed up to the amount non property tax sources of revenue exceed the adopted budget. Budget to actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the specific environment within which the City operates.

Local economy. The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. On April 8, 2008, the City Commission authorized tax increment financing and transportation development districts for the Oread hotel project. The hotel opened in early 2010. Work is also underway in the Bauer Farm Development. Bauer Farms is a 43 acre mixed use development that includes 200 single-family homes and multi-family units and 150,000 square feet of retail and office space. It is Lawrence's second transportation development district. The development currently includes a CVS Pharmacy and a Taco Bell with an additional pad site consisting of three additional retail businesses under construction. A new Tractor Supply store is being constructed on east 23rd Street.

In order to encourage biosciences in Lawrence, a vacant laboratory facility was purchased to serve as an incubator for drug development. The purchase was jointly funded by the city and Douglas County and will be leased to the Lawrence Douglas County Biosciences Authority. The authority has already identified one tenant for the facility.

The average unemployment of the Lawrence MSA in 2009 was 5.5%. The total civilian labor force was 63,844 in December, 2009. The average annual unemployment rate for 2005, 2006, 2007 and 2008 was 4.0%, 3.7%, 3.7% and 3.9% respectively. The number of homes sold in Lawrence during 2009 was 981, a decrease of 8% compared to 2008. The average selling price for a home was \$191,583 during the year, a decrease of 2.2% from the 2008 average.

Long-term financial planning. As Lawrence continues to grow the need to build new infrastructure and maintain existing streets and storm sewers becomes very important. The City has experienced a significant number of special benefit districts to finance streets and sidewalks in the Northwestern part of the City. The City typically allows benefit district projects to be financed over a ten year period. If the property taxes are not paid by the property owners in the benefit district, the cost of the principal and interest payments are covered by the public at-large.

The City Commission has reviewed a ten year capital improvement plan for the water and sanitary sewer utility. The plan includes over \$83 million in projects. A rate study to determine the cost of service and level of water and sanitary sewer rates for the next five years was completed in June of 2004 and approved by the City Commission in December 2004. The current plan called for a rate increase of 12.0% for water service and no increase for sanitary sewer service in 2009. The projects will be financed with a combination of cash and revenue bonds.

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

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of Federal agencies, and the Kansas Municipal Investment Pool. The maturities of investments varied from three months to four years with an average maturity just over one year. The weighed average yield on investments during the year was 2.1%. The City's cash management policy was certified by the Municipal Treasurer's Association in 2002. In addition, the State's Pooled Money Investment Board has granted the City expanded investment powers.

Risk Management. The City of Lawrence self insures for the majority of our risks. General and automobile liability over \$300,000 per occurrence and \$1 million in aggregate are covered by third parties. The City also maintains insurance policies covering certain high cost items such as fire trucks. To lessen the budgetary impact of large settlements, the City has maintained a liability reserve fund totaling over \$1.5 million.

Pension and other postemployment benefits. The City of Lawrence full time employees participate in a defined benefit retirement system sponsored by the State of Kansas. Both the employee and employer contribute. State statutes establish the various contribution levels. There are different plans for public safety employees and all other city employees. Currently, the rates paid are not sufficient to adequately fund the system. As a result, the unfunded liabilities of the plans have been increasing.

The City also contributes to the cost of retiree health care. The benefit is funded on a pay-as-you-go basis. GAAP requires the City to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The City contracted with an actuary to determine our liability. For 2009, the actuarial accrued liability for other post employment benefits was \$4.2 million.

Awards and Acknowledgements

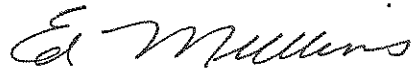
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2008. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2009 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

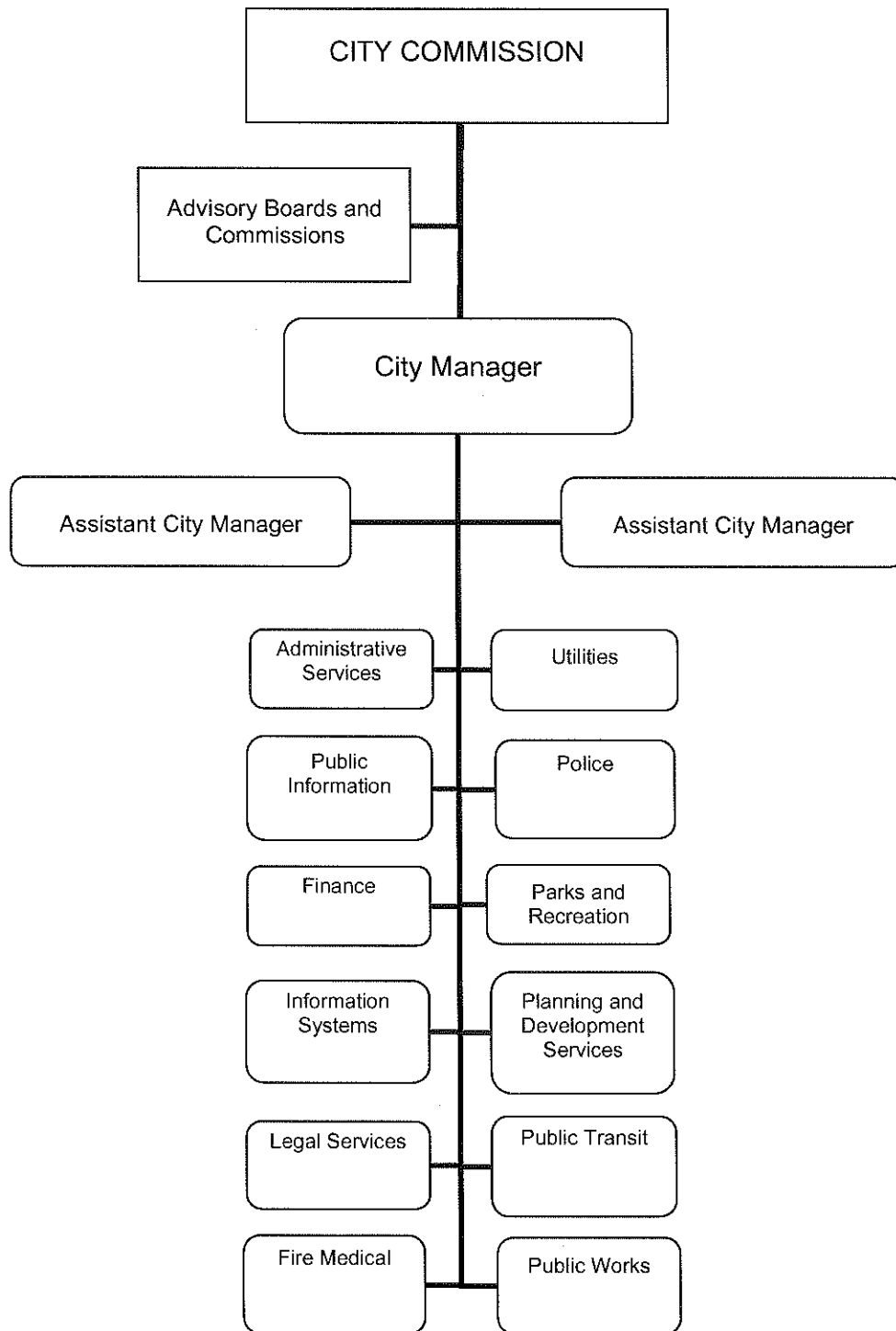
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ed Mullins".

A. Ed Mullins
Finance Director

City of Lawrence Organizational Chart



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2009

<u>Title</u>	<u>Name</u>
Mayor	Robert Chestnut
Vice Mayor	Mike Amyx
Commission Member	Michael H. Dever
Commission Member	Aron Cromwell
Commission Member	Lance Johnson
City Manager	David Corliss
Assistant City Manager	Cynthia Wagner
Assistant City Manager	Diane Stoddard
City Clerk	Jonathan Douglas
Finance Director	Ed Mullins
Fire Chief	Mark Bradford
Information Systems Director	James Wisdom
Legal Services Director	Toni Wheeler
Parks & Recreation Director (Interim)	Ernie Shaw
Planning and Development Services	Scott McCullough
Police Chief	Ron Olin
Public Works Director	Charles Soules
Utilities Director	Dave Wagner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawrence
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

Mayor and City Commission
City of Lawrence, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets of \$211,558,315 as of December 31, 2009 and total expenses of \$138,149,967 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$20,097,352 as of December 31, 2009 and total expenses of \$7,348,751 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lawrence Memorial Hospital and the Lawrence Public Library were not audited in accordance with "Government Auditing Standards." An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our 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, at December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated April 30, 2010, 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" and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. 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 accompanying schedule of expenditures of federal awards and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the data included in the introductory and statistical sections of this report and therefore, we express no opinion on them.

Lowenthal, Wett & Odenmann, P.A.

April 30, 2010

Management's Discussion and Analysis

Unaudited

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, 2009. 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 of the City of Lawrence exceeded its liabilities at the end of 2009 by \$319,794,843. Of this amount, \$56,040,760 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$2.7 million increase in total capital assets.
- As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$39,401,333, a decrease of \$5,660,407 in comparison with the prior year. The decrease occurred as the result of a temporary deficit in the capital projects fund. Approximately 56% is available for spending at the City's discretion.
- At the end of 2009, the City's unreserved general fund balance was \$12,564,947 or 20.9% of total general fund expenditures.
- The City's total long term debt decreased by \$165,899 during the year. The city issued \$3.2 million in general obligation bonds and \$10.4 million in water and sewer revenue 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the year. All changes in net assets 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 30 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 fleet maintenance and office supplies. 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 and sanitation operations. The other enterprise funds and the internal service 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 assets reflects its investment in capital assets. Capital assets are used to provide services and are not available for future spending. The resources needed to repay capital-related debt must be provided from other sources.

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

	Governmental		Business-type		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other Assets	\$ 101,119	\$ 103,165	\$ 56,405	\$ 50,044	\$ 157,524	\$ 153,209
Capital Assets	<u>188,790</u>	<u>184,692</u>	<u>202,533</u>	<u>203,880</u>	<u>391,323</u>	<u>388,572</u>
Total	<u>\$ 289,909</u>	<u>\$ 287,857</u>	<u>\$ 258,938</u>	<u>\$ 253,924</u>	<u>\$ 548,847</u>	<u>\$ 541,781</u>
Other Liabilities	\$ 42,567	\$ 38,748	\$ 3,413	\$ 4,344	\$ 45,980	\$ 43,092
Long term Liabilities	<u>83,678</u>	<u>88,874</u>	<u>99,395</u>	<u>93,641</u>	<u>183,073</u>	<u>182,515</u>
Total	<u>\$ 126,245</u>	<u>\$ 127,622</u>	<u>\$ 102,808</u>	<u>\$ 97,985</u>	<u>\$ 229,053</u>	<u>\$ 225,607</u>
Net Assets:						
Capital Assets Net of Debt	\$ 102,317	\$ 98,756	\$ 131,256	\$ 130,122	\$ 233,573	\$ 228,878
Restricted	<u>30,181</u>	<u>31,136</u>	<u>-</u>	<u>19,866</u>	<u>30,181</u>	<u>51,002</u>
Unrestricted	<u>31,166</u>	<u>30,343</u>	<u>24,874</u>	<u>5,951</u>	<u>56,040</u>	<u>36,294</u>
Total	<u>\$ 163,664</u>	<u>\$ 160,235</u>	<u>\$ 156,130</u>	<u>\$ 155,939</u>	<u>\$ 319,794</u>	<u>\$ 316,174</u>

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

As of the end of 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in large part to an increase in capital assets. The increase in governmental other liabilities was the result of the issuance of \$14.1 million in bond anticipation notes. The decrease in long term government liabilities was the result of the issuance of \$3.2 million in general obligation bonds less the retirement of \$9.0 million in general obligation bonds from governmental type sources. A total \$4.8 million of the general obligation bonds are payable from Business-type activities.

There was also an increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund had an increase in restricted cash and investments of \$8.2 million from unspent bond proceeds. The other business-type activities reported combined decreases in net assets of slightly less than \$420,000. Long term liabilities increased with the issuance of \$10.4 million in water and sewer revenue bonds and the retirement of \$4.1 million in debt.

Overall, the City's net assets increased by \$3,620,335 during 2009 as a result of the construction of governmental capital assets and unspent water and sewer revenue bond proceeds. The city has been using internally generated cash to fund a portion of the water and sewer capital improvements. The Storm Water Utility is responsible for retiring \$4.8 million in general obligation debt. A more complete analysis of the changes in the City's net assets is shown below.

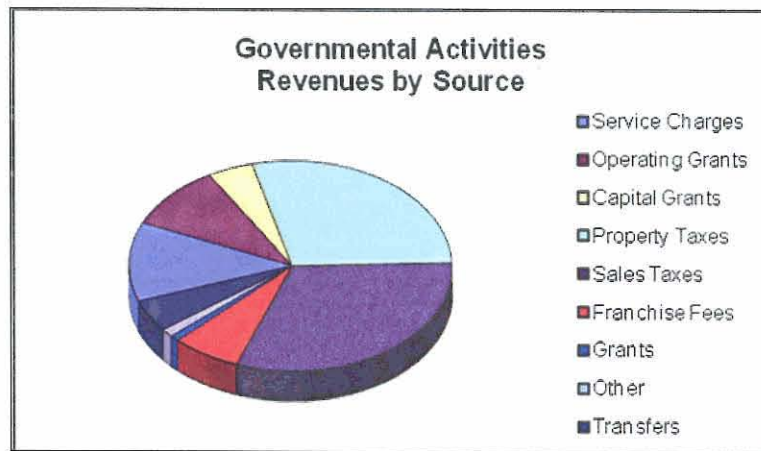
City of Lawrence's Changes in Net Assets
(000's)

	Governmental		Business-type		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 10,599	\$ 10,911	\$ 43,611	\$ 42,060	\$ 54,210	\$ 52,971
Operating Grants	8,615	7,050	-	-	8,615	7,050
Capital Grants	3,913	3,502	-	-	3,913	3,502
General Revenues:						
Property Taxes	24,673	24,837	-	-	24,673	24,837
Sales Taxes	27,026	23,133	-	-	27,026	23,133
Franchise Fees	5,873	5,543	-	-	5,873	5,543
Unrestricted Grants	760	740	-	-	760	740
Other	1,208	3,015	613	2,069	1,821	5,084
Total	<u>82,667</u>	<u>78,731</u>	<u>44,224</u>	<u>44,129</u>	<u>126,891</u>	<u>122,860</u>
Expenses						
General Government	20,603	19,184	-	-	20,603	19,184
Public Safety	29,740	28,450	-	-	29,740	28,450
Public Works	17,586	15,650	-	-	17,586	15,650
Social Services	2,448	1,842	-	-	2,448	1,842
Recreation	8,853	8,878	-	-	8,853	8,878
Health	1,075	1,040	-	-	1,075	1,040
Interest on Debt	3,231	3,232	-	-	3,231	3,232
Water and Sewer	-	-	25,863	24,534	25,863	24,534
Sanitation	-	-	9,690	10,027	9,690	10,027
Public Parking	-	-	1,300	1,255	1,300	1,255
Storm Water	-	-	1,867	1,775	1,867	1,775
Golf	-	-	1,016	999	1,016	999
Total expenses	<u>83,536</u>	<u>78,276</u>	<u>39,736</u>	<u>38,590</u>	<u>123,272</u>	<u>116,866</u>
Excess [deficiency]	(869)	455	4,488	5,539	3,619	5,994
Transfers	<u>4,297</u>	<u>3,891</u>	<u>[4,297]</u>	<u>[3,891]</u>	-	-
Change in Net Assets	3,428	4,346	191	1,648	3,619	5,994
Beginning Net Assets	<u>160,236</u>	<u>155,889</u>	<u>155,939</u>	<u>154,291</u>	<u>316,175</u>	<u>310,180</u>
Ending Net Assets	<u>\$ 163,664</u>	<u>\$ 160,235</u>	<u>\$ 156,130</u>	<u>\$ 155,939</u>	<u>\$ 319,794</u>	<u>\$ 316,174</u>

Governmental activities. Governmental activities increased the City's net assets by \$3,428,990 during the year. Key elements of governmental activities during the year are as follows.

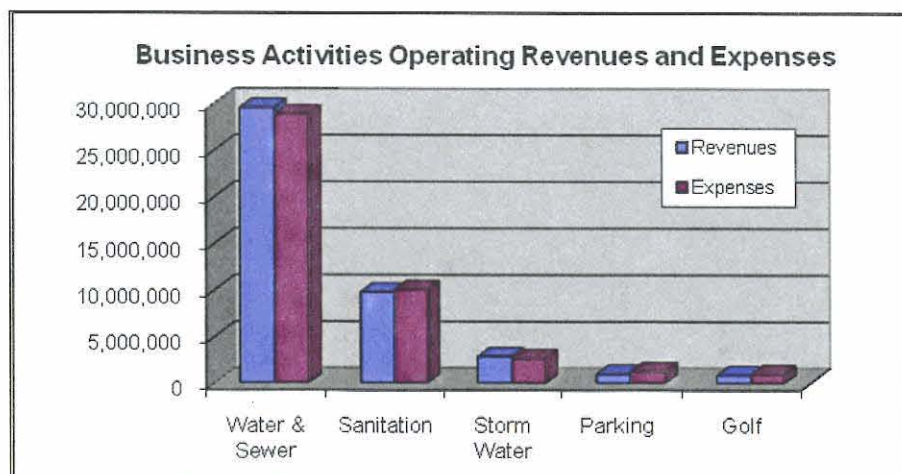
Total governmental revenues decreased by 4.9% in 2009. Operating grants increased because of a \$400,000 increase in CDBG and new police related federal grants. Property taxes revenue remained level because of a 1.0% increase in assessed valuation and a slight reduction in the overall mill levy due to the elimination of the levy for public transportation and a nearly 1.0 mill increase in the General Fund. Sales tax revenue increased because on three new voter approved sales taxes totaling 0.55%. The new sales taxes went into effect April 1, 2009. Franchise fees increased by 6.0% because of an increase in electricity rates.

