

CITY OF LAWRENCE, KANSAS

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

**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
ROBERT CHESTNUT

COMMISSIONERS
MIKE AMYX
ARON E. CROMWELL
LANCE M. JOHNSON
MICHAEL DEVER

April 30, 2009

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2008 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 Singleton Webb and Wilson, 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, 2008 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, 2008, 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



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

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 2008 of 90,866.

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 project will include 92 hotel rooms and approximately 14 condominiums within 116,000 square feet of space. Upon completion, the value of the hotel is estimated at \$14.3 million. 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 average unemployment of the Lawrence MSA in 2008 was 3.9%. The total civilian labor force was 61,084 as of December 2008. The average annual unemployment rate for 2004, 2005, 2006 and 2007 was 4.2%, 4.0%, 3.7% and 3.7% respectively. The number of homes sold in Lawrence during 2008 was 1,066, a decrease of 25% compared to 2007. The average selling price for a home was \$195,858 during the year, a decrease of 2.8% from the 2007 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 calls 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 of Lawrence prioritizes its capital projects in order to develop a five year capital improvement budget. The projects are reviewed by a committee consisting of management and an elected official. The budget is intended to guide the City's future capital plan. Projects are typically funded through a combination of property taxes, sales taxes, and storm water fees.

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 5.2%. 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 2008, 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, 2007. This was the sixteenth 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 2008 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.

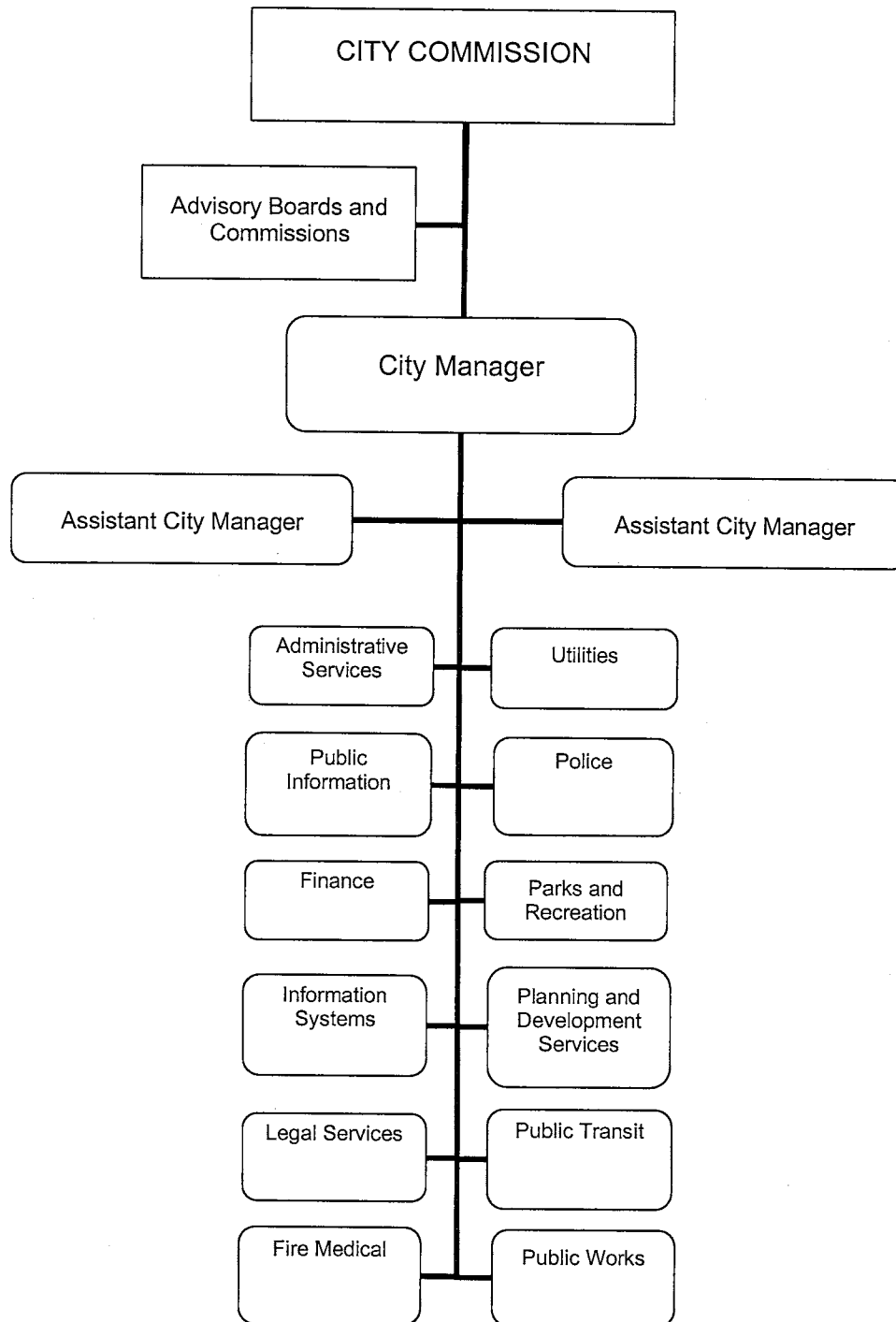
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be 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 black ink, appearing to read 'A. Ed Mullins', written in a cursive style.

A. Ed Mullins
Finance Director

City of Lawrence Organizational Chart



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2008

Title	Name
Mayor	Michael H. Dever
Vice Mayor	Robert Chestnut
Commission Member	Sue Hack
Commission Member	Mike Amyx
Commission Member	Dennis Highberger
City Manager	David Corliss
Assistant City Manager	Cynthia Boecker
Assistant City Manager	Diane Stoddard
City Clerk	Frank Reeb
Fire Chief	Mark Bradford
Information Services (Interim)	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, 2007

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 handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

FINANCIAL SECTION

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LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

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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, 2008, 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 \$201,939,535 as of December 31, 2008 and total expenses of \$130,775,830 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$18,975,191 as of December 31, 2008 and total expenses of \$6,880,790 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, 2008, 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 17, 2009, 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.

Howenthal, Singleton, Webb & Wilson

Professional Association

April 17, 2009

Management's Discussion and Analysis

As management of the City of Lawrence, Kansas, we offer readers of the financial statements an overview and analysis of the financial activities of the City of Lawrence for the fiscal year ended December 31, 2008. 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 2008 by \$314,890,692. Of this amount, \$35,010,744 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$10.6 million increase in total capital assets.
- As of December 31, 2008, the City's governmental funds reported combined ending fund balances of \$45,061,810, an increase of \$9,794,119 in comparison with the prior year. Approximately 58% is available for spending at the City's discretion. The majority of the increase occurred as the result of an escrow deposit of \$8.1 million to fund a cross-over refunding of general obligation debt.
- At the end of 2008, the City's unreserved general fund balance was \$12,224,367 or 22.2% of total general fund expenditures.
- The City's total long term debt increased by \$2.7 million or 1.5% during the year. The increase in debt is temporary and was primarily due to the 2008 cross-over refunding of general obligation debt which will retire \$7.9 million in outstanding debt in 2011.

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>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other Assets	\$ 93,794	\$ 103,165	\$ 59,701	\$ 48,959	\$ 153,495	\$ 152,124
Capital Assets	<u>184,650</u>	<u>184,692</u>	<u>193,342</u>	<u>203,880</u>	<u>377,992</u>	<u>388,572</u>
Total	<u>\$ 278,444</u>	<u>\$ 287,857</u>	<u>\$ 253,043</u>	<u>\$ 252,839</u>	<u>\$ 531,487</u>	<u>\$ 540,696</u>
Other Liabilities	\$ 37,358	\$ 38,748	\$ 4,740	\$ 4,343	\$ 42,098	\$ 43,091
Long term Liabilities	<u>85,197</u>	<u>89,020</u>	<u>94,012</u>	<u>93,694</u>	<u>179,209</u>	<u>182,714</u>
Total	<u>\$ 122,555</u>	<u>\$ 127,768</u>	<u>\$ 98,752</u>	<u>\$ 98,037</u>	<u>\$ 221,307</u>	<u>\$ 225,805</u>
Net Assets:						
Capital Assets Net of Debt	\$ 94,180	\$ 98,756	\$ 100,895	\$ 130,122	\$ 195,075	\$ 228,878
Restricted	<u>22,970</u>	<u>31,136</u>	<u>27,231</u>	<u>19,866</u>	<u>50,201</u>	<u>51,002</u>
Unrestricted	<u>38,739</u>	<u>30,197</u>	<u>26,165</u>	<u>4,814</u>	<u>64,904</u>	<u>35,011</u>
Total	<u>\$ 155,889</u>	<u>\$ 160,089</u>	<u>\$ 154,291</u>	<u>\$ 154,802</u>	<u>\$ 310,180</u>	<u>\$ 314,891</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 2008, 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 investments. As the result of a cross-over refunding of general obligation debt, over \$8.1 million was deposited in an escrow fund and is shown as an investment. Other governmental funds increased their fund balances by over \$1.5 million. Other governmental liabilities increased in 2008 primarily due to a \$1.0 million increase in accounts payable and a \$2.7 million increase in long term debt. The increase in long term government liabilities was the result of the issuance of \$11.9 million in general obligation bonds less the retirement of \$8.7 million in general obligation bonds from governmental type sources and the recognition of other post employment benefits of \$190,000. A total \$5.5 million of the general obligation bonds are payable from Business-type activities. Restricted governmental net assets increased because of the cross-over refunding.