Expenses for governmental purposes increased 6.7%. Employees were eligible for merit increases funded by a 2.0% merit pool. There was also an increase in the employer contribution for health care. The 2009 budget included a reduction of 14 positions, most of which were in the governmental funds. Public safety expenses increased 4.5% due to salary increases that were greater than non-public safety employees. Public Works expenses increased primarily because of costs related to the new infrastructure sales tax.



Business-type activities. Business-type activities increased the City's net assets by \$191,345. The Water and Sewer Fund and Storm Water Fund experienced positive changes in net assets while the Sanitation, Public Parking and Golf Course Funds experienced reductions. The key elements of the changes in net assets are as follows:

- Positive change in net assets in the Water and Sewer Fund equaling \$687,705. Water rates were increased 12.0% on average with no increase in sewer rates in 2009.
- Positive net income in the Storm Water Fund equaling \$233,236. Storm water fees were not changed in 2009.
- Program revenue increased slightly due to the increase in water rates being offset by a historically wet summer. Interest earnings were also significantly lower.
- Business-type operating expenses were 3.0% greater than 2008 and were constrained in order to balance revenues and expenses. Interest expenses in the Water and Sewer Fund increased by over \$700,000.



Financial Analysis of the Government's Funds

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

As of December 31, 2009, the City of Lawrence's governmental funds reported combined ending fund balances of \$39,401,333, a decrease of \$5,660,407 from the prior year. Approximately 56% of the total is unreserved and thus available for spending in future years. The remaining amount has been committed to liquidate contracts and purchase orders and pay debt service and legal claims.

The General Fund is the primary operating fund of the City. At the end of 2009, unreserved general fund balance totaled \$12,564,947, while total general fund balance was \$12,831,420. Unreserved general fund balance represents 20.9% of total general fund expenditures, within the 15-30% range established by the City Commission's adopted fund balance policy.

Key factors affecting the general fund balance are as follows:

- A 1.0% increase in assessed value with a nearly 1.0 mill increase in the General Fund levy
- A 16.8% increase in sales tax distributions due to the voter approved sales taxes going into effect on April 1, 2009
- A 6.0% increase in franchise revenue primarily due to increases in electricity rates
- A 9.2% increase in expenditures from the prior year as the result of an increase in transfers to other funds from the new sales taxes and additional infrastructure projects funded by the new sales tax

The debt service fund has a total fund balance of \$16,428,662, all of which is reserved for debt service. The amount includes over \$8.0 million held by a fiscal agent to fund a cross-over refunding. The amount of debt payments are projected to increase in the near future to finance benefit district projects to be paid with special assessment revenue.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$18,965,372 at the end of 2009. The unrestricted fund equity of the Sanitation Fund amounted to \$1,750,581 at the end of 2009. The change in net assets for the Water and Sewer Fund was \$687,705. The Sanitation Fund had a reduction in net assets of \$259,824. The cool wet summer had an impact on the water and sewer fund. Lower demand for water resulted in water revenue that was \$1.1 million less than budgeted. To offset the revenue loss, expenses in the water and sewer utility were constrained.

General Fund Budgetary Highlights

The City of Lawrence adopts its budget on a fund basis. The 2009 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category was less than the budgeted amount with the exception of property taxes. Expenditure adjustments between programs and line items were significant since departments were directed to reduce spending. Departmental budgets were reduced and placed in a contingency account. The more significant operational changes to the 2009 budget from prior year budgets are listed below:

- A total of 14 positions were eliminated.
- A 2.0% merit pool was budgeted for all employees.
- Departments and outside agencies were requested to reduce their operating budgets in order to better match revenues.
- Voters approved three new sales taxes totaling 0.55% providing funding for public transportation and infrastructure projects.

Kansas Statutes allow cities to amend budgets if there is an increase in non-property tax revenue sources. While the City of Lawrence experienced some revenue decreases, it was not necessary to formally amend the general fund budget because expenditures were significantly below the adopted budget.

Capital Asset and Debt Administration

Capital assets. The City's investments in capital assets for its governmental and business type activities as of December 31, 2009, amounts to \$391,322,433 (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 0.7%. (For additional information on the city's capital assets please read Note 8 on page 49.)

Major capital asset additions during the year included the following:

- Construction of 25th Terrace
- Purchase of Burroughs Creek right of way
- Completion of the Delaware Commons project
- Construction of the Stoneridge Drive water storage tank

City of Lawrence's Capital Assets (net of depreciation) (000's)						
	Governmental		Business-type		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 15,123	\$ 14,576	\$ 5,935	\$ 5,818	\$ 21,058	\$ 20,394
Buildings	27,589	29,074	57,030	56,805	84,619	85,879
Improvements	19,225	20,283	106,107	107,989	125,332	128,272
Equipment	5,639	4,314	5,196	4,115	10,835	8,429
Infrastructure	109,253	108,607	-	-	109,253	108,607
Construction in Progress	<u>11,961</u>	<u>7,838</u>	<u>28,264</u>	<u>29,153</u>	<u>40,225</u>	<u>36,991</u>
Total	<u>\$ 188,790</u>	<u>\$ 184,692</u>	<u>\$ 202,532</u>	<u>\$ 203,880</u>	<u>\$ 391,322</u>	<u>\$ 388,572</u>

Long-term debt. At the end of 2009, the City of Lawrence had total bonded debt outstanding of \$137,420,000. Of this amount, \$82,430,000 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 \$37,758,506 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects. (For additional information on the city's debt please read Note 7 on page 43.)

City of Lawrence's Outstanding Debt General Obligation and Revenue Bonds (000's)						
	Governmental		Business-type		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation	\$ 77,591	\$ 83,405	\$ 4,839	\$ 5,505	\$ 82,430	\$ 88,910
Revenue	-	-	54,990	46,290	54,990	46,290
SRF	-	-	37,759	40,144	37,759	40,144
Total	<u>\$ 77,591</u>	<u>\$ 83,405</u>	<u>\$ 97,588</u>	<u>\$ 91,939</u>	<u>\$ 175,179</u>	<u>\$ 175,344</u>

The City's total outstanding debt decreased \$165,899 during the year. The major component of this decrease was the reduction in outstanding general obligation debt. Principal payments on revenue bonds from the business-type activities totaled \$4.1 million. A total of \$3.25 million in general obligation debt was issued and \$9.7 million was retired. Over \$4.8 million in general obligation debt will be retired with storm water revenue.

The City of Lawrence has been given a rating of Aa2 on its general obligation debt by Moody's. The City's revenue bonds have been rated Aa3 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, 2009 the debt limitation for the City of Lawrence was \$277,949,841, which is significantly in excess of the \$82,430,000 in general obligation debt the City had outstanding as of December 31, 2009.

Economic Factors and 2010 Budget

The average unemployment rate for the City of Lawrence in 2009 was 5.5%. This is below the 2009 State average of 6.7%. The City experienced a decrease of 0.8% in its assessed valuation in 2009. The 2009 assessed valuation is used to fund the 2010 budget. The City Commission approved the formation of one tax increment financing district (TIF) and two transportation development districts (TDD). The TIF and TDD for the Oread Hotel project, a hotel and an underground parking lot located just north of the University of Kansas campus, began providing increments in early 2010. The second TDD for the Bauer Farms project, a mixed use development in northwest Lawrence, began collecting an additional 1% sales tax in late 2009.

During 2009, unreserved fund balance in the general fund increased by \$340,580. It is expected that the revenues and expenditures in the General Fund balance will be balanced in 2010 despite the expectation that revenues will be below budget. Because of slow economic growth during the time the 2010 budget was being developed, the budget incorporated smaller increases in the growth rates for the major revenue sources. Funding for infrastructure maintenance was increased in the 2010 budget due to a full year collection of the new sales tax. A total of 12 positions, 7 in the water and sewer fund, were eliminated and a 1.25% merit pool was included.

The City Commission approved an increase in the rates charged for water service by an average of 10%. There was no overall increase in rates for sanitary sewer service for 2010. The water rate increase was approved to provide funding for the capital improvement plan and increases in operating expenses. The increase in sanitation rates for both residential and commercial customers was 5% for 2010. The sanitation rate increase was implemented to cover increased operating expenses and to avoid a larger rate increase in the future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF LAWRENCE, KANSAS

Statement of Net Assets December 31, 2009

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 12,393,410	7,492,778	19,886,188	19,441,028
Investments	49,455,329	41,169,571	90,624,900	66,619,893
Receivables (net of allowance of \$82,240)	41,754,468	2,676,622	44,431,090	20,376,717
Internal balances	(2,803,266)	2,803,266	—	—
Inventories	319,510	1,979,774	2,299,284	2,005,996
Prepaid items	—	283,114	283,114	4,581,009
Deferred costs	—	—	—	613,449
Other assets	—	—	—	868,751
Capital assets (Net)				
Land and construction in progress	27,084,412	34,199,198	61,283,610	4,497,716
Other capital assets, net of depreciation	161,705,438	168,333,385	330,038,823	116,436,323
Total assets	\$ 289,909,301	258,937,708	548,847,009	235,440,882
Liabilities				
Accounts payable and accrued expenses	\$ 5,440,916	3,412,715	8,853,631	11,103,622
Unearned revenue	22,743,076	—	22,743,076	623,896
Temporary notes payable	14,382,537	—	14,382,537	—
Long-term liabilities				
Due within one year	11,436,401	5,933,864	17,370,265	4,741,921
Due in more than one year	72,241,808	93,460,849	165,702,657	62,691,995
Total liabilities	\$ 126,244,738	102,807,428	229,052,166	79,161,434
Net Assets				
Invested in capital assets, net of debt	\$ 102,317,087	131,255,940	233,573,027	63,882,272
Restricted for:				
Debt service	29,748,004	—	29,748,004	1,038,126
Other purposes	433,052	—	433,052	—
Unrestricted	31,166,420	24,874,340	56,040,760	91,359,050
Total net assets	\$ 163,664,563	156,130,280	319,794,843	156,279,448

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

CITY OF LAWRENCE, KANSAS

Statement of Activities For the Year Ended December 31, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 20,602,910	1,457,934	2,045,933	—	(17,099,043)	—	(17,099,043)	—
Public safety	29,739,788	6,746,080	603,718	—	(22,389,990)	—	(22,389,990)	—
Public works	17,343,296	70,015	2,719,034	1,145,111	(13,409,136)	—	(13,409,136)	—
Health	1,075,320	164,502	—	—	(910,818)	—	(910,818)	—
Social services	2,448,630	180,920	2,596,349	—	328,639	—	328,639	—
Culture and recreation	8,080,566	1,952,858	649,940	105,321	(5,372,447)	—	(5,372,447)	—
Tourism	771,534	398	—	—	(771,136)	—	(771,136)	—
Airport	242,517	26,281	—	—	(216,236)	—	(216,236)	—
Interest on long-term debt	3,231,513	—	—	2,662,224	(569,289)	—	(569,289)	—
Total governmental activities	<u>83,536,074</u>	<u>10,598,988</u>	<u>8,614,974</u>	<u>3,912,656</u>	<u>(60,409,456)</u>	<u>—</u>	<u>(60,409,456)</u>	<u>—</u>
Business-type activities:								
Water & sewer	25,862,716	29,099,969	—	—	—	3,237,253	3,237,253	—
Sanitation	9,689,799	9,658,845	—	—	—	(30,954)	(30,954)	—
Parking	1,299,618	1,013,596	—	—	—	(286,022)	(286,022)	—
Stormwater	1,867,219	2,919,032	—	—	—	1,051,813	1,051,813	—
Golf course	1,016,011	919,416	—	—	—	(96,595)	(96,595)	—
Total business-type activities	<u>39,735,363</u>	<u>43,610,858</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,875,495</u>	<u>3,875,495</u>	<u>—</u>
Total primary government	<u>\$ 123,271,437</u>	<u>\$4,209,846</u>	<u>8,614,974</u>	<u>3,912,656</u>	<u>(60,409,456)</u>	<u>3,875,495</u>	<u>(56,533,961)</u>	<u>—</u>
Component units:								
Lawrence Housing Authority	\$ 7,348,751	7,399,374	—	723,716	—	—	—	774,339
Lawrence Memorial Hospital	138,149,967	147,765,400	—	1,433,027	—	—	—	11,048,460
Lawrence Public Library	3,552,414	150,701	3,352,615	—	—	—	—	(49,098)
Total component units	<u>\$ 149,051,132</u>	<u>155,315,475</u>	<u>3,352,615</u>	<u>2,156,743</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,773,701</u>
General Revenues								
Taxes								
Property taxes, levied for general purposes					18,142,239	—	18,142,239	—
Property taxes, levied for debt service					6,531,465	—	6,531,465	—
Franchise taxes					5,872,925	—	5,872,925	—
Sales taxes					27,025,710	—	27,025,710	—
Grants and contributions not restricted to specific programs					760,511	6,325	766,836	—
Unrestricted investment earnings					1,177,409	206,643	1,384,052	2,902,739
Miscellaneous					31,107	399,962	431,069	57,658
Transfers					4,297,080	(4,297,080)	—	—
Total general revenues and transfers					<u>63,838,446</u>	<u>(3,684,150)</u>	<u>60,154,296</u>	<u>2,960,397</u>
Change in net assets					<u>3,428,990</u>	<u>191,345</u>	<u>3,620,335</u>	<u>14,734,098</u>
Net assets—beginning, as restated					<u>160,235,573</u>	<u>155,938,935</u>	<u>316,174,508</u>	<u>141,545,350</u>
Net assets—ending					<u>\$ 163,664,563</u>	<u>156,130,280</u>	<u>319,794,843</u>	<u>156,279,448</u>

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

CITY OF LAWRENCE, KANSAS

Balance Sheet Governmental Funds December 31, 2009

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 5,500,286	757,795	314	5,252,635	11,511,030
Cash with fiscal agent	—	8,015,772	—	—	8,015,772
Investments	6,609,904	8,128,561	5,500,359	14,099,972	34,338,796
Receivables:					
Taxes	12,694,835	5,498,904	—	2,773,376	20,967,115
Special assessments	—	14,332,780	—	—	14,332,780
Intergovernmental	2,329,964	—	265,063	667,846	3,262,873
Accounts (net of allowance of \$4,166)	1,407,942	11,380	163,945	176,329	1,759,596
Franchise fees	538,531	—	—	—	538,531
Loans	—	—	—	410,052	410,052
Accrued interest	10,273	11,795	869	11,551	34,488
Due from other funds	643,000	—	—	—	643,000
Total assets	\$ 29,734,735	36,756,987	5,930,550	23,391,761	95,814,033
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,404,013	—	517,914	455,451	2,377,378
Accrued payroll	1,214,514	—	—	176,578	1,391,092
Due to other funds	—	—	302,000	341,000	643,000
Unamortized premium	—	—	262,537	—	262,537
Temporary notes payable	—	—	14,120,000	—	14,120,000
Unearned revenue	14,284,788	20,328,325	—	3,005,580	37,618,693
Total liabilities	16,903,315	20,328,325	15,202,451	3,978,609	56,412,700
Fund balances:					
Reserved for encumbrances	266,473	—	—	377,593	644,066
Reserved for debt service	—	16,428,662	—	—	16,428,662
Reserved for loans	—	—	—	410,052	410,052
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	12,564,947	—	—	—	12,564,947
Special revenue funds	—	—	—	18,602,507	18,602,507
Capital projects funds	—	—	(9,271,901)	—	(9,271,901)
Total fund balances	12,831,420	16,428,662	(9,271,901)	19,413,152	39,401,333
Total liabilities and fund balances	\$ 29,734,735	36,756,987	5,930,550	23,391,761	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	188,523,591
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	14,875,617
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,488,585
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(84,624,563)
Net assets of governmental activities	\$ 163,664,563

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

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 38,894,461	6,531,465	—	3,537,082	48,963,008
Special assessments	—	2,856,257	—	—	2,856,257
Licenses and permits	810,916	—	—	—	810,916
Charges for services	4,417,162	—	—	1,858,895	6,276,057
Fines, forfeitures and penalties	2,487,984	—	—	125,629	2,613,613
Interest	38,545	265,446	—	12,194	316,185
Intergovernmental	9,466,089	36,631	622,951	9,396,751	19,522,422
Reimbursements	16,945	—	358,216	—	375,161
Miscellaneous	337,718	107,212	5,690	568,257	1,018,877
Total revenues	56,469,820	9,797,011	986,857	15,498,808	82,752,496
Expenditures:					
Current expenditures:					
General government	11,831,993	—	96,700	7,962,360	19,891,053
Public safety	28,140,864	—	—	1,047,057	29,187,921
Public works	6,382,459	—	—	2,396,292	8,778,751
Health	1,005,573	—	—	69,093	1,074,666
Social services	157,131	—	—	1,932,832	2,089,963
Culture and recreation	3,239,777	—	—	4,294,912	7,534,689
Tourism	—	—	—	771,534	771,534
Airport	110,953	—	—	15,787	126,740
Capital outlay	273,676	—	10,370,812	3,511,085	14,155,573
Debt service:					
Principal retirement	—	7,921,988	—	1,142,178	9,064,166
Interest and fiscal charges	—	2,819,464	—	469,229	3,288,693
Total expenditures	51,142,426	10,741,452	10,467,512	23,612,359	95,963,749
Excess (deficiency) of revenues over (under) expenditures	5,327,394	(944,441)	(9,480,655)	(8,113,551)	(13,211,253)
Other financing sources (uses):					
Transfers in	3,312,883	102,271	—	10,054,409	13,469,563
Transfers (out)	(8,953,078)	—	(102,271)	(113,438)	(9,168,787)
Issuance of general obligation bonds	—	—	3,250,000	—	3,250,000
Total other financing sources (uses)	(5,640,195)	102,271	3,147,729	9,940,971	7,550,776
Net changes in fund balances	(312,801)	(842,170)	(6,332,926)	1,827,420	(5,660,477)
Fund balance, beginning of year	13,144,221	17,270,832	(2,938,975)	17,585,732	45,061,810
Fund balance, end of year	\$ 12,831,420	16,428,662	(9,271,901)	19,413,152	39,401,333