There was also a slight increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund and Storm Water Fund had an increase in net assets for the year of over \$1.5 million. The other business-type activities reported combined decreases in net assets of slightly less than \$1.1 million. Capital Assets increased by approximately \$10.5 million as the result of the construction of water and sewer projects including the construction of the Stoneridge Drive water storage tank. Long term liabilities decreased with the issuance of \$4.3 million in water and sewer revenue bonds and the retirement of \$4.7 million in debt. Other post employment benefits increased liabilities by \$70,000.

Overall, the City's net assets increased by \$4,710,958 during 2008 as a result of the construction of capital assets that was partially offset by additional liabilities such as \$2.7 million in net new debt. 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 \$5.5 million in general obligation debt. A more complete analysis of the changes in the City's net assets is shown below.

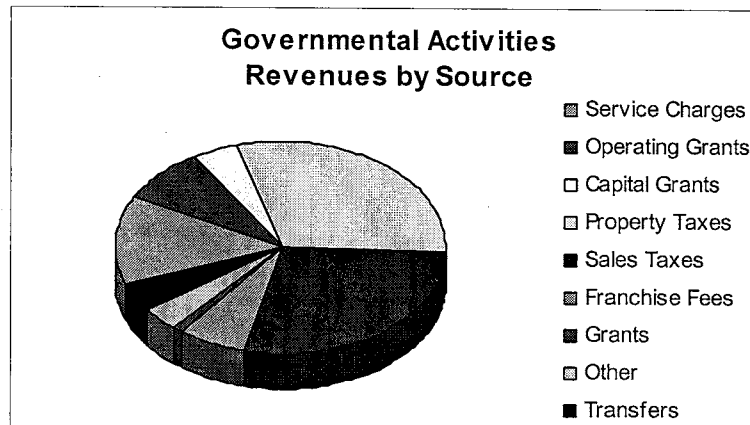
City of Lawrence's Changes in Net Assets
(000's)

	Governmental		Business-type		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 9,918	\$ 10,911	\$ 41,320	\$ 42,060	\$ 51,238	\$ 52,971
Operating Grants	8,107	7,050	-	-	8,107	7,050
Capital Grants	6,983	3,502	17	-	7,000	3,502
General Revenues:						
Property Taxes	23,769	24,837	-	-	23,769	24,837
Sales Taxes	22,173	23,133	-	-	22,173	23,133
Franchise Fees	4,784	5,543	-	-	4,784	5,543
Unrestricted Grants	549	741	-	-	549	741
Other	<u>3,478</u>	<u>3,015</u>	<u>3,106</u>	<u>2,069</u>	<u>6,584</u>	<u>5,084</u>
Total	79,761	78,732	44,443	44,129	124,204	122,861
Expenses						
General Government	19,366	19,331	-	-	19,366	19,331
Public Safety	28,092	28,450	-	-	28,092	28,450
Public Works	14,679	15,650	-	-	14,679	15,650
Social Services	1,917	1,842	-	-	1,917	1,842
Recreation	8,615	8,878	-	-	8,615	8,878
Health	993	1,040	-	-	993	1,040
Interest on Debt	2,655	3,232	-	-	2,655	3,232
Water and Sewer	-	-	23,578	25,644	23,578	25,644
Sanitation	-	-	9,593	10,048	9,593	10,048
Public Parking	-	-	1,110	1,259	1,110	1,259
Storm Water	-	-	1,778	1,777	1,778	1,777
Golf	-	-	926	999	926	999
Total expenses	<u>76,317</u>	<u>78,423</u>	<u>36,985</u>	<u>39,727</u>	<u>113,302</u>	<u>118,150</u>
Excess [deficiency]	3,444	309	7,458	4,402	10,902	4,711
Transfers	<u>4,269</u>	<u>3,891</u>	<u>[4,269]</u>	<u>[3,891]</u>	-	-
Change in Net Assets	7,713	4,200	3,189	511	10,902	4,711
Beginning Net Assets	<u>148,176</u>	<u>155,889</u>	<u>151,102</u>	<u>154,291</u>	<u>299,278</u>	<u>310,180</u>
Ending Net Assets	<u>\$ 155,889</u>	<u>\$ 160,089</u>	<u>\$ 154,291</u>	<u>\$ 154,802</u>	<u>\$ 310,180</u>	<u>\$ 314,891</u>