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

CITY OF LAWRENCE, KANSAS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2009

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

Net changes in fund balances - total governmental funds	\$ (5,660,477)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,152,344
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(104,213)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,814,166
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(551,346)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(221,484)</u>
Change in net assets of governmental activities	<u>\$ 3,428,990</u>

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

CITY OF LAWRENCE, KANSAS

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Variance	2008
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 38,004,662	38,004,662	38,894,461	889,799	33,412,721
Licenses and permits	1,135,493	1,135,493	810,916	(324,577)	1,018,198
Charges for services	4,475,515	4,475,515	4,417,162	(58,353)	4,736,798
Fines, forfeitures and penalties	2,600,000	2,600,000	2,487,984	(112,016)	2,499,596
Interest	840,000	840,000	38,545	(801,455)	684,397
Intergovernmental	10,157,848	10,157,848	9,466,089	(691,759)	9,971,188
Reimbursements	20,000	20,000	16,945	(3,055)	67,166
Miscellaneous	320,474	320,474	337,718	17,244	332,288
Total revenues	<u>57,553,992</u>	<u>57,553,992</u>	<u>56,469,820</u>	<u>(1,084,172)</u>	<u>52,722,352</u>
Expenditures:					
General government	14,481,992	15,237,290	12,901,733	2,335,557	12,087,471
Public safety	26,708,591	26,868,147	27,008,036	(139,889)	27,004,607
Public works	6,412,378	6,172,287	6,055,407	116,880	5,958,169
Health	1,052,339	1,052,758	1,007,573	45,185	959,867
Social services	—	—	—	—	167,264
Culture and recreation	3,260,262	3,233,968	3,154,644	79,324	3,192,641
Airport	122,390	120,284	110,922	9,362	132,237
Capital outlay	394,800	284,006	250,731	33,275	378,347
Debt service:					
Principal retirement and interest expense	—	—	—	—	4,496
Total expenditures	<u>52,432,752</u>	<u>52,968,740</u>	<u>50,489,046</u>	<u>2,479,694</u>	<u>49,885,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,121,240</u>	<u>4,585,252</u>	<u>5,980,774</u>	<u>1,395,522</u>	<u>2,837,253</u>
Other financing sources (uses):					
Transfers in	3,312,883	3,312,883	3,312,883	—	3,184,588
Transfers out	(14,118,863)	(13,958,863)	(8,953,077)	5,005,786	(5,247,000)
Total other financing sources (uses)	<u>(10,805,980)</u>	<u>(10,645,980)</u>	<u>(5,640,194)</u>	<u>5,005,786</u>	<u>(2,062,412)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ 66,551,615</u>	<u>66,927,603</u>	<u>340,580</u>	<u>6,401,308</u>	<u>774,841</u>
Fund balance, beginning of year			13,144,221		12,256,840
Net change in reserve for encumbrances			(653,381)		112,540
Fund balance, end of year			<u>\$ 12,831,420</u>		<u>13,144,221</u>

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

CITY OF LAWRENCE, KANSAS

Balance Sheet
Proprietary Funds
December 31, 2009

Assets	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
Current assets:						
Cash	\$ 332,447	268,175	575,037	543,691	1,719,350	882,380
Investments	15,305,223	1,799,477	449,918	99,921	17,654,539	7,100,761
Receivables:						
Accounts (net of allowance of \$80,691)	1,762,536	686,333	157,303	11,240	2,617,412	441,832
Accrued interest	57,175	1,541	416	78	59,210	7,201
Inventories	1,969,052	—	—	10,722	1,979,774	319,510
Prepaid items	283,114	—	—	—	283,114	—
Restricted cash:						
Customer deposits	111,729	1,105	—	—	112,834	—
Current portion of revenue bonds	1,965,000	—	—	—	1,965,000	—
Restricted investments:						
Customer deposits	899,662	—	—	—	899,662	—
Total current assets	<u>22,685,938</u>	<u>2,756,631</u>	<u>1,182,674</u>	<u>665,652</u>	<u>27,290,895</u>	<u>8,751,684</u>
Noncurrent assets						
Restricted cash	3,695,594	—	—	—	3,695,594	—
Restricted investments	22,615,370	—	—	—	22,615,370	—
Total restricted assets	<u>26,310,964</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,310,964</u>	<u>—</u>
Capital assets						
Land	3,641,714	—	1,814,729	479,055	5,935,498	—
Buildings and improvements	207,715,493	1,527,922	12,973,072	7,700,727	229,917,214	674,819
Equipment	5,908,926	6,751,018	1,472,982	537,259	14,670,185	261,378
Construction in progress	28,263,700	—	—	—	28,263,700	—
Accumulated depreciation	(62,964,702)	(5,540,021)	(2,585,454)	(5,163,837)	(76,254,014)	(669,938)
Total capital assets	<u>182,565,131</u>	<u>2,738,919</u>	<u>13,675,329</u>	<u>3,553,204</u>	<u>202,532,583</u>	<u>266,259</u>
Total noncurrent assets	<u>208,876,095</u>	<u>2,738,919</u>	<u>13,675,329</u>	<u>3,553,204</u>	<u>228,843,547</u>	<u>266,259</u>
Total assets	<u>\$ 231,562,033</u>	<u>5,495,550</u>	<u>14,858,003</u>	<u>4,218,856</u>	<u>256,134,442</u>	<u>9,017,943</u>
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 560,053	147,041	123,841	26,714	857,649	85,253
Accrued interest payable	968,425	—	56,618	—	1,025,043	—
Claims payable	—	—	—	—	—	455,113
Accrued payroll	276,036	177,016	24,275	40,200	517,527	35,856
Accrued vacation and sick pay	462,445	360,483	45,961	65,905	934,794	69,936
Current portion of general obligation bonds	—	—	561,886	—	561,886	—
Total unrestricted current liabilities	<u>2,266,959</u>	<u>684,540</u>	<u>812,581</u>	<u>132,819</u>	<u>3,896,899</u>	<u>646,158</u>
Current liabilities payable from restricted assets:						
Customer deposits	1,011,391	1,105	—	—	1,012,496	—
Current portion of revenue bonds	1,965,000	—	—	—	1,965,000	—
Total current liabilities payable from restricted assets	<u>2,976,391</u>	<u>1,105</u>	<u>—</u>	<u>—</u>	<u>2,977,496</u>	<u>—</u>
Total current liabilities	<u>5,243,350</u>	<u>685,645</u>	<u>812,581</u>	<u>132,819</u>	<u>6,874,395</u>	<u>646,158</u>
Noncurrent liabilities						
Compensated absences	429,221	309,941	40,008	66,306	845,476	79,934
General obligation bonds payable	—	—	4,277,215	—	4,277,215	—
Revenue bonds payable	53,025,000	—	—	—	53,025,000	—
Notes payable	37,758,506	—	—	—	37,758,506	—
Net OPEB obligation	12,995	10,464	1,003	2,374	26,836	—
Total noncurrent liabilities	<u>91,225,722</u>	<u>320,405</u>	<u>4,318,226</u>	<u>68,680</u>	<u>95,933,033</u>	<u>79,934</u>
Total liabilities	<u>96,469,072</u>	<u>1,006,050</u>	<u>5,130,807</u>	<u>201,499</u>	<u>102,807,428</u>	<u>726,092</u>
Net assets:						
Invested in capital assets, net of debt	116,127,589	2,738,919	8,836,228	3,553,204	131,255,940	266,259
Unrestricted	18,965,372	1,750,581	890,968	464,153	22,071,074	8,025,592
Total net assets	<u>135,092,961</u>	<u>4,489,500</u>	<u>9,727,196</u>	<u>4,017,357</u>	<u>153,327,014</u>	<u>8,291,851</u>
Total liabilities and net assets	<u>\$ 231,562,033</u>	<u>5,495,550</u>	<u>14,858,003</u>	<u>4,218,856</u>	<u>256,134,442</u>	<u>9,017,943</u>
Total net assets					153,327,014	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					2,803,266	
Net assets of business-type activities					<u>\$ 156,130,280</u>	

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 28,925,079	9,476,094	2,919,032	1,933,012	43,253,217	10,981,382
Other sales	174,890	182,751	—	—	357,641	—
Total operating revenues	29,099,969	9,658,845	2,919,032	1,933,012	43,610,858	10,981,382
Operating expenses:						
Continuing operations	—	8,934,458	1,253,600	1,967,465	12,155,523	3,092,304
Transmission and distribution	12,309,280	—	—	—	12,309,280	—
General administration	4,136,229	—	—	—	4,136,229	836,339
Health insurance claims	—	—	—	—	—	7,371,878
Depreciation and amortization	5,363,791	740,704	423,683	337,988	6,866,166	30,977
Total operating expenses	21,809,300	9,675,162	1,677,283	2,305,453	35,467,198	11,331,498
Operating income (loss)	7,290,669	(16,317)	1,241,749	(372,441)	8,143,660	(350,116)
Nonoperating revenues (expenses)						
Interest income	210,770	(2,957)	(6,445)	1,145	202,513	16,813
Interest expense and fiscal charges	(3,991,670)	—	(186,615)	—	(4,178,285)	—
Grant proceeds	—	—	—	—	—	13,400
Gain (loss) on sale of capital assets	14,020	5,542	(15,953)	—	3,609	3,038
Other	248,774	139,933	500	4,050	393,257	22,748
Total nonoperating revenues (expenses)	(3,518,106)	142,518	(208,513)	5,195	(3,578,906)	55,999
Income (loss) before transfers	3,772,563	126,201	1,033,236	(367,246)	4,564,754	(294,117)
Transfers (out)	(3,084,858)	(386,025)	(800,000)	(22,893)	(4,293,776)	(7,000)
Change in net assets	687,705	(259,824)	233,236	(390,139)	270,978	(301,117)
Net assets, beginning of year, as restated	134,405,256	4,749,324	9,493,960	4,407,496		8,592,968
Net assets, end of year	\$ 135,092,961	4,489,500	9,727,196	4,017,357		8,291,851
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(79,633)	
Change in net assets of business-type activities					\$ 191,345	

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

CITY OF LAWRENCE, KANSAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2009

Governmental Activities-Internal Service Funds	Business-type Activities-Enterprise Funds				Total	
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:						
Receipts from customers and users	29,422,972	9,798,268	2,939,729	1,943,231	44,104,200	10,867,841
Payments to suppliers	(9,625,293)	(2,817,854)	(431,298)	(622,108)	(13,496,553)	(10,265,267)
Payments to employees	(8,625,262)	(6,024,565)	(701,296)	(1,294,934)	(16,646,057)	(1,080,472)
Net cash provided by (used in) operating activities	11,172,417	955,849	1,807,135	26,189	13,961,590	(477,898)
Cash flows from noncapital financing activities:						
Transfers out	(3,084,858)	(386,025)	(800,000)	(22,893)	(4,293,776)	(7,900)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(4,728,364)	(693,128)	(95,728)	(17,405)	(5,534,625)	(37,901)
Proceeds from sales of capital assets	14,020	5,542	—	—	19,562	3,038
Proceeds from capital grant	—	—	—	—	—	13,400
Proceeds from revenue bonds	10,385,000	—	—	—	10,385,000	—
Principal payments on debt	(4,070,898)	—	(665,834)	—	(4,736,732)	—
Interest payments on debt	(3,594,872)	—	(194,996)	—	(3,789,868)	—
Net cash used in capital and related financing activities	(1,995,114)	(687,586)	(956,558)	(17,405)	(3,656,663)	(21,463)
Cash flows from investing activities:						
Receipt of interest and dividends	267,197	7,173	(627)	1,644	275,387	67,279
Purchases of investments	(104,921,709)	(4,699,970)	(1,649,918)	(699,914)	(111,971,511)	(16,200,825)
Sales of investments	100,698,367	4,811,284	2,050,951	1,094,588	108,655,190	17,299,111
Net cash provided by (used in) investing activities	(3,956,145)	118,487	400,406	396,318	(3,040,934)	1,165,565
Net increase (decrease) in cash	2,136,300	725	450,983	382,209	2,970,217	659,204
Cash and cash equivalents, beginning of year	3,968,470	268,555	124,054	161,482	4,522,561	223,176
Cash and cash equivalents, end of year	6,104,770	269,280	575,037	543,691	7,492,778	882,380
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	7,290,669	(16,317)	1,241,749	(372,441)	8,143,660	(350,116)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	5,363,791	740,704	423,683	337,988	6,866,166	30,977
Other income	248,774	139,933	500	5,712	394,919	22,748
Change in:						
Accounts receivable	22,814	(510)	20,197	4,507	47,008	(136,289)
Inventories of supplies	(268,571)	—	—	20,017	(248,554)	(38,030)
Prepaid items	(27,544)	—	—	—	(27,544)	(12,745)
Accounts payable	(1,599,878)	32,987	116,316	6,709	(1,443,866)	(12,745)
Claims payable	—	—	—	—	—	(12,009)
Accrued payroll	38,618	24,144	1,140	10,336	74,238	7,643
Customer deposits	51,415	(1,060)	—	—	50,355	—
Accrued vacation and sick pay	47,054	31,720	3,143	12,397	94,314	9,923
Net OPEB obligation	5,275	4,248	407	964	10,894	—
Total adjustments	3,881,748	972,166	565,386	398,630	5,817,930	(127,782)
Net cash provided by (used in) operating activities	11,172,417	955,849	1,807,135	26,189	13,961,590	(477,898)

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

CITY OF LAWRENCE, KANSAS

Statement of Assets and Liabilities
All Agency Funds

December 31, 2009

Assets		
Cash	\$	473,376
Accounts receivable		277
Restricted assets - court receivables		<u>70,683</u>
Total assets	\$	<u><u>544,336</u></u>
Liabilities		
Accounts payable	\$	473,653
Court bonds payable		<u>70,683</u>
Total liabilities	\$	<u><u>544,336</u></u>

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Net Assets - Discretely Presented Component Units December 31, 2009

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 2,013,856	16,182,413	1,244,759	19,441,028
Investments	3,566,592	63,053,301	---	66,619,893
Receivables (net)	1,509,754	18,866,963	---	20,376,717
Inventories	69,546	1,936,450	---	2,005,996
Prepaid items	74,745	4,506,264	---	4,581,009
Deferred costs	---	613,449	---	613,449
Other assets	22,281	846,470	---	868,751
Capital assets (net)				
Land and construction in progress	1,935,127	2,562,589	---	4,497,716
Other capital assets, net of depreciation	10,905,451	102,990,416	2,540,456	116,436,323
Total assets	<u>\$ 20,097,352</u>	<u>211,558,315</u>	<u>3,785,215</u>	<u>235,440,882</u>
Liabilities				
Accounts payable and accrued expenses	\$ 407,830	10,636,455	59,337	11,103,622
Unearned revenue	340,537	283,359	---	623,896
Long-term liabilities				
Due within one year	---	4,594,761	147,160	4,741,921
Due in more than one year	1,295,594	61,327,853	68,548	62,691,995
Total liabilities	<u>\$ 2,043,961</u>	<u>76,842,428</u>	<u>275,045</u>	<u>79,161,434</u>
Net Assets				
Invested in capital assets, net of debt	\$ 12,840,578	48,501,238	2,540,456	63,882,272
Restricted for:				
Debt service	---	1,038,126	---	1,038,126
Other purposes	---	---	---	---
Unrestricted	5,212,813	85,176,523	969,714	91,359,050
Total net assets	<u>\$ 18,053,391</u>	<u>134,715,887</u>	<u>3,510,170</u>	<u>156,279,448</u>

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Activities - Discretely Presented Component Units
For the Year Ended December 31, 2009

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Expenses	\$ 7,348,751	138,149,967	3,552,414	149,051,132
Program revenues:				
Charges for services	7,399,374	147,765,400	150,701	155,315,475
Operating grants and contributions	—	—	3,352,615	3,352,615
Capital grants and contributions	723,716	1,433,027	—	2,156,743
Net (expense) revenue	774,339	11,048,460	(49,098)	11,773,701
General Revenues				
Unrestricted investment earnings	57,734	2,842,891	2,114	2,902,739
Miscellaneous	—	57,201	457	57,658
Total general revenues and transfers	57,734	2,900,092	2,571	2,960,397
Change in net assets	832,073	13,948,552	(46,527)	14,734,098
Net assets-beginning, restated	17,221,318	120,767,335	3,556,697	141,545,350
Net assets-ending	\$ 18,053,391	134,715,887	3,510,170	156,279,448

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

(1) Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

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

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

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

B. Measurement Focus, Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected 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

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB opinions, and ARBs.

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

The internal service funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis. The City has three internal service funds. The Central Maintenance Fund accounts for the repairs and maintenance expenses of the City's fleet of vehicles and equipment. The Stores Fund accounts for the purchase of office supplies. The Health Insurance Fund accounts for the payment of health insurance claims.

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

The City reports the following major governmental funds:

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

City of Lawrence, Kansas

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

C. Inventories

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

D. Budgetary Procedures

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

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

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

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.

City of Lawrence, Kansas

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December 31, 2009

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The City amended the General Fund budget from the original \$66,551,615 to the final amount of \$66,927,603. The City also amended the Transportation Special Revenue Fund budget from \$2,425,484 to the final amount of \$2,801,472.

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds (the legal level of budgetary control). Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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

E. Pooled Cash and Investments

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

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

F. Receivables and Payables

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

City of Lawrence, Kansas

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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 2010. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

G. Capital Assets

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

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

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

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

H. Bond Discounts/Issuance Costs

In Governmental Fund Types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for Proprietary Fund Types in the government wide

City of Lawrence, Kansas

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financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

I. Compensated Absences

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

J. Capitalization of Interest

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. There was no interest capitalized during 2009.

K. Use of Estimates

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

L. Deferred Revenue

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

M. Comparative Data / Reclassifications

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

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. Net Assets

City of Lawrence, Kansas

Notes to Basic Financial Statements

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

(2) Reporting Entity

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

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

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

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

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

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

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

Lawrence Housing Authority
1600 Haskell Avenue
Lawrence, Kansas 66044

Lawrence Public Library
707 Vermont
Lawrence, Kansas 66044

Lawrence Memorial Hospital
325 Maine
Lawrence, Kansas 66044

City of Lawrence, Kansas

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(3) Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$84,624,563 difference are as follows:

Bonds payable	\$	77,590,899
Accrued interest payable		1,096,224
Claims and judgments payable		609,506
Compensated absences		5,253,770
Net OPEB obligation		<u>74,164</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>84,624,563</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$4,152,344 difference are as follows:

Capital outlay	\$	11,663,425
Depreciation expense		<u>(7,511,081)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>4,152,344</u></u>

Another element of that reconciliation explains that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$5,814,166 difference are as follows:

City of Lawrence, Kansas

Notes to Basic Financial Statements

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Debt issued:

Issuance of general obligation bonds	\$ (3,250,000)
Principal repayments:	
General obligation debt	9,064,166
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ <u>5,814,166</u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$551,346 difference are as follows:

Compensated absences	\$ (298,426)
Claims and judgments	(279,995)
Accrued interest	57,180
Net OPEB obligation	(30,105)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ <u>(551,346)</u>

(4) Budgetary Accounting

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

(5) Deposits and Investments

Deposits – At December 31, 2009, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>%</u>	<u>Ratings</u>
Certificates of Deposit	\$ 22,600,000	0.26	27	Not applicable
U.S. Government Agencies	46,968,554	0.05	57	Not applicable
State Treasurer's investment pool	13,040,572	0.53	16	S&P AAAf/S1+
Total fair value	<u>\$ 82,609,126</u>		100%	
Portfolio weighted average maturity		0.19		

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

City of Lawrence, Kansas

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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 market value of its investments by limiting the weighted average maturity of its investments to less than twelve months.

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

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

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

(6) Tax Revenue

Tax revenue for the year ended December 31, 2009 is as follows:

Primary Government				
	General Fund	Special Revenue Funds	Debt Service Funds	Total
Property taxes	\$ 13,422,385	3,177,964	6,015,871	22,616,220
Motor vehicle tax	1,084,313	356,453	510,537	1,951,303
Payment in lieu of tax	98,459	2,665	5,057	106,181
Utility franchise taxes	5,872,925	-	-	5,872,925
Sales taxes*	18,416,379	-	-	18,416,379
Tax revenue	\$ 38,894,461	3,537,082	6,531,465	48,963,008

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

City of Lawrence, Kansas
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The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2009 were as follows:

<u>Fund</u>	<u>Levy</u>
Primary government:	
General	\$ 15.846
Library	3.259
Recreation	0.483
Debt Service	<u>7.100</u>
Total primary government	<u>\$ 26.688</u>

(7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2009:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 83,405,065	3,250,000	9,064,166	77,590,899	9,003,114
Estimated claims and judgements payable	329,511	279,995	-	609,506	-
Accrued vacation and sick pay	5,095,291	3,188,761	2,880,412	5,403,640	2,433,287
Net OPEB obligation	190,475	-	116,311	74,164	-
Total primary government	<u>\$ 89,020,342</u>	<u>6,718,756</u>	<u>12,060,889</u>	<u>83,678,209</u>	<u>11,436,401</u>
Business-type activities:					
General obligation bonds	\$ 5,504,935	-	665,834	4,839,101	561,886
Revenue bonds	46,290,000	10,385,000	1,685,000	54,990,000	1,965,000
Long term notes payable	40,144,404	-	2,385,898	37,758,506	2,472,184
Accrued vacation and sick pay	1,685,956	1,539,365	1,445,051	1,780,270	934,794
Net OPEB obligation	68,925	-	42,089	26,836	-
Total primary government	<u>\$ 93,694,220</u>	<u>11,924,365</u>	<u>6,223,872</u>	<u>99,394,713</u>	<u>5,933,864</u>

The following is a summary of temporary note transactions for the year ended December 31, 2009:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	\$ 10,635,000	14,120,000	10,635,000	14,120,000
Premium on temporary notes	-	262,537	-	262,537
	<u>\$ 10,635,000</u>	<u>14,382,537</u>	<u>10,635,000</u>	<u>14,382,537</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements

December 31, 2009

Debt payable, other than claims and judgments and compensated absences, at December 31, 2009 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	2000	2010	4.25-5.95	\$ 2,455,000	\$ 305,000	\$ 305,000
Internal improvement	2000	2010	4.5-5.75	560,000	60,000	60,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,105,000	145,000
Internal improvement	2000	2010	4.625-5	4,990,000	935,000	935,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	6,405,000	445,000
Internal improvement	2001	2012	4.37-6.125	2,840,000	840,000	265,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	555,000	130,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	3,480,000	805,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,460,000	140,000
Internal improvement	2002	2014	2.8-3.7	920,000	450,000	80,000
Refunding	2003	2016	2.25-4.2	4,270,000	1,735,000	225,000
Refunding	2003	2016	2.25-4.2	10,190,000	5,815,000	730,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	1,320,000	245,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	1,785,000	260,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	1,845,000	290,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	6,545,000	850,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	990,000	130,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	7,770,000	875,000
Internal improvement	2006	2018	4.00	17,130,000	13,415,000	1,305,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	9,750,000	830,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	11,615,000	270,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	3,250,000	245,000
					<u>82,430,000</u>	<u>9,565,000</u>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	25,910,000	20,890,000	1,550,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	19,585,000	115,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	4,130,000	160,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	10,385,000	140,000
					<u>54,990,000</u>	<u>1,965,000</u>
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	28,942,678	1,985,553
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,169,389	4,523,006	254,875
Kansas Public Water Supply Loan Fund	2002	2023	4.14	5,563,007	4,292,821	231,756
					<u>37,758,506</u>	<u>2,472,184</u>
Total primary government					\$ <u>175,178,506</u>	\$ <u>14,002,184</u>

In 2009, the City issued \$3,250,000 of general obligation bonds for paying the costs of certain street, building, traffic signal, and other improvements. The General Obligation Bonds, Series 2009-A are due in annual installments of \$245,000 to \$315,000 with interest due in semiannual installments at an average rate of 2.80% through September 1, 2021.

City of Lawrence, Kansas

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December 31, 2009

In 2009, the City issued \$14,120,000 of temporary notes for the purpose of temporarily financing the costs of street improvements, intersection improvements, and benefit district projects in the Northwest part of the City. The Temporary Notes, Series 2009-I, bear interest of 2.00% and mature October 1, 2010.

The City intends to redeem all temporary notes outstanding at December 31, 2009 in 2010 from proceeds of general obligation bonds and/or other temporary notes issued to finance the improvements.

General obligation bonds to be paid with tax levies:

Year		Principal Due	Interest Due	Total Due
2010	\$	9,003,114	3,040,315	12,043,429
2011		8,659,010	2,700,376	11,359,386
2012		8,972,625	2,380,238	11,352,863
2013		9,013,067	2,041,993	11,055,060
2014		8,213,482	1,699,968	9,913,450
2015-2019		30,794,602	3,995,223	34,789,825
2020-2024		<u>2,934,999</u>	<u>136,288</u>	<u>3,071,287</u>
Total	\$	<u>77,590,899</u>	<u>15,994,401</u>	<u>93,585,300</u>

General obligation bonds to be paid with enterprise revenues:

Year		Principal Due	Interest Due	Total Due
2010	\$	561,886	169,854	731,740
2011		575,990	150,864	726,854
2012		592,375	132,224	724,599
2013		611,933	112,237	724,170
2014		631,518	91,160	722,678
2015-2019		<u>1,865,399</u>	<u>135,168</u>	<u>2,000,567</u>
Total	\$	<u>4,839,101</u>	<u>791,507</u>	<u>5,630,608</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2009

Total general obligation bonds:

Year		Principal Due	Interest Due	Total Due
2010	\$	9,565,000	3,210,169	12,775,169
2011		9,235,000	2,851,240	12,086,240
2012		9,565,000	2,512,462	12,077,462
2013		9,625,000	2,154,230	11,779,230
2014		8,845,000	1,791,128	10,636,128
2015-2019		32,660,001	4,130,391	36,790,392
2020-2024		<u>2,934,999</u>	<u>136,288</u>	<u>3,071,287</u>
Total	\$	<u>82,430,000</u>	<u>16,785,908</u>	<u>99,215,908</u>

Revenue bonds:

Year		Principal Due	Interest Due	Total Due
2010	\$	1,965,000	2,586,534	4,551,534
2011		2,145,000	2,382,795	4,527,795
2012		2,210,000	2,304,105	4,514,105
2013		2,280,000	2,220,860	4,500,860
2014		2,360,000	2,132,685	4,492,685
2015-2019		12,860,000	9,141,588	22,001,588
2020-2024		13,950,000	6,169,830	20,119,830
2025-2029		10,320,000	3,199,338	13,519,338
2030-2034		<u>6,900,000</u>	<u>925,105</u>	<u>7,825,105</u>
Total	\$	<u>54,990,000</u>	<u>31,062,840</u>	<u>86,052,840</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

Long-term notes payable, State Revolving Loan Fund:

Year		Principal Due	Interest Due	Total Due
2010	\$	2,472,184	1,240,250	3,712,434
2011		2,561,612	1,157,550	3,719,162
2012		2,654,296	1,071,840	3,726,136
2013		2,750,358	983,008	3,733,366
2014		2,849,919	890,940	3,740,859
2015-2019		15,874,803	2,951,883	18,826,686
2020-2024		8,595,334	470,734	9,066,068
Total	\$	<u>37,758,506</u>	<u>8,766,205</u>	<u>46,524,711</u>

In 2009, the City issued \$10,385,000 in Water and Sewage System taxable Direct Pay Build America Bonds. The bonds are due in annual installments of \$140,000 to \$570,000 with interest due in semiannual installments at rates of 1.85% to 6.15% through November 1, 2031. The bonds were issued for the purpose of financing various water and sewer system improvements, primarily the construction of a water tank and the expansion of a transmission main. The City will receive 35% of the interest from the U.S. Treasury Department.

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

Conduit Debt: The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2009, total outstanding conduit debt was \$22,925,000.

Lawrence Memorial Hospital Component Unit Debt:

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

Changes in long term debt transactions:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 64,084,831	-	1,532,031	62,552,800	1,630,000
Retirement plan obligation	678,490	35,034	165,230	548,294	143,241
	<u>\$ 64,763,321</u>	<u>35,034</u>	<u>1,697,261</u>	<u>63,101,094</u>	<u>1,773,241</u>

The City has issued Series 2003 and Series 2006 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

<u>Debt Issue</u>	<u>Date Matured</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance At End of Year</u>	<u>Due in One Year</u>
			17,450,000		
Series 2003	2019	2.5-5.38	\$ 0	\$ 12,505,000	980,000
			51,845,000		
Series 2006	2036	5.0-5.25	0	49,990,000	650,000
Total Revenue Bonds				62,495,000	1,630,000
Unamortized loss on refunding				57,800	-
				<u>\$ 62,552,800</u>	<u>1,630,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2009 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2010	\$ 1,630,000	3,205,863	4,835,863
2011	1,715,000	3,121,912	4,836,912
2012	1,815,000	3,033,575	4,848,575
2013	1,905,000	2,940,078	4,845,078
2014	1,995,000	2,842,088	4,837,088
2015-2019	11,645,000	12,542,364	24,187,364
2020-2024	8,610,000	9,845,083	18,455,083
2025-2029	11,475,000	7,349,620	18,824,620
2030-2034	14,715,000	4,109,182	18,824,182
2035-2036	6,990,000	539,463	7,529,463
Total	<u>\$ 62,495,000</u>	<u>49,529,228</u>	<u>112,024,228</u>

Arbitrage – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

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, 2009.

(8) Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,576,270	546,888	-	15,123,158
Construction in progress	7,837,809	8,091,907	(3,968,462)	11,961,254
Total capital assets, not being depreciated	22,414,079	8,638,795	(3,968,462)	27,084,412
Capital assets, being depreciated:				
Buildings	54,228,780	292,791	-	54,521,571
Improvements other than buildings	29,172,812	147,772	-	29,320,384
Machinery and equipment	21,255,949	2,959,230	(327,562)	23,887,617
Infrastructure	159,484,383	3,631,201	-	163,115,584
Total capital assets being depreciated	264,141,724	7,030,994	(327,562)	270,845,156
Less accumulated depreciation for:				
Buildings	25,155,283	1,777,352	-	26,932,635
Improvements other than buildings	8,889,911	1,204,749	-	10,094,660
Machinery and equipment	16,941,663	1,573,470	(266,090)	18,249,043
Infrastructure	50,876,893	2,986,487	-	53,863,380
Total accumulated depreciation	101,863,750	7,542,058	(266,090)	109,139,718
Total capital assets, being depreciated, net	162,277,974	(511,064)	(61,472)	161,705,438
Governmental activities capital assets, net	\$ 184,692,053	8,127,731	(4,029,934)	188,789,850

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,818,033	117,465	-	5,935,498
Construction in progress	29,152,786	4,382,665	(5,271,751)	28,263,700
Total capital assets, not being depreciated	34,970,819	4,500,130	(5,271,751)	34,199,198
Capital assets, being depreciated:				
Buildings	69,815,342	1,764,609	-	71,579,951
Improvements other than buildings	156,115,310	2,221,950	-	158,337,260
Machinery and equipment	12,432,767	2,319,687	(82,268)	14,670,186
Total capital assets being depreciated	238,363,419	6,306,246	(82,268)	244,587,397
Less accumulated depreciation for:				
Buildings	13,010,200	1,539,640	-	14,549,840
Improvements other than buildings	48,126,187	4,103,969	-	52,230,156
Machinery and equipment	8,317,774	1,222,557	(66,315)	9,474,016
Total accumulated depreciation	69,454,161	6,866,166	(66,315)	76,254,012
Total capital assets, being depreciated, net	168,909,258	(559,920)	(15,953)	168,333,385
Business-type activities capital assets, net	\$ 203,880,077	3,940,210	(5,287,704)	202,532,583

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

Governmental activities:

General government	\$ 110,744
Public safety	391,162
Public works	6,056,326
Health	800
Social services	351,375
Culture and recreation	484,897
Airport	115,777
Total governmental funds	7,511,081

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

30,977

Total depreciation expense - governmental activities

\$ 7,542,058

Business-type activities:

Water & sewer	\$ 5,363,792
Sanitation	740,704
Parking	151,105
Storm water	423,682
Golf course	186,883
Total proprietary funds	\$ 6,866,166

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

(9) Defined Benefit Pension Plan

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

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2009 was 5.93%. The City's employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$1,440,771, \$1,452,741, and \$1,243,576, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2009 is 13.88%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City contributions to KP&F for the years ending December 31, 2009, 2008, and 2007 were \$2,690,912, \$2,700,755, and \$2,534,222, respectively, equal to the required contributions for each year.

(10) Interfund Transactions

Interfund Receivables and Payables

At December 31, 2009, the following funds had interfund receivables and payables to the following funds

Due From	General Fund
Special Revenue Funds:	
CDBG - Recovery	\$ 2,800
Community Development	318,000
Transportation Planning	20,200
	<u>341,000</u>
Capital Projects Fund	<u>302,000</u>
	<u>\$ 643,000</u>

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

Interfund Transfers

A summary of transfers for the year ended December 31, 2009 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,312,883	8,953,078
Special Revenue Funds:		
Guest Tax	-	113,438
Transportation	1,592,756	-
Recreation	1,447,000	-
Capital Improvement Reserve	2,312,026	-
Equipment Reserve	948,189	-
Guest Tax Reserve	113,438	-
Liability Reserve	60,000	-
Sales Tax Reserve	2,991,000	-
Workers Comp Reserve	590,000	-
	<u>10,054,409</u>	<u>113,438</u>
Bond & Interest Fund	<u>102,271</u>	<u>-</u>
Capital Project Fund	<u>-</u>	<u>102,271</u>
Enterprise Funds:		
Water and Sewer System	-	3,084,858
Sanitation	-	386,025
Public Parking	-	22,893
Storm Water Utility	-	800,000
	<u>-</u>	<u>4,293,776</u>
Internal Service – Central Maintenance	<u>-</u>	<u>7,000</u>
	<u>\$ 13,469,563</u>	<u>13,469,563</u>

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

(11) Commitments and Contingencies

A. Contract Commitments

At December 31, 2009, the City had construction contract commitments totaling approximately \$9,075,259. The City expects to receive the contracted services during fiscal year 2010.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

B. Insurance

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$3,368,461 at December 31, 2009. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2009 was \$609,506. The liability reported in the financial statements at December 31, 2009 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated.

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

	2009	2008
Unpaid claims, January 1	\$ 467,122	497,388
Incurred claims (including IBNRs)	7,359,869	5,461,579
Claim payments	<u>7,371,878</u>	<u>5,491,845</u>
Unpaid claims, December 31	\$ <u>455,113</u>	<u>467,122</u>

(12) Fund Deficit

At December 31, 2009, the CDBG Recovery Fund had a fund deficit of \$3,953. This deficit is a result of program expenditures for which reimbursements have not yet been requested. The Capital Project Fund had a deficit of \$9,271,901 due to projects for which permanent financing has not yet been obtained.

(13) Cost Sharing Arrangements

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

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

In 1996, the County emergency medical services and the City fire department were combined with the City paying 74.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance service and the City pays all the cost of buildings and equipment of the fire department. As of the effective date of the 1996 agreement all buildings, equipment and furniture were transferred to the ownership of the City. This agreement was later modified in 1997, 1998 and 2005.