Governmental activities. Governmental activities increased the City's net assets by \$4,200,160 during the year. Key elements of governmental activities during the year are as follows.

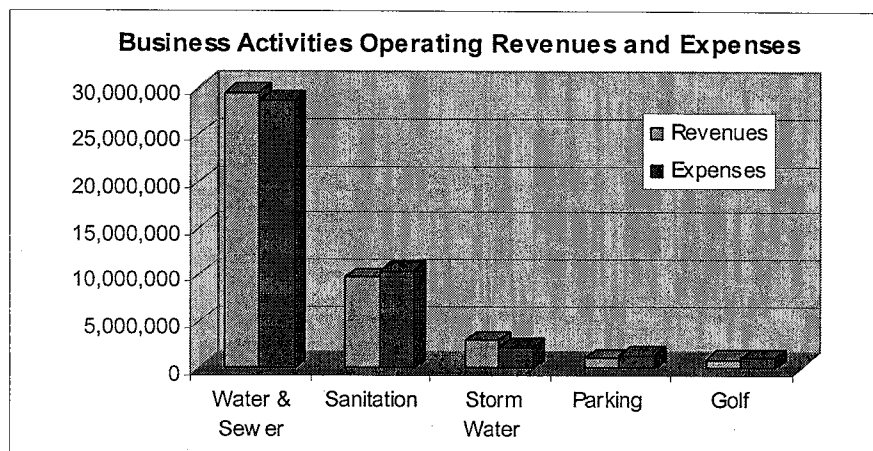
Total governmental revenues decreased by 1.3% in 2008. Service charges increased because of a greater reimbursement for ambulance services. The reduction in revenue from capital grants in 2008 was due to a large increase in the amount billed for outstanding special assessments in 2007. Property taxes revenue increased 4.5% as the result of a 3.5% growth in assessed valuation and a .43 mill increase in the total levy. Sales tax revenue increased by 4.3%. Franchise fees increased by 15.9% because of significant increases in electricity consumption and cable/internet revenue.

Expenses for governmental purposes increased 2.8%. Employees received a 2.0% general wage adjustments and an increase in the amount of employer paid health care. No new employees were included in the 2008 budget. Public safety expenses increased due to salary increases. Public Works expenses increased because of increased expenses for salaries and capital projects.



Business-type activities. Business-type activities increased the City's net assets by \$510,798. 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 equaling \$823,531. Water rates were increased 12.0% on average with no increase in sewer rates in 2008.
- Positive net income in the Storm Water Fund equaling \$692,308. Storm water fees were not changed in 2008.
- A reduction of cash in the Water and Sewer Fund due to funding of capital projects.
- An increase in water and sewer operating expenses of 10.1%.



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, 2008, the City of Lawrence's governmental funds reported combined ending fund balances of \$45,061,810, an increase of \$9,794,119 from the prior year. Approximately 58% 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 2008, unreserved general fund balance totaled \$12,224,367, while total general fund balance was \$13,144,221. Unreserved general fund balance represents 22.2% 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:

- An increase in assessed value with no increase in the General Fund levy
- A 4.3% increase in sales tax distributions
- A 15.9% increase in franchise revenue due to an increases in electricity consumption and cable/internet revenues
- A 3.8% increase in expenditures from the prior year primarily from an increase in transfers to other funds

The debt service fund has a total fund balance of \$17,270,832, all of which is reserved for debt service. The \$9,534,157 increase in fund balance was the result of the cross-over refunding and transferred interest earnings on capital projects. The amount of debt payments are projected to increase in the near future along 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 a minus \$1,517,905 at the end of 2008. The unrestricted fund equity of the Sanitation Fund amounted to \$1,942,169 at the end of 2008. The change in net assets for the Water and Sewer Fund was \$823,531. The Sanitation Fund had a reduction in net assets of \$724,098. The slow down in the economy has had an impact on the water and sewer fund. Lower demand for water and sanitary sewer services resulted in only a slight increase in the operating revenue despite an increase in rates. The slow down has allowed the city to delay construction of a second wastewater treatment plant, however.