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

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

(14) Net Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total net capital assets	\$ 188,789,850	202,532,583	391,322,433
Less:			
Current portion of general obligation bonds	(9,003,114)	(561,886)	(9,565,000)
Current portion of revenue bonds	-	(1,965,000)	(1,965,000)
Temporary notes payable	(14,382,537)	-	(14,382,537)
Noncurrent portion of general obligation debt	(68,587,785)	(4,277,215)	(72,865,000)
Noncurrent portion of revenue bonds payable	-	(53,025,000)	(53,025,000)
Noncurrent portion of notes payable	-	(37,758,506)	(37,758,506)
Add:			
Unspent general obligation bonds and temporary note proceeds	5,500,673	26,310,964	31,811,637
Net assets-invested in capital assets, net of related debt	<u>\$ 102,317,087</u>	<u>131,255,940</u>	<u>233,573,027</u>

(15) Postemployment Healthcare Plan

Plan Description. The City operates a single employer defined benefit healthcare plan administered by Blue Cross of Kansas in 2009. The Employee Benefit Plan (the Plan) provides medical and dental

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

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, 2009, the City contributed \$510,000 to the Plan. (approximately 40% of total contributions). Plan participants contributed \$334,811 to the Plan (approximately 60% of total contributions) through their required contributions of 80% of premiums, ranging from \$256 to \$865 per month for coverage.

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

Annual required contribution	\$	549,000
Interest on Net OPEB obligation		16,000
Adjustment to annual required contribution		(14,000)
Annual OPEB cost		551,000
Contributions Made		(510,000)
Increase in Net OPEB obligation		41,000
Net OPEB obligation - beginning of year		60,000
Net OPEB obligation - end of year	\$	101,000

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, 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 527,000	\$ 467,000	\$ 60,000
December 31, 2009	551,000	510,000	101,000

The information for the preceding year was not available.

Funding Status and Funding Progress. As of the year ended December 31, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$16,186,403 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,186,403. The covered payroll (annual payroll of active employees covered by the plan) was \$43,646,468, and the ratio of the UAAL to the covered payroll was 37.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2009

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.

In the year ended December 31, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% 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 15.0% for medical, 15.0% for drugs and 5.0% for dental, reduced by decrements to ultimate rates of 5%, 5% and 5% after six years. The UAAL is being amortized as a level dollar over an open thirty-year period.

(16) Prior Year Restatement

It was determined that the Net OPEB obligation for 2008 was overstated by \$199,399. It was also determined that inventory in the Water and Sewer Fund in 2008 was understated by \$1,084,417. The effect on net assets is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets at December 31, 2008 as reported	\$ 160,089,157	154,801,535
Increase in inventory valuation	-	1,084,417
Decrease in Net OPEB Obligation	146,416	52,983
Net Assets at December 31, 2008 as restated	<u>\$ 160,235,573</u>	<u>155,938,935</u>

The effect on the individual funds is as follows:

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Storm Water Utility</u>	<u>Public Parking</u>	<u>Golf Course</u>
Net Assets at December 31, 2008 as reported	\$ 133,295,183	4,728,664	9,491,980	2,380,837	2,021,972
Increase in inventory valuation	1,084,417	-	-	-	-
Decrease in Net OPEB Obligation	25,656	20,660	1,980	4,524	163
Net Assets at December 31, 2008 as restated	<u>\$ 134,405,256</u>	<u>4,749,324</u>	<u>9,493,960</u>	<u>2,385,361</u>	<u>2,022,135</u>

City of Lawrence, Kansas
Other Post-Employment Benefits
Required Supplementary Information
December 31, 2009

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	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)
12/31/2008	\$ -	\$ 4,217,000	\$ 4,217,000	\$ -	\$ 40,192,000	10.5%
12/31/2009	-	16,186,403	16,186,403	-	43,646,468	37.1%

Schedule of Employers Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 527,000	\$ 467,000	\$ 60,000
December 31, 2009	551,000	510,000	101,000

Nonmajor Governmental Funds

Special Revenue Funds **Fund Descriptions**

BUDGETED FUNDS

Guest Tax Fund – This fund is used to account for the 5% guest tax received on the occupancy of hotels and motels in the City.

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

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

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

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

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

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

NONBUDGETED FUNDS

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

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

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

Guest Tax Reserve Fund – This fund is used to account for funds being reserved for Horizon 2020 (Charter Ordinance No. 30).

Liability Reserve Fund – This fund is used to account for reserve of the City's self-insured liability programs (K.S.A. 12-2615).

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

Special Revenue Funds
Fund Descriptions, Continued

Law Enforcement Grant Fund - This fund is used to account for Local Law Enforcement Block Grant received. These funds are used to reduce crime and improve public safety (K.S.A. 12-1663).

Workers' Compensation Reserve Fund - This fund is used to account for reserves established for the City's self-insured workers' compensation (K.S.A. 12-2615).

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2009

Assets	Special Revenue														
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Cash	\$ 320,422	234,418	385,343	453,663	173,471	421,903	206,972	150,550	829,875	741,833	152,883	109,194	272,318	12,845	160,192
Investments	—	99,947	—	599,767	—	399,928	—	—	3,500,819	3,199,403	49,987	1,449,935	2,900,876	—	1,799,384
Receivables:															
Taxes	—	2,560,498	18,913	193,965	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	598	13,984	—	—	—	450	—	151,530	—	—	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	2,798	2,800	40	1,290	2,418	—	2,104
Total assets	\$ 320,422	2,894,863	404,854	1,261,379	173,471	821,831	206,972	151,000	4,333,492	4,095,566	202,910	1,560,419	3,175,612	12,845	1,961,680
Liabilities and Fund Balances															
Liabilities:															
Accounts payable	\$ —	—	13,496	71,659	—	29,059	3,623	—	26,383	—	—	17,485	101,354	—	136,153
Accrued payroll	—	—	1,468	76,620	7,918	66,256	—	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deferred revenue	—	2,786,512	598	209,962	—	—	—	450	—	540	—	—	—	—	—
Total liabilities	—	2,786,512	15,562	358,241	7,918	95,315	3,623	450	26,383	540	—	17,485	101,354	—	136,153
Fund balances:															
Reserved for encumbrances	—	—	149,228	98,645	—	70,819	58,901	—	—	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:															
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,542,934	—	—	1,825,527
Undesignated	320,422	108,351	240,064	804,493	165,553	655,697	144,448	150,550	4,307,109	4,095,026	202,910	—	3,074,258	12,845	—
Total fund balances	320,422	108,351	389,292	903,138	165,553	726,516	203,349	150,550	4,307,109	4,095,026	202,910	1,542,934	3,074,258	12,845	1,825,527
Total liabilities and fund balances	\$ 320,422	2,894,863	404,854	1,261,379	173,471	821,831	206,972	151,000	4,333,492	4,095,566	202,910	1,560,419	3,175,612	12,845	1,961,680

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2009

Assets	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Cash	\$ 72,832	132,779	4,203	102,184	84,660	63,417	132,926	78	274	4,136	16,789	42	12,433	5,252,635
Investments	—	—	—	—	—	99,926	—	—	—	—	—	—	—	14,099,972
Receivables:														
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	2,773,376
Intergovernmental	—	—	—	—	171,561	—	—	—	287,100	—	47,301	161,884	—	667,846
Accounts	—	—	—	—	7,517	—	—	—	2,250	—	—	—	—	176,329
Loans	—	—	—	—	—	—	—	—	410,052	—	—	—	—	410,052
Accrued interest	—	—	—	—	—	101	—	—	—	—	—	—	—	11,551
Total assets	\$ 72,832	132,779	4,203	102,184	263,738	163,444	132,926	78	699,676	4,136	64,090	161,926	12,433	23,391,761
Liabilities and Fund Balances														
Liabilities:														
Accounts payable	\$ —	—	—	—	5,425	—	275	—	18,478	4,136	27,925	—	—	455,451
Accrued payroll	—	—	—	—	11,088	—	1,136	1,231	5,022	—	1,817	4,022	—	176,578
Due to other funds	—	—	—	—	—	—	—	2,800	318,000	—	—	20,200	—	341,000
Deferred revenue	—	—	—	—	7,518	—	—	—	—	—	—	—	—	3,005,580
Total liabilities	—	—	—	—	24,031	—	1,411	4,031	341,500	4,136	29,742	24,222	—	3,978,609
Fund balances:														
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	—	377,593
Reserved for loans	—	—	—	—	—	—	—	—	410,052	—	—	—	—	410,052
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	—	23,000
Unreserved:														
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	3,368,461
Undesignated	72,832	110,779	3,203	102,184	239,707	163,444	131,515	(3,953)	(51,876)	—	34,348	137,704	12,433	15,234,046
Total fund balances	72,832	132,779	4,203	102,184	239,707	163,444	131,515	(3,953)	358,176	—	34,348	137,704	12,433	19,413,152
Total liabilities and fund balances	\$ 72,832	132,779	4,203	102,184	263,738	163,444	132,926	78	699,676	4,136	64,090	161,926	12,433	23,391,761

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2009

	Special Revenue														
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Revenues:															
Taxes	\$ —	3,001,407	91,166	444,509	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	270,569	1,578,647	—	—	—	9,679	—	—	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	125,629	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	5,451	—	398	—	—	—	3,653
Intergovernmental	850,604	16,814	—	2,491	615,744	2,561,175	615,744	—	—	—	—	—	105,321	—	—
Miscellaneous	—	—	711	117,840	—	—	—	16,603	—	—	—	—	2,985	—	195,452
Total revenues	850,604	3,018,221	362,446	2,143,487	615,744	2,561,175	615,744	26,282	5,451	125,629	398	—	108,306	—	199,105
Expenditures:															
General government	—	3,051,000	2,025,001	—	—	—	—	—	—	6,690	—	179,126	3,177	—	809,667
Public safety	—	—	—	—	545,961	—	—	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,396,292	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	3,437,577	—	—	467,369	—	—	—	—	—	376,684	—	—
Tourism	732,862	—	—	—	—	—	—	—	—	—	38,672	—	—	—	—
Airport	—	—	—	—	—	—	—	15,787	—	—	—	—	—	—	—
Capital outlay	—	—	—	5,485	—	98,461	71,745	31,947	1,142,820	263,940	—	—	1,738,484	—	—
Debt service:															
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,142,178	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	469,229	—	—
Total expenditures	732,862	3,051,000	2,025,001	3,443,062	545,961	2,494,753	539,114	47,734	1,142,820	270,630	38,672	179,126	3,729,752	—	809,667
Excess (deficiency) of revenues over (under) expenditures	117,742	(32,779)	(1,662,555)	(1,299,575)	69,783	66,422	76,630	(21,452)	(1,137,369)	(145,001)	(38,274)	(179,126)	(3,621,446)	—	(610,562)
Other financing sources (uses):															
Transfers in	—	—	1,592,756	1,447,000	—	—	—	—	2,312,026	948,189	113,438	60,000	2,991,000	—	590,000
Transfers out	(113,438)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	(113,438)	—	1,592,756	1,447,000	—	—	—	—	2,312,026	948,189	113,438	60,000	2,991,000	—	590,000
Net change in fund balances	4,304	(32,779)	(69,799)	147,425	69,783	66,422	76,630	(21,452)	1,174,657	803,188	75,164	(119,126)	(630,446)	—	(20,562)
Fund balance, beginning of year	316,118	141,130	459,091	755,713	95,770	660,094	126,719	172,002	3,132,452	3,291,838	127,746	1,662,060	3,704,704	12,845	1,846,089
Fund balance, end of year	\$ 320,422	108,351	389,292	903,138	165,553	726,516	203,349	150,550	4,307,109	4,095,026	202,910	1,542,934	3,074,258	12,845	1,825,527

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2009

	Special Revenue												Total Nonmajor Governmental Funds
	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust
Revenues:													
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	431	—	1,458	—	743	—	—	—	—	—	60	—
Intergovernmental	—	—	—	—	2,402,662	—	5,420	77,698	1,184,575	—	629,830	328,673	—
Miscellaneous	5,873	1,807	—	—	5,000	26,515	13,839	—	144,633	—	36,187	—	812
Total revenues	5,873	2,238	—	1,458	2,407,662	27,258	19,259	77,698	1,329,208	—	666,017	328,673	872
Expenditures:													
General government	3,615	—	—	—	1,692,948	—	—	—	—	—	—	191,136	—
Public safety	—	—	—	—	453,666	—	—	—	—	—	—	—	47,430
Public works	—	—	—	—	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	69,093	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	41,935	81,651	1,221,029	—	588,217	—	—
Culture and recreation	—	8,418	—	—	—	4,864	—	—	—	—	—	—	—
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	—
Airport	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital outlay	—	53,403	—	—	104,800	—	—	—	—	—	—	—	—
Debt service:													
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenditures	3,615	61,821	—	—	2,320,507	4,864	41,935	81,651	1,221,029	—	588,217	191,136	47,430
Excess (deficiency) of revenues over (under) expenditures	2,258	(59,583)	—	1,458	87,155	22,394	(22,676)	(3,953)	108,179	—	77,800	137,537	(46,558)
Other financing sources (uses):													
Transfers in	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—	—	—	—
Net change in fund balances	2,258	(59,583)	—	1,458	87,155	22,394	(22,676)	(3,953)	108,179	—	77,800	137,537	(46,558)
Fund balance, beginning of year	70,574	192,362	4,203	100,726	152,552	141,050	154,191	—	249,997	—	(43,452)	167	58,991
Fund balance, end of year	\$ 72,832	132,779	4,203	102,184	239,707	163,444	131,515	(3,953)	358,176	—	34,348	137,704	12,433

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2008 Actual
Revenues:					
Taxes	\$ 6,554,920	6,554,920	6,531,465	(23,455)	6,482,790
Special assessments	2,300,000	2,300,000	2,856,257	556,257	3,172,277
Interest	300,000	300,000	265,446	(34,554)	303,918
Intergovernmental	69,173	69,173	36,631	(32,542)	26,676
Miscellaneous	100,000	100,000	107,212	7,212	146,159
Total revenues	<u>9,324,093</u>	<u>9,324,093</u>	<u>9,797,011</u>	<u>472,918</u>	<u>10,131,820</u>
Expenditures:					
Principal retirement	9,210,000	9,210,000	7,921,988	1,288,012	7,627,975
Interest and fiscal charges	<u>3,855,000</u>	<u>3,855,000</u>	<u>2,819,464</u>	<u>1,035,536</u>	<u>2,753,458</u>
Total expenditures	<u>13,065,000</u>	<u>13,065,000</u>	<u>10,741,452</u>	<u>2,323,548</u>	<u>10,381,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,740,907)</u>	<u>(3,740,907)</u>	<u>(944,441)</u>	<u>2,796,466</u>	<u>(249,613)</u>
Other financing sources:					
Transfers in	—	—	102,271	102,271	1,667,570
Issuance of general obligation bonds	—	—	—	—	8,120,000
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>102,271</u>	<u>102,271</u>	<u>9,787,570</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (3,740,907)</u>	<u>(3,740,907)</u>	<u>(842,170)</u>	<u>2,898,737</u>	<u>9,537,957</u>
Fund balance, beginning of year			17,270,832		7,736,675
Net change in reserve for encumbrances			<u>—</u>		<u>(3,800)</u>
Fund balance, end of year			<u>\$ 16,428,662</u>		<u>17,270,832</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Revenues – intergovernmental	\$ 846,300	846,300	850,604	4,304	917,859
Expenditures:					
Tourism – contractual services	691,800	691,800	732,862	(41,062)	739,960
Excess (deficiency) of revenues over (under) expenditures	154,500	154,500	117,742	(36,758)	177,899
Other financing (uses) – transfers out	(154,500)	(154,500)	(113,438)	41,062	(150,000)
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>—</u>	<u>—</u>	4,304	<u>4,304</u>	27,899
Fund balance, beginning of year			316,118		288,219
Fund balance, end of year			\$ <u>320,422</u>		<u>316,118</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	<u>2009</u>			<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>		
Revenues:					
Taxes	\$ 3,006,239	3,006,239	3,001,407	(4,832)	3,014,973
Intergovernmental	32,179	32,179	16,814	(15,365)	12,409
Total revenues	<u>3,038,418</u>	<u>3,038,418</u>	<u>3,018,221</u>	<u>(20,197)</u>	<u>3,027,382</u>
Expenditures:					
General government - contractual services	<u>3,051,000</u>	<u>3,051,000</u>	<u>3,051,000</u>	<u>—</u>	<u>3,021,000</u>
Total expenditures	<u>3,051,000</u>	<u>3,051,000</u>	<u>3,051,000</u>	<u>—</u>	<u>3,021,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(12,582)</u>	<u>(12,582)</u>	(32,779)	<u>(20,197)</u>	6,382
Fund balance, beginning of year			<u>141,130</u>		<u>134,748</u>
Fund balance, end of year			\$ <u>108,351</u>		<u>141,130</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	<u>2009</u>				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Revenues:					
Taxes	\$ —	—	91,166	91,166	1,049,608
Charges for services	312,000	312,000	270,569	(41,431)	287,894
Intergovernmental	595,000	595,000	—	(595,000)	4,459
Miscellaneous	—	—	711	711	376
Total revenues	<u>907,000</u>	<u>907,000</u>	<u>362,446</u>	<u>(544,554)</u>	<u>1,342,337</u>
Expenditures:					
General government					
Personal services	90,070	90,070	63,197	26,873	60,322
Contractual service	1,667,439	2,232,297	1,634,771	597,526	1,471,260
Commodities	667,975	479,105	373,910	105,195	519
Total expenditures	<u>2,425,484</u>	<u>2,801,472</u>	<u>2,071,878</u>	<u>729,594</u>	<u>1,532,101</u>
Excess (deficiency) of revenues over (under) expenditures	(1,518,484)	(1,894,472)	(1,709,432)	185,040	(189,764)
Other financing sources – transfers in	<u>1,503,950</u>	<u>1,879,938</u>	<u>1,592,756</u>	<u>(287,182)</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(14,534)</u>	<u>(14,534)</u>	(116,676)	<u>(102,142)</u>	(189,764)
Fund balance, beginning of year			459,091		574,649
Net change in reserve for encumbrances			<u>46,877</u>		<u>74,206</u>
Fund balance, end of year			\$ <u>389,292</u>		<u>459,091</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Variance	2008
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 447,600	443,158	444,509	1,351	446,706
Charges for services	1,524,100	1,460,350	1,578,647	118,297	1,565,892
Intergovernmental	—	—	2,491	2,491	1,839
Miscellaneous	107,268	95,000	117,840	22,840	103,100
Total revenues	<u>2,078,968</u>	<u>1,998,508</u>	<u>2,143,487</u>	<u>144,979</u>	<u>2,117,537</u>
Expenditures:					
Culture and recreation:					
Personal services	2,937,700	2,885,497	2,799,434	86,063	2,697,486
Contractual service	439,459	438,571	394,679	43,892	373,587
Commodities	271,967	325,058	312,743	12,315	262,425
Capital outlay	—	—	—	—	5,485
Other	50,000	50,000	—	50,000	—
Total expenditures	<u>3,699,126</u>	<u>3,699,126</u>	<u>3,506,856</u>	<u>192,270</u>	<u>3,338,983</u>
Excess (deficiency) of revenues over (under) expenditures	(1,620,158)	(1,700,618)	(1,363,369)	337,249	(1,221,446)
Other financing sources – transfers in	<u>1,447,000</u>	<u>1,447,000</u>	<u>1,447,000</u>	—	<u>1,447,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(173,158)</u>	<u>(253,618)</u>	83,631	<u>337,249</u>	225,554
Fund balance, beginning of year			755,713		526,195
Net change in reserve for encumbrances			<u>63,794</u>		<u>3,964</u>
Fund balance, end of year			\$ <u>903,138</u>		<u>755,713</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	<u>2009</u>			<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>		
Revenues – intergovernmental	\$ 594,228	594,228	615,744	21,516	<u>638,887</u>
Expenditures:					
Health:					
Personal services	250,000	250,000	232,161	17,839	228,797
Contractual service	312,150	312,150	313,800	(1,650)	398,156
Commodities	—	—	—	—	4,702
Other	<u>15,000</u>	<u>15,000</u>	<u>—</u>	<u>15,000</u>	<u>—</u>
Total expenditures	<u>577,150</u>	<u>577,150</u>	<u>545,961</u>	<u>31,189</u>	<u>631,655</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>17,078</u>	<u>17,078</u>	69,783	<u>52,705</u>	7,232
Fund balance, beginning of year			<u>95,770</u>		<u>88,538</u>
Fund balance, end of year			\$ <u>165,553</u>		<u>95,770</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009			Variance	
	Original Budget	Revised Budget	Actual	Positive (Negative)	2008 Actual
Revenues					
Intergovernmental	\$ 2,788,861	2,788,861	2,561,175	(227,686)	2,760,250
Miscellaneous	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>499</u>
Total revenues	<u>2,788,861</u>	<u>2,788,861</u>	<u>2,561,175</u>	<u>(227,686)</u>	<u>2,760,749</u>
Expenditures:					
Public works:					
Personal services	1,747,133	1,747,133	1,650,467	96,666	1,667,322
Contractual service	480	480	39,280	(38,800)	12,718
Commodities	1,010,800	1,012,000	710,871	301,129	812,476
Capital outlay	<u>195,000</u>	<u>193,800</u>	<u>111,461</u>	<u>82,339</u>	<u>110,227</u>
Total expenditures	<u>2,953,413</u>	<u>2,953,413</u>	<u>2,512,079</u>	<u>441,334</u>	<u>2,602,743</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(164,552)</u>	<u>(164,552)</u>	49,096	<u>213,648</u>	158,006
Fund balance, beginning of year			660,094		546,820
Net change in reserve for encumbrances			<u>17,326</u>		<u>(44,732)</u>
Fund balance, end of year			\$ <u>726,516</u>		<u>660,094</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009
(With Comparative Actual Amounts for 2008)

	2009				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2008 Actual</u>
Revenues – intergovernmental	\$ 594,228	594,228	615,744	21,516	640,887
Expenditures:					
Culture and recreation:					
Personal services	48,605	45,925	45,924	1	45,779
Contractual service	290,500	332,818	347,801	(14,983)	367,330
Commodities	81,000	98,721	94,374	4,347	98,729
Capital outlay	160,000	102,641	71,745	30,896	72,992
Other	10,000	10,000	—	10,000	—
Total expenditures	<u>590,105</u>	<u>590,105</u>	<u>559,844</u>	<u>30,261</u>	<u>584,830</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>4,123</u>	<u>4,123</u>	55,900	<u>51,777</u>	56,057
Fund balance, beginning of year			126,719		111,748
Net change in reserve for encumbrances			<u>20,730</u>		<u>(41,086)</u>
Fund balance, end of year			\$ <u>203,349</u>		<u>126,719</u>

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

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NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Enterprise Funds December 31, 2009

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 281,717	261,974	543,691
Investments	—	99,921	99,921
Receivables:			
Accounts	11,074	166	11,240
Accrued interest	—	78	78
Inventories	—	10,722	10,722
Total current assets	<u>292,791</u>	<u>372,861</u>	<u>665,652</u>
Capital assets			
Land	479,055	—	479,055
Buildings and improvements	4,084,602	3,616,125	7,700,727
Equipment	392,981	144,278	537,259
Accumulated depreciation	(3,027,736)	(2,136,101)	(5,163,837)
Total capital assets	<u>1,928,902</u>	<u>1,624,302</u>	<u>3,553,204</u>
Total assets	<u>\$ 2,221,693</u>	<u>1,997,163</u>	<u>4,218,856</u>
Liabilities and Net Assets			
Liabilities:			
Current liabilities			
Accounts payable	\$ 11,981	14,733	26,714
Accrued payroll	29,202	10,998	40,200
Accrued vacation and sick pay	42,287	23,618	65,905
Total current liabilities	<u>83,470</u>	<u>49,349</u>	<u>132,819</u>
Noncurrent liabilities			
Compensated absences	48,635	17,671	66,306
Net OPEB obligation	2,291	83	2,374
Total noncurrent liabilities	<u>50,926</u>	<u>17,754</u>	<u>68,680</u>
Total liabilities	<u>134,396</u>	<u>67,103</u>	<u>201,499</u>
Net assets:			
Invested in capital assets, net of debt	1,928,902	1,624,302	3,553,204
Unrestricted	158,395	305,758	464,153
Total net assets	<u>2,087,297</u>	<u>1,930,060</u>	<u>4,017,357</u>
Total liabilities and net assets	<u>\$ 2,221,693</u>	<u>1,997,163</u>	<u>4,218,856</u>

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2009

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Operating revenues - charges for services	\$ 1,013,596	919,416	1,933,012
Operating expenses:			
Continuing operations	1,141,248	826,217	1,967,465
Depreciation and amortization	151,105	186,883	337,988
Total operating expenses	1,292,353	1,013,100	2,305,453
Operating income (loss)	(278,757)	(93,684)	(372,441)
Nonoperating revenues (expenses)			
Interest income	—	1,145	1,145
Other	3,586	464	4,050
Total nonoperating revenues (expenses)	3,586	1,609	5,195
Income (loss) before transfers	(275,171)	(92,075)	(367,246)
Transfers (out)	(22,893)	—	(22,893)
Change in net assets	(298,064)	(92,075)	(390,139)
Net assets, beginning of year	2,385,361	2,022,135	4,407,496
Net assets, end of year	\$ 2,087,297	1,930,060	4,017,357

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2009

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,023,386	919,845	1,943,231
Payments to suppliers	(282,019)	(340,089)	(622,108)
Payments to employees	(837,774)	(457,160)	(1,294,934)
Net cash provided by (used in) operating activities	(96,407)	122,596	26,189
Cash flows from noncapital financing activities:			
Transfers out	(22,893)	—	(22,893)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	—	(17,405)	(17,405)
Cash flows from investing activities:			
Receipt of interest and dividends	263	1,381	1,644
Purchases of investments	(199,993)	(499,921)	(699,914)
Sales of investments	545,057	549,531	1,094,588
Net cash provided by (used in) investing activities	345,327	50,991	396,318
Net increase (decrease) in cash	226,027	156,182	382,209
Cash and cash equivalents, beginning of year	55,690	105,792	161,482
Cash and cash equivalents, end of year	\$ 281,717	261,974	543,691
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (278,757)	(93,684)	(372,441)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	151,105	186,883	337,988
Other income	5,248	464	5,712
Change in:			
Accounts receivable	4,542	(35)	4,507
Inventories of supplies	—	20,017	20,017
Accounts payable	3,494	3,215	6,709
Accrued payroll	8,349	1,987	10,336
Accrued vacation and sick pay	8,682	3,715	12,397
Net OPEB obligation	930	34	964
Total adjustments	182,350	216,280	398,630
Net cash provided by (used in) operating activities	\$ (96,407)	122,596	26,189

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

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Central Maintenance Fund – This fund accounts for the repairs and maintenance expenses of the City's fleet of vehicles and equipment.

Stores Fund – This fund accounts for the purchase of office supplies.

Health Insurance Fund – This fund accounts for the payment of health insurance claims.

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Internal Service Funds December 31, 2009

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 373,663	29,516	479,201	882,380
Investments	—	—	7,100,761	7,100,761
Receivables:				
Accounts	396,097	—	45,735	441,832
Accrued interest	—	—	7,201	7,201
Inventories	315,262	4,248	—	319,510
Total current assets	<u>1,085,022</u>	<u>33,764</u>	<u>7,632,898</u>	<u>8,751,684</u>
Capital assets				
Buildings and improvements	674,819	—	—	674,819
Equipment	261,378	—	—	261,378
Accumulated depreciation	(669,938)	—	—	(669,938)
Total capital assets	<u>266,259</u>	<u>—</u>	<u>—</u>	<u>266,259</u>
Total assets	<u>\$ 1,351,281</u>	<u>33,764</u>	<u>7,632,898</u>	<u>9,017,943</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable	\$ 3,378	—	81,875	85,253
Claims payable	—	—	455,113	455,113
Accrued payroll	35,856	—	—	35,856
Accrued vacation and sick pay	69,936	—	—	69,936
Total current liabilities	<u>109,170</u>	<u>—</u>	<u>536,988</u>	<u>646,158</u>
Noncurrent liabilities - compensated absences	79,934	—	—	79,934
Total liabilities	<u>189,104</u>	<u>—</u>	<u>536,988</u>	<u>726,092</u>
Net assets:				
Invested in capital assets, net of debt	266,259	—	—	266,259
Unrestricted	895,918	33,764	7,095,910	8,025,592
Total net assets	<u>1,162,177</u>	<u>33,764</u>	<u>7,095,910</u>	<u>8,291,851</u>
Total liabilities and net assets	<u>\$ 1,351,281</u>	<u>33,764</u>	<u>7,632,898</u>	<u>9,017,943</u>

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2009

	Central Maintenance	Stores	Health Insurance	Total
Operating revenues - charges for services	\$ 3,218,363	5,239	7,757,780	10,981,382
Operating expenses:				
Continuing operations	3,087,114	5,190	—	3,092,304
General administration	—	—	836,339	836,339
Health insurance claims	—	—	7,371,878	7,371,878
Depreciation and amortization	30,977	—	—	30,977
Total operating expenses	3,118,091	5,190	8,208,217	11,331,498
Operating income (loss)	100,272	49	(450,437)	(350,116)
Nonoperating revenues (expenses)				
Interest income	1,876	—	14,937	16,813
Federal grants	13,400	—	—	13,400
Gain (loss) on sale of capital assets	3,038	—	—	3,038
Other	22,748	—	—	22,748
Total nonoperating revenues (expenses)	41,062	—	14,937	55,999
Income (loss) before transfers	141,334	49	(435,500)	(294,117)
Transfers out	(7,000)	—	—	(7,000)
Change in net assets	134,334	49	(435,500)	(301,117)
Net assets (deficit), beginning of year	1,027,843	33,715	7,531,410	8,592,968
Net assets (deficit), end of year	\$ 1,162,177	33,764	7,095,910	8,291,851

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2009

	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,120,155	5,239	7,742,447	10,867,841
Payments to suppliers	(2,037,995)	(3,369)	(8,223,903)	(10,265,267)
Payments to employees	(1,080,472)	—	—	(1,080,472)
Net cash provided by (used in) operating activities	1,688	1,870	(481,456)	(477,898)
Cash flows from noncapital financing activities:				
Transfers out	(7,000)	—	—	(7,000)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(37,901)	—	—	(37,901)
Proceeds from sales of capital assets	3,038	—	—	3,038
Proceeds from capital grant	13,400	—	—	13,400
Net cash provided by (used in) capital and related financing activities	(21,463)	—	—	(21,463)
Cash flows from investing activities:				
Receipt of interest and dividends	4,300	—	62,979	67,279
Purchases of investments	(300,000)	—	(15,900,825)	(16,200,825)
Sales of investments	695,840	—	16,603,271	17,299,111
Net cash provided by (used in) investing activities	400,140	—	765,425	1,165,565
Net increase (decrease) in cash	373,365	1,870	283,969	659,204
Cash and cash equivalents, beginning of year	298	27,646	195,232	223,176
Cash and cash equivalents, end of year	\$ 373,663	29,516	479,201	882,380
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 100,272	49	(450,437)	(350,116)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	30,977	—	—	30,977
Other income	22,748	—	—	22,748
Change in:				
Accounts receivable	(120,956)	—	(15,333)	(136,289)
Inventories of supplies	(39,851)	1,821	—	(38,030)
Accounts payable	(9,068)	—	(3,677)	(12,745)
Claims payable	—	—	(12,009)	(12,009)
Accrued payroll	7,643	—	—	7,643
Accrued vacation and sick pay	9,923	—	—	9,923
Total adjustments	(98,584)	1,821	(31,019)	(127,782)
Net cash provided by (used in) operating activities	\$ 1,688	1,870	(481,456)	(477,898)

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

AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Clearing Fund – This fund is used to account for withholdings from payroll pending payment to outside agencies.

Municipal Court Fund – This fund is used to account for cash bonds paid by defendants.

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

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Payroll Clearing				
Assets:				
Cash	\$ 31,078	19,903,612	19,902,209	32,481
Accounts receivable	<u>277</u>	<u>—</u>	<u>—</u>	<u>277</u>
	<u>\$ 31,355</u>	<u>19,903,612</u>	<u>19,902,209</u>	<u>32,758</u>
Liabilities:				
Accounts payable	<u>\$ 31,355</u>	<u>19,903,612</u>	<u>19,902,209</u>	<u>32,758</u>
Municipal Court				
Assets:				
Cash	\$ 275,292	912,553	853,145	334,700
Restricted assets - court receivables	<u>70,683</u>	<u>—</u>	<u>—</u>	<u>70,683</u>
	<u>\$ 345,975</u>	<u>912,553</u>	<u>853,145</u>	<u>405,383</u>
Liabilities:				
Accounts payable	\$ 275,292	912,553	853,145	334,700
Payable from restricted assets	<u>70,683</u>	<u>—</u>	<u>—</u>	<u>70,683</u>
	<u>\$ 345,975</u>	<u>912,553</u>	<u>853,145</u>	<u>405,383</u>
KPRF				
Assets:				
Cash	\$ <u>291</u>	<u>8,296</u>	<u>8,296</u>	<u>291</u>
Liabilities:				
Accounts payable	<u>\$ 291</u>	<u>8,296</u>	<u>8,296</u>	<u>291</u>

(Continued)

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2009

Fire Insurance Proceeds Fund	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Assets:				
Cash	\$ —	105,904	—	105,904
Liabilities:				
Accounts payable	\$ —	105,904	—	105,904
Totals - All Agency Funds				
Assets:				
Cash	\$ 306,661	20,930,365	20,763,650	473,376
Accounts receivable	277	—	—	277
Restricted assets - court receivables	70,683	—	—	70,683
Total assets	\$ 377,621	20,930,365	20,763,650	544,336
Liabilities:				
Accounts payable	\$ 306,938	20,930,365	20,763,650	473,653
Court bonds payable	70,683	—	—	70,683
Total liabilities	\$ 377,621	20,930,365	20,763,650	544,336

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

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STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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

SCHEDULES OF FINANCIAL TRENDS INFORMATION

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

Table 1

CITY OF LAWRENCE, KANSAS

Net Assets by Component

Last Seven Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt \$	95,987,404	96,155,168	88,244,646	93,600,687	94,219,394	98,756,330	102,317,087
Restricted	14,384,175	15,400,474	16,818,165	17,954,391	22,969,523	31,135,946	30,181,056
Unrestricted	23,957,026	29,880,265	42,743,594	36,620,613	38,700,080	30,196,881	31,166,420
Total governmental activities net assets \$	<u>134,328,605</u>	<u>141,435,907</u>	<u>147,806,405</u>	<u>148,175,691</u>	<u>155,888,997</u>	<u>160,089,157</u>	<u>163,664,563</u>
Business-type activities							
Invested in capital assets, net of related debt \$	86,737,639	87,256,373	74,845,227	91,982,752	100,856,193	130,121,705	131,255,940
Restricted	5,909,170	6,906,197	17,732,915	16,877,071	27,230,548	19,865,967	-
Unrestricted	34,841,198	39,199,131	47,994,157	42,242,043	26,203,996	4,813,863	24,874,340
Total business-type activities net assets \$	<u>127,488,007</u>	<u>133,361,701</u>	<u>140,572,299</u>	<u>151,101,866</u>	<u>154,290,737</u>	<u>154,801,535</u>	<u>156,130,280</u>
Primary government							
Invested in capital assets, net of related debt \$	182,725,043	183,411,541	163,089,873	185,583,439	195,075,587	228,878,035	233,573,027
Restricted	20,293,345	22,306,671	34,551,080	34,831,462	50,200,071	51,001,913	30,181,056
Unrestricted	58,798,224	69,079,396	90,737,751	78,862,656	64,904,076	35,010,744	56,040,760
Total primary government net assets \$	<u>261,816,612</u>	<u>274,797,608</u>	<u>288,378,704</u>	<u>299,277,557</u>	<u>310,179,734</u>	<u>314,890,692</u>	<u>319,794,843</u>

Note: Data became available with the inception of GASB 34 during fiscal year 2003, therefore 10 years of data is unavailable.

Table 2

CITY OF LAWRENCE, KANSAS

Changes in Net Assets

Last Seven Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses							
Governmental activities							
General government	\$ 13,529,468	14,403,955	15,787,385	17,850,454	19,365,613	19,330,700	20,602,910
Public safety	21,444,143	22,024,175	23,958,869	26,850,570	28,091,852	28,450,607	29,739,788
Public works	10,389,739	12,755,790	13,152,884	16,608,613	14,467,570	15,402,053	17,343,296
Health	1,382,529	888,333	897,509	976,258	992,789	1,039,965	1,075,320
Social services	2,882,748	2,678,321	3,330,734	2,651,489	1,917,240	1,841,798	2,448,630
Culture and recreation	6,543,285	6,211,637	7,145,971	8,205,079	7,834,774	8,058,955	8,080,566
Tourism	490,053	663,943	680,490	675,797	779,687	818,561	771,534
Airport	191,661	192,485	188,284	201,034	212,253	248,014	242,517
Interest on long-term debt	3,842,917	3,164,980	2,838,234	3,175,178	2,655,108	3,232,294	3,231,513
Total governmental activities expenses	<u>60,696,543</u>	<u>62,983,619</u>	<u>67,980,360</u>	<u>77,194,472</u>	<u>76,316,886</u>	<u>78,422,947</u>	<u>83,536,074</u>
Business-type activities:							
Water & sewer	16,561,112	17,079,804	18,439,977	21,182,353	23,578,051	25,644,004	25,862,716
Sanitation	7,218,375	7,817,606	8,395,807	9,146,491	9,593,230	10,048,229	9,689,799
Parking	912,248	935,905	962,303	934,309	1,110,029	1,259,311	1,299,618
Stormwater	1,121,598	1,209,570	1,527,637	1,710,016	1,778,006	1,776,832	1,867,219
Golf course	1,049,496	1,094,435	992,548	817,710	925,676	999,551	1,016,011
Total business-type activities expenses	<u>26,862,829</u>	<u>28,137,320</u>	<u>30,318,272</u>	<u>33,790,879</u>	<u>36,984,992</u>	<u>39,727,927</u>	<u>39,735,363</u>
Total primary government expenses	<u>\$ 87,559,372</u>	<u>91,120,939</u>	<u>98,298,632</u>	<u>110,985,351</u>	<u>113,301,878</u>	<u>118,150,874</u>	<u>123,271,437</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 719,087	886,557	1,164,158	1,151,175	1,213,241	1,244,723	1,457,934
Public safety	5,597,535	6,403,610	6,523,480	6,745,201	6,390,357	7,371,902	6,746,080
Culture and recreation	1,563,897	1,408,227	1,554,583	1,642,377	1,764,266	1,911,786	1,952,858
Other activities	530,016	608,024	598,888	693,927	550,054	382,777	442,116
Operating grants and contributions	8,690,675	8,068,395	8,645,939	8,296,784	8,107,569	7,049,610	8,614,974
Capital grants and contributions	4,703,593	4,476,161	4,298,427	7,464,153	6,982,954	3,502,047	3,912,656
Total governmental activities program revenues	<u>21,804,803</u>	<u>21,850,974</u>	<u>22,785,475</u>	<u>25,993,617</u>	<u>25,008,441</u>	<u>21,462,845</u>	<u>23,126,618</u>
Business-type activities:							
Charges for services:							
Water & sewer	22,731,523	21,980,918	24,666,589	27,625,934	27,702,909	27,953,735	29,099,969
Sanitation	7,859,391	8,069,691	8,350,141	8,738,585	8,980,990	9,281,014	9,658,845
Parking	896,694	831,787	871,504	954,766	876,578	1,018,472	1,013,596
Stormwater	2,677,414	2,728,541	2,767,975	2,794,985	2,836,484	2,890,385	2,919,032
Golf course	896,158	912,526	935,964	971,712	923,375	916,239	919,416

(continued)

Table 2, cont.

CITY OF LAWRENCE, KANSAS

Changes in Net Assets, Continued

Last Seven Fiscal Years
(accrual basis of accounting)

Unaudited

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009
Operating grants and contributions	27,173	33,826	-	-	16,844	-	-
Capital grants and contributions	-	-	60,944	85,160	-	-	-
Total business-type activities program revenues	35,090,356	34,559,293	37,655,122	41,173,148	41,337,180	42,059,845	43,610,858
Total primary government program revenues	\$ 56,895,159	56,410,267	60,440,597	67,166,765	66,345,621	63,522,690	66,737,476
Net (expense)/revenue							
Governmental activities	\$ (38,891,740)	(41,132,645)	(45,194,885)	(51,200,855)	(51,308,445)	(56,960,102)	(60,409,456)
Business-type activities	8,227,527	6,421,973	7,336,850	7,382,269	4,352,188	2,331,918	3,875,495
Total primary government net expense	\$ (30,664,213)	(34,710,672)	(37,858,035)	(43,818,586)	(46,956,257)	(54,628,184)	(56,533,961)
General Revenues and Other Changes in							
Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 17,604,825	20,911,051	22,059,715	22,525,407	23,768,769	24,836,509	24,673,704
Franchise taxes	3,660,489	3,684,941	3,754,184	3,986,982	4,784,605	5,543,194	5,872,925
Sales taxes	18,893,835	20,740,306	21,318,108	21,733,540	22,172,560	23,133,235	27,025,710
Unrestricted grants and contributions	518,024	530,786	530,707	543,415	548,596	740,882	760,511
Investment earnings	1,107,797	980,553	1,912,596	3,144,551	3,290,116	2,890,086	1,177,409
Miscellaneous	86,437	(49,408)	98,035	140,358	187,713	125,372	31,107
Transfers	1,288,000	1,441,718	1,892,038	2,102,194	4,269,392	3,890,984	4,297,080
Total governmental activities	43,159,407	48,239,947	51,565,383	54,176,447	59,021,751	61,160,262	63,838,446
Business-type activities:							
Unrestricted grants and contributions	-	-	-	-	-	-	6,325
Investment earnings	657,587	531,703	1,449,433	2,666,000	2,464,859	1,489,597	206,643
Miscellaneous	-	363,740	318,358	268,427	641,216	580,267	399,962
Transfers	(1,288,000)	(1,441,718)	(1,892,038)	(2,102,194)	(4,269,392)	(3,890,984)	(4,297,080)
Total business-type activities	(630,413)	(546,275)	(124,247)	832,233	(1,163,317)	(1,821,120)	(3,684,150)
Total primary government	\$ 42,528,994	47,693,672	51,441,136	55,008,680	57,858,434	59,339,142	60,154,296
Change in Net Assets							
Governmental activities	\$ 4,267,667	7,107,302	6,370,498	2,975,592	7,713,306	4,200,160	3,428,990
Business-type activities	7,597,114	5,875,698	7,212,603	8,214,502	3,188,871	510,798	191,345
Total primary government	\$ 11,864,781	12,983,000	13,583,101	11,190,094	10,902,177	4,710,958	3,620,335

Note: Data became available with the inception of GASB 34 during fiscal year 2003, therefore 10 years of data is unavailable.

SCHEDULES OF REVENUE CAPACITY INFORMATION

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

Table 3

CITY OF LAWRENCE, KANSAS

General Government Tax Revenues by Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

<u>Year</u>	<u>Property Tax</u>	<u>Sales Tax (1)</u>	<u>Franchise Tax</u>	<u>Motor Vehicle Tax</u>	<u>Payment- in-lieu</u>	<u>Total</u>
2000	\$ 11,844,455	\$10,660,961	\$ 3,247,604	\$ 1,364,778	\$ 66,362	\$ 27,184,160
2001	12,773,484	10,997,729	3,466,443	1,528,257	105,418	28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548
2003	15,814,366	11,392,376	3,660,488	1,665,149	125,307	32,657,686
2004	18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387
2008	22,790,512	14,027,094	5,543,194	1,943,132	102,866	44,406,798
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008

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

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 1,458,930	787,810	727,909	1,014,374	905,414	854,863	850,300	807,314	919,854	266,473
Unreserved	<u>9,577,868</u>	<u>10,374,335</u>	<u>8,919,482</u>	<u>8,164,583</u>	<u>12,922,924</u>	<u>14,472,880</u>	<u>11,083,748</u>	<u>11,449,526</u>	<u>12,224,367</u>	<u>12,564,947</u>
Total General Fund	\$ <u>11,036,798</u>	<u>11,162,145</u>	<u>9,647,391</u>	<u>9,178,957</u>	<u>13,828,338</u>	<u>15,327,743</u>	<u>11,934,048</u>	<u>12,256,840</u>	<u>13,144,221</u>	<u>12,831,420</u>
All other governmental funds										
Reserved	\$ 9,401,662	8,300,491	7,720,844	8,098,465	9,072,450	8,596,569	7,858,766	8,366,671	17,918,096	17,239,307
Unreserved, reported in:										
Special revenue funds	13,656,156	15,186,930	14,759,541	14,299,935	14,501,703	15,253,024	15,959,348	15,389,830	16,938,468	18,602,507
Capital projects funds	<u>6,863,034</u>	<u>(9,556,787)</u>	<u>(7,091,096)</u>	<u>5,652,282</u>	<u>1,618,585</u>	<u>(10,419,107)</u>	<u>(6,221,334)</u>	<u>(745,650)</u>	<u>(2,938,975)</u>	<u>(9,271,901)</u>
Total all other governmental fund	\$ <u>29,920,852</u>	<u>13,930,634</u>	<u>15,389,289</u>	<u>28,050,682</u>	<u>25,192,738</u>	<u>13,430,486</u>	<u>17,596,780</u>	<u>23,010,851</u>	<u>31,917,589</u>	<u>26,569,913</u>

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

Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 27,184,160	28,871,331	30,544,548	32,657,686	37,011,976	38,579,594	39,659,301	42,028,387	44,406,798	48,963,008
Special assessments	767,942	864,399	1,570,255	1,758,046	1,333,030	1,350,375	1,623,980	1,955,841	3,172,277	2,856,257
Licenses and permits	593,385	675,677	785,543	1,024,587	1,121,828	1,082,191	1,128,747	928,922	1,018,198	810,916
Charges for services	3,306,559	4,132,558	4,508,000	4,534,620	4,743,123	5,344,865	5,922,240	5,762,447	6,601,944	6,276,057
Fines, forfeitures and penalties	1,366,765	1,437,216	1,776,155	2,012,187	2,321,690	2,637,520	2,610,627	2,650,819	2,632,493	2,613,613
Interest	3,088,136	2,559,969	1,484,538	1,107,797	955,756	1,824,288	2,965,144	3,083,321	1,775,604	316,185
Intergovernmental	15,773,675	22,465,623	17,500,790	18,965,245	19,144,592	18,346,114	19,796,516	17,396,256	19,757,194	19,522,422
Reimbursements	2,135,342	261,166	1,757,694	555,980	397,638	178,665	1,321,000	70,834	196,262	375,161
Miscellaneous	1,064,857	1,182,145	932,545	1,926,446	1,360,067	1,020,492	1,465,378	640,488	1,054,806	1,018,877
Total Revenues	<u>55,280,821</u>	<u>62,450,084</u>	<u>60,860,068</u>	<u>64,542,594</u>	<u>68,389,700</u>	<u>70,364,104</u>	<u>76,492,933</u>	<u>74,517,315</u>	<u>80,615,576</u>	<u>82,752,496</u>
Expenditures										
General government	9,538,696	14,967,398	12,973,764	14,226,198	14,713,277	16,427,044	18,676,882	19,512,299	18,968,987	19,891,053
Public safety	16,002,552	17,360,889	19,413,366	20,760,197	20,620,805	23,418,252	26,134,660	27,193,045	27,816,793	29,187,921
Public works	5,286,767	5,715,798	6,409,537	6,554,869	6,213,701	6,896,815	8,360,862	7,969,457	8,258,922	8,778,751
Health	1,110,069	1,200,890	1,271,162	1,369,492	883,005	895,344	974,790	990,668	1,037,952	1,074,666
Social services	2,195,975	2,055,147	2,222,232	2,881,262	2,399,935	2,878,949	2,238,416	1,519,399	1,452,893	2,089,963
Culture and recreation	4,293,065	5,141,485	5,394,565	5,993,346	5,869,793	6,651,247	7,694,559	7,289,612	7,465,092	7,534,689
Tourism	460,605	443,181	463,622	486,845	660,735	677,282	674,777	779,687	818,561	771,534
Airport	81,876	79,691	94,373	75,885	76,708	72,507	85,290	96,545	132,237	126,740
Capital outlay	21,015,516	28,048,467	15,595,097	9,424,358	9,011,818	19,851,587	18,680,282	7,734,897	8,650,245	14,155,573
Debt service:										
Principal retirement	9,979,935	5,319,983	5,450,338	10,523,666	18,349,028	8,121,337	7,942,194	8,602,024	8,729,882	9,064,166
Interest and fiscal charges	2,875,108	3,172,476	3,228,362	3,913,517	3,077,458	2,719,188	3,283,518	2,710,971	3,274,481	3,288,693
Total expenditures	<u>72,840,164</u>	<u>83,505,405</u>	<u>72,516,418</u>	<u>76,209,635</u>	<u>81,876,263</u>	<u>88,609,552</u>	<u>94,746,230</u>	<u>84,398,604</u>	<u>86,606,045</u>	<u>95,963,749</u>
Excess of revenues over (under) expenditures	<u>(17,559,343)</u>	<u>(21,055,321)</u>	<u>(11,656,350)</u>	<u>(11,667,041)</u>	<u>(13,486,563)</u>	<u>(18,245,448)</u>	<u>(18,253,297)</u>	<u>(9,881,289)</u>	<u>(5,990,469)</u>	<u>(13,211,253)</u>
Other financing sources (uses)										
Transfers in	4,927,107	5,547,420	6,054,100	5,999,389	5,895,767	7,964,846	7,926,774	9,608,664	10,959,158	13,469,563
Transfers out	(4,276,657)	(4,616,970)	(4,777,950)	(4,704,389)	(4,450,767)	(6,069,321)	(5,821,112)	(5,335,512)	(7,064,570)	(9,168,787)
Proceeds of general obligation bonds	22,477,767	4,260,000	10,324,101	22,565,000	13,833,000	6,087,076	16,920,234	11,345,000	11,890,000	3,250,000
Total other financing sources (uses)	<u>23,128,217</u>	<u>5,190,450</u>	<u>11,600,251</u>	<u>23,860,000</u>	<u>15,278,000</u>	<u>7,982,601</u>	<u>19,025,896</u>	<u>15,618,152</u>	<u>15,784,588</u>	<u>7,550,776</u>
Net change in fund balances	<u>5,568,874</u>	<u>(15,864,871)</u>	<u>(56,099)</u>	<u>12,192,959</u>	<u>1,791,437</u>	<u>(10,262,847)</u>	<u>772,599</u>	<u>5,736,863</u>	<u>9,794,119</u>	<u>(5,660,477)</u>
Debt service as a percentage of noncapital expenditures	24.8%	15.3%	15.2%	23.4%	29.1%	15.8%	14.2%	14.6%	15.2%	14.0%

Table 6

CITY OF LAWRENCE, KANSAS

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value		
2000	\$ 469,852,465	\$ 3,374,649,282	\$ 56,523,350	\$ 226,093,400	\$ 19,076,106	\$ 57,228,318	\$ 545,451,921	\$ 3,657,971,000	14.9	23.90
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9	24.77
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9	24.77
2003	598,234,485	4,296,734,542	54,874,350	219,497,400	21,244,347	63,733,041	674,353,182	4,579,964,983	14.9	25.56
2004	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	64,783,923	718,149,570	4,908,004,044	14.9	28.10
2005	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	68,225,046	776,860,997	5,312,461,858	14.9	27.86
2006	750,379,180	5,389,492,978	53,579,845	214,319,380	20,406,899	61,220,697	824,365,924	5,665,033,055	15.0	26.36
2007	783,604,390	5,628,128,379	48,783,695	195,134,780	21,163,388	63,490,164	853,551,473	5,886,753,323	15.0	26.79
2008	804,814,245	5,780,465,181	38,094,360	152,377,440	19,128,981	57,386,943	862,037,586	5,990,229,564	14.5	26.65
2009	802,842,525	5,766,303,579	33,097,400	132,389,600	17,736,945	53,210,835	853,676,870	5,951,904,014	14.3	26.69

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	Overlapping Rates											Total Direct & Overlapping Rates
	City of Lawrence			Douglas County			School District			State of Kansas		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage			
2000	17.15	6.75	23.90	24.32	0.00	24.62	39.61	12.17	51.78	1.50	101.80	
2001	17.65	7.12	24.77	24.51	3.38	24.32	45.70	9.64	55.34	1.50	105.93	
2002	18.43	7.13	24.77	27.82	0.00	27.89	39.03	10.81	49.84	1.50	104.00	
2003	20.99	7.11	25.56	28.65	1.21	27.82	36.71	10.94	47.65	1.50	102.52	
2004	20.79	7.07	28.10	29.19	0.67	29.86	39.95	6.76	46.71	1.50	106.17	
2005	19.32	7.04	27.86	30.05	0.05	29.86	42.05	10.03	52.08	1.50	111.30	
2006	19.36	7.00	26.36	29.96	0.05	30.10	47.01	10.79	57.80	1.50	115.76	
2007	19.78	7.01	26.79	29.95	0.05	30.00	48.36	9.20	57.56	1.50	115.85	
2008	19.56	7.09	26.65	32.77	0.05	32.82	47.59	9.81	57.40	1.50	118.37	
2009	19.69	7.00	26.69	32.80	0.00	32.80	46.17	11.72	57.89	1.50	118.89	

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2009

Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2000 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Westar Energy	Electric Utility	\$ 8,068,889	1	0.95 %	\$ 7,585,626	3	1.39 %
Walmart	Retail Outlet	5,438,110	2	0.64	-		—
Southwestern Bell	Telephone Utility	5,322,552	3	0.62	7,894,045	2	1.45
Packerware Corp	Plastics Manufacturer	4,777,935	4	0.56	3,466,590	8	0.64
Hallmark Cards	Card Manufacturer	4,334,070	5	0.51	4,737,430	4	0.87
Lawrence Paper Co.	Paper Manufacturer	4,101,255	6	0.48	4,142,135	5	0.76
Inland Western Lawrence	Retail Center	3,824,265	7	0.45	-		—
World Company	Media	3,015,125	8	0.35	3,985,010	6	0.73
Celliance	Biotechnology	2,948,125	9	0.35	-		—
Sauer Danfoss US Company	Manufacturer	2,935,485	10	0.34	-		—
Kresge	District Warehouse	-		—	9,963,540	1	1.83
Oread Labs	Research Lab	-		—	3,598,290	7	0.66
NCS	Computer Services	-		—	2,549,310	9	0.47
Target	Retail Outlet	-		—	2,491,995	10	0.46
Total		<u>\$ 44,765,811</u>		<u>5.24 %</u>	<u>\$ 50,413,971</u>		<u>9.26 %</u>

Source: Douglas County Clerk.

Table 9

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
2000	\$12,143,963	\$11,688,149	96.25	\$ 156,306	\$ 11,844,455	97.53	\$ 769,417	6.34 %
2001	13,038,707	12,545,282	96.22	228,202	12,773,484	97.97	1,034,640	7.94
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11
2003	16,086,484	15,512,068	96.43	302,298	15,814,366	98.31	1,761,930	10.95
2004	18,960,069	18,537,307	97.77	417,228	18,954,535	99.97	1,767,464	9.32
2005	20,035,547	19,622,524	97.94	308,969	19,931,493	99.48	1,871,518	9.34
2006	20,523,463	19,996,080	97.43	345,973	20,342,053	99.12	2,052,928	10.00
2007	21,763,984	21,381,266	98.24	300,356	21,681,622	99.62	2,135,290	9.81
2008	22,970,715	22,478,666	97.86	311,846	22,790,512	99.22	2,315,493	10.08
2009	22,999,657	22,389,667	97.35	226,552	22,616,219	98.33	2,698,931	11.73

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

SCHEDULES OF DEBT CAPACITY INFORMATION

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

Table 10

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
2000 \$	57,003,154	133,971	\$ -	\$ 13,140,000	\$ 7,196,846	\$ 5,452,112	\$ -	\$ 82,926,083	5.10 %	\$ 1,016.75
2001	55,962,449	107,161	-	11,855,000	6,652,551	22,112,277	-	96,689,438	3.70	1,207.14
2002	62,636,388	91,499	-	10,510,000	6,083,612	42,601,580	18,797	121,941,876	4.51	1,460.47
2003	72,638,936	75,285	-	9,475,000	5,486,064	49,470,892	-	137,146,177	4.88	1,608.15
2004	68,139,695	58,498	-	8,935,000	6,745,305	49,114,320	-	132,992,818	4.63	1,545.71
2005	66,122,813	41,118	-	25,910,000	10,957,187	46,970,878	-	150,001,996	4.86	1,694.15
2006	75,118,846	23,125	-	24,860,000	9,951,154	44,542,451	-	154,495,576	4.71	1,710.25
2007	80,240,451	4,496	-	43,465,000	6,534,549	42,447,047	-	172,691,543	4.97	1,912.19
2008	83,405,065	-	-	46,290,000	5,504,935	40,144,404	-	175,344,404	5.05	1,929.70
2009	77,590,899	-	-	54,990,000	4,839,101	37,758,506	-	175,178,506	5.05	1,921.74

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

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

Table 11

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
2000	81,560	545,452	\$ 77,340,000	\$ 7,947,026	\$ 57,611,673	10.56 %	\$ 706.37
2001	80,098	595,971	74,470,000	7,638,070	66,831,930	11.21	834.38
2002	83,495	629,033	79,230,000	7,006,605	72,223,395	11.48	865.00
2003	85,282	674,353	87,600,000	7,537,669	80,062,331	11.87	938.80
2004	86,040	718,150	83,820,000	8,296,387	75,523,613	10.52	877.77
2005	88,541	776,861	102,990,000	7,774,005	95,215,995	12.26	1,075.39
2006	90,335	824,366	109,930,000	7,289,502	102,640,498	12.45	1,136.22
2007	90,311	853,551	130,240,000	7,736,675	122,503,325	14.35	1,356.46
2008	90,866	862,036	135,200,000	17,270,832	117,929,168	13.68	1,297.84
2009	91,156	853,677	137,420,000	16,428,662	120,991,338	14.17	1,327.30

(1) Census Bureau estimates 2000; other years are Planning Department estimates or previous census figure.

(2) Amounts expressed in thousands.

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

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2009

Unaudited

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Amount Available in Debt Service Fund</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct – City of Lawrence	\$ 82,430,000	\$ 16,428,662	\$ 66,001,338	100 %	\$ 66,001,338
Overlapping:					
Douglas County	21,440,000	493,919	20,946,081	76	15,919,022
Unified School District No. 497	<u>81,745,000</u>	<u>4,776,805</u>	<u>76,968,195</u>	89	<u>68,501,694</u>
	<u>\$ 185,615,000</u>	<u>21,699,386</u>	<u>163,915,614</u>		<u>\$ 150,422,054</u>

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

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

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

Table 13

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

Unaudited

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Assessed Valuation of Taxable Property	\$ 608,166,259	\$ 660,853,207	\$ 696,271,456	\$ 743,219,623	\$ 789,003,475	\$ 848,569,778	\$ 897,731,218	\$ 927,782,509	\$ 935,616,472	\$ 926,499,469
Debt Limit Percent of Assessed Value	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Debt Limit	182,449,878	198,255,962	208,881,437	222,965,887	236,701,043	254,570,933	269,319,365	278,334,753	280,684,942	277,949,841
Total net debt applicable to limit (includes temporary notes)	<u>76,075,000</u>	<u>77,465,000</u>	<u>90,990,000</u>	<u>97,110,000</u>	<u>90,630,000</u>	<u>99,208,000</u>	<u>101,415,000</u>	<u>97,000,000</u>	<u>99,545,000</u>	<u>96,550,000</u>
Legal Debt Margin	\$ <u>106,374,878</u>	\$ <u>120,790,962</u>	\$ <u>117,891,437</u>	\$ <u>125,855,887</u>	\$ <u>146,071,043</u>	\$ <u>155,362,933</u>	\$ <u>167,904,365</u>	\$ <u>181,334,753</u>	\$ <u>181,139,942</u>	\$ <u>181,399,841</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	41.70%	39.07%	43.56%	43.55%	38.29%	38.97%	37.66%	34.85%	35.47%	34.74%

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

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2000	\$ 20,886,254	\$ 11,564,734	\$ 9,321,520	\$ 1,220,000	\$ 901,286	\$ 2,121,286	4.39
2001	21,312,400	12,512,695	8,799,705	1,285,000	874,322	2,159,322	4.08
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.51
2003	22,726,952	14,344,670	8,382,282	1,035,000	545,970	1,580,970	5.30
2004	21,980,918	14,931,102	7,049,816	540,000	494,720	1,034,720	6.81
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958	7.86
2006	27,625,934	18,473,120	9,152,814	1,050,000	1,329,563	2,379,563	3.85
2007	27,702,909	20,329,515	7,373,394	1,195,000	1,357,400	2,552,400	2.89
2008	27,953,735	22,377,560	5,576,175	1,445,000	1,862,600	3,307,600	1.69
2009	29,099,969	21,809,300	7,290,669	1,685,000	1,987,298	3,672,298	1.99

SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION

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

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2000	81,560	1,627,285,120	19,952	25.30	10,329	4.0 %
2001	80,098	2,613,168,000	25,540	25.30	10,273	4.4
2002	83,495	2,704,107,000	25,885	25.30	10,154	4.2
2003	85,282	2,812,689,000	26,453	25.30	9,919	4.7
2004	86,040	2,870,819,000	26,455	25.30	9,946	4.2
2005	88,541	3,084,501,000	27,659	25.30	10,003	4.0
2006	90,335	3,279,665,000	29,137	25.30	10,228	3.3
2007	90,311	3,472,000,000	30,594	25.30	10,303	3.6
2008	90,866	3,472,000,000	30,594	25.30	10,700	3.9
2009	91,156	3,472,000,000	30,594	25.30	11,007	5.5

Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 2000-2003 data from 2000 census, 2004-2008 data from BEA. 2009 information was not yet available at the report date.
- (3) From U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

Table 16

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2009		Percentage of Total City Employment	2000
	<u>Employees</u>	<u>Rank</u>		
The University of Kansas	9,872	1	16.25%	Information Not Available
Lawrence Public Schools	1,831	2	3.01%	
Vangent	1,500	3	2.47%	
City of Lawrence	1,431	4	2.36%	
Lawrence Memorial Hospital	1,251	5	2.06%	
Hallmark Card, Inc.	814	6	1.34%	
The World Company	680	7	1.12%	
Amarr Garage Doors	480	8	0.79%	
K-Mart Distribution Center	475	9	0.78%	
DCCCA	400	10	0.66%	
Total	<u>18,734</u>		<u>29.34%</u>	

Sources: Lawrence Chamber of Commerce
Kansas Department of Human Resources

SCHEDULES OF OPERATING INFORMATION

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

Table 17

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

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	54.70	57.70	63.93	62.63	64.63	67.63	73.76	79.63	89.75	81.08
Public Safety	289.55	297.55	308.25	323.25	328.50	329.00	341.00	342.25	321.00	321.00
Public Works	164.00	167.00	174.50	173.00	173.00	175.50	181.00	188.00	173.75	172.75
Culture & Recreation	70.00	77.00	75.50	75.00	74.63	75.13	75.28	75.28	76.28	71.78
Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Services	6.80	6.80	10.25	10.25	10.00	9.00	8.95	8.75	11.68	3.95
Water & Sewer	<u>106.00</u>	<u>106.00</u>	<u>109.00</u>	<u>111.63</u>	<u>111.76</u>	<u>113.26</u>	<u>120.26</u>	<u>133.76</u>	<u>135.26</u>	<u>135.26</u>
Total	<u>692.05</u>	<u>713.05</u>	<u>742.43</u>	<u>756.76</u>	<u>763.52</u>	<u>770.52</u>	<u>801.25</u>	<u>828.67</u>	<u>808.72</u>	<u>786.82</u>

Source: City of Lawrence Budget Document

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fire Protection										
Number of Firefighters and Officers	140	140	133	137	137	137	138	138	139.5	134.5
Number of Fire Calls Answered	1,919	1,959	2,160	1,896	1,953	1,953	2,154	2,005	2,045	1,864
Number of Medical Calls Answered	5,705	6,612	6,380	6,225	6,700	6,700	6,810	6,858	7,592	7,539
Number of Medical Transports	4,340	4,355	5,679	3,924	3,924	3,924	4,434	4,649	4,789	4,587
Number of Inspections Conducted	2,706	2,685	8,011	5,240	5,240	5,240	5,963	7,065	7,260	6,662
Police Protection										
Number of Commissioned Police Officers	128	138	133	138	138	138	142	142	142	142
Number of Full Time Civilians	24	25	34	34	33	34	34	34	34	35
Number of Calls for Service	106,946	107,856	87,322	86,804	110,192	110,192	121,576	126,874	115,404	107,314
Arrests Processed through County Jail	2,484	2,624	2,882	2,699	2,834	2,834	3,233	2,661	2,775	3,191
Officer Issued Traffic Violations	18,475	19,675	16,460	18,327	24,008	24,008	39,348	40,572	35,543	34,681
Officer Issued Parking Violations	15,019	15,519	15,748	13,417	14,421	14,421	96,739	94,890	92,355	99,091
Sewerage System										
Number of Service Connections	24,400	24,820	28,252	28,252	29,515	29,515	31,499	32,000	32,741	33,063
Actual Daily Average of Treatment in Million Gallons D	8.9	8.9	9.2	9.2	12.5	12.5	10.5	10.6	11.5	10.5
Water System										
Number of Service Connections	27,500	27,850	29,115	28,895	29,770	29,770	32,142	32,522	32,741	33,063
Daily Average Consumption in Million Gallons	11.6	11.6	12.6	13	13	13	12.2	11.4	10.4	9.5
Maximum Daily Capacity of Plant in Million Gallons	27.5	27.5	31.5	31.5	32.5	32.5	32.5	32.5	36.5	36.5

Sources: Various government departments

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Works										
Miles of Streets	270	275	278	300	300	300	318	318.8	319.6	319.6
Culture and Recreation										
Recreation Centers	5	5	5	5	5	5	5	5	5	5
Parks	35	35	50	52	52	52	53	52	52	52
Park Acreage	3,148	3,398	3,275	3,270	3,275	3,275	3,497	3,497	3,535	3,535
Tennis Courts	18	18	18	20	20	20	20	20	19	19
Fire Protection										
Number of Stations	4	4	7	5	5	5	5	5	5	5
Police Protection										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	23	23	24	24	25	25	35	37	35	35
Sewerage System										
Miles of Sanitary Sewers	315	315	425	475	475	475	497	418	425	426.4
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	40	40	41	39	39	39	35	36	31	33
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	355	355	385	400	400	400	418	420	440	444
Number of City owned Fire Hydrants	2,350	2,350	2,881	2,944	2,944	2,944	3,008	3,285	3,081	3,146
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	215,500	215,500	254,100	267,134	267,134	297,924	320,705	264,966	230,846	227,503
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	19	19	18	16	16	16	16	16	16	16
Number of Public Elementary School Instructors	470	470	386	386	445	445	427	452	480	490
Number of Public Secondary Schools	6	6	7	7	7	7	6	6	6	6
Number of Public Secondary School Instructors	394	394	373	373	433	433	379	374	375	368
Number of Universities	2	2	2	2	2	2	2	2	2	2
Hospitals										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	167	167	177	177	186	186	173	173	191	191

Sources: Various government departments

SINGLE AUDIT SECTION

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LOWENTHAL, WEBB & ODERMANN, P.A.

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Mayor and City Commissioners
City of Lawrence, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2010. 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. Other auditors audited the financial statements of the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lawrence Public Library were not audited in accordance with "Government Auditing Standards."

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lawrence, Kansas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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 no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

However, we noted certain other matters that we have reported to management in a separate letter dated April 30, 2010.

This report is intended solely for the information of the mayor, city commission, and other members of management and should not be used by anyone other than these specified parties.

Lowenthal, Wett & Odummann, P.A.

April 30, 2010

LOWENTHAL, WEBB & ODERMANN, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commissioners
City of Lawrence, Kansas

Compliance

We have audited the compliance of the City of Lawrence, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2009. Major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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

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

This report is intended for the information and use of the mayor, city commission and other members of management of the City of Lawrence, Kansas, the state of Kansas and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Lowenthal, Welt & Odusmann, P.A.

April 30, 2010

CITY OF LAWRENCE, KANSAS
Schedule of Expenditures of Federal Awards
December 31, 2009

Federal Grantor Agency Pass-Through Grantor / Program Name	Federal CFDA Number	Grant Program Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Assistance			
Community Development Block Grant/ Entitlement Grants	14.218	B09-MC-20-0005	\$ 1,235,684
Community Development Block Grant/ Entitlement Grants	14.253	B09-MY-20-0006	75,000
			<u>1,310,684</u>
Home - Investment Partnerships Program	14.239	M07-MC200205	102,589
Home - Investment Partnerships Program	14.239	M08-MC200205	345,286
Home - Investment Partnerships Program	14.239	M09-MC200205	140,343
			<u>588,217</u>
Fair Housing	14.401	FF207K097011	41,935
			<u>41,935</u>
Emergency Shelter Grant	14.231	ESG-FFY2009	69,093
			<u>69,093</u>
Total U.S. Department of Housing and Urban Development			<u><u>2,009,929</u></u>
U. S. Department of Transportation			
Federal Transportation Administration			
Federal Transit Formula Grant	20.507	KS-90-X115	876
Federal Transit Formula Grant	20.507	KS-90-X119	26,728
Federal Transit Formula Grant	20.507	KS-90-X123	1,512,927
Federal Transit Formula Grant	20.507	KS-90-X125	23,142
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004714	146,776
			<u>1,712,449</u>
KS Department of Transportation			
Comprehensive Transportation Planning Grant	20.205	L-0440-09	169,026
Transportation Enhancements	20.205	23 TE-0178-01/TEA-T017 (B01)	187,307
State and Community Highway Safety (STEP)	20.600	OP-1207-07	19,078
			<u>375,411</u>
Total Department of Transportation			<u><u>2,087,860</u></u>
U.S. Department of Justice			
Direct Assistance			
Byrne ARRA EUDL	16.738-R	2009-DJ-BX-1275	294,923
			<u>294,923</u>
KS Office of the Governor			
Edward Byrne Memorial Justice Assistance (JAG) Grant	16.738	19-JAG-09	257,313
			<u>257,313</u>
Total Department of Justice			<u><u>552,236</u></u>
Total Federal Financial Awards Expenditures			<u><u>\$ 4,650,025</u></u>

1. **General** - This schedule presents the expenditures of all federal financial assistance program programs of the City of Lawrence. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on this schedule.

2. **Basis of Accounting** - This schedule is presented in accordance with generally accepted accounting principles

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)

14.218 and 14.253
14.239

Name of Federal Program or Cluster

CDBG – Entitlement Grants Cluster
HOME Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2009

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

None Noted

Prior Year Finding

None Noted