General Fund Budgetary Highlights

The City of Lawrence adopts its budget on a fund basis. The 2008 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category with the exception of user fees and interest earnings was approximately equal to or greater than the budgeted amount. 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 2008 budget from prior year budgets are listed below:

- A new pay for performance plan was implemented.
- A 2% cost of living adjustment was budgeted for all employees.
- Departments and outside agencies were requested to reduce their operating budgets in order to better match revenues.
- No new positions were authorized.
- The \$250,000 budget for the school resource officer program was moved to the Special Alcohol Fund.

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, 2008, amounts to \$388,572,130 (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 2.8%. (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 O'Connell Road and K-10 intersection
- Construction of various sidewalk additions
- Completion of the Kasold Drive from 15th to Clinton Parkway
- Construction of improvements along Iowa Street in conjunction with a state grant

City of Lawrence's Capital Assets (net of depreciation) (000's)						
	Governmental		Business-type		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Land	\$ 14,576	\$ 14,576	\$ 5,658	\$ 5,818	\$ 20,234	\$ 20,394
Buildings	30,683	29,074	58,258	56,805	88,941	85,879
Improvements	16,740	20,283	99,888	107,989	116,628	128,272
Equipment	5,274	4,314	4,113	4,115	9,387	8,429
Infrastructure	108,499	108,607	-	-	108,499	108,607
Construction in Progress	8,917	7,838	25,386	29,153	34,303	36,991
Total	<u>\$ 184,689</u>	<u>\$ 184,692</u>	<u>\$ 193,303</u>	<u>\$ 203,880</u>	<u>\$ 377,992</u>	<u>\$ 388,572</u>

Long-term debt. At the end of 2008, the City of Lawrence had total bonded debt outstanding of \$135,200,000. Of this amount, \$88,910,000 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 \$40,144,404 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>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
General Obligation	\$ 80,240	\$ 83,405	\$ 6,535	\$ 5,505	\$ 86,775	\$ 88,910
Revenue	-	-	43,465	46,290	43,465	46,290
SRF	-	-	42,447	40,144	42,447	40,144
Other Notes Payable	4	-	-	-	4	-
Total	<u>\$ 80,244</u>	<u>\$ 83,405</u>	<u>\$ 92,447</u>	<u>\$ 91,939</u>	<u>\$ 172,691</u>	<u>\$ 175,344</u>

The City's total outstanding debt increased \$2.7 million during the year. The major component of this increase was the issuance of \$4,270,000 in revenue debt for utility improvements for the construction of the Stoneridge Drive water tank and the southeast water main. Principal payments on revenue bonds from the business-type activities totaled \$3.7 million. A total of \$11.9 million in general obligation debt was issued and \$9.8 million was

retired. The 2008 general obligation debt issue included \$3.8 million in new debt and \$8.1 million to fund a cross-over refunding. Over \$5.5 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, 2008 the debt limitation for the City of Lawrence was \$278,334,753, which is significantly in excess of the \$88,910,000 in general obligation debt the City had outstanding as of December 31, 2008.

Economic Factors and 2009 Budget

The average unemployment rate for the City of Lawrence in 2008 was 3.9%. This is below the State average of 4.4%. The City experienced an increase of 0.8% in its assessed valuation in 2008. The 2008 assessed valuation is used to fund the 2009 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 include the hotel and an underground parking lot and is located just north of the University of Kansas campus. The TDD for the Bauer Farms project is a mixed use development in northwest Lawrence.

During 2008, unreserved fund balance in the general fund increased by \$774,841. A modest reduction in the General Fund balance is projected for 2009. Because of slow economic growth during the time the 2009 budget was being developed, the budget incorporated smaller increases in the growth rates for the major revenue sources. Funding for infrastructure maintenance was slightly increased in the 2009 budget. A total of 15 vacant positions were eliminated and no general wage adjustment was provided. Voters approved new sales tax that took affect on April 1, 2009, a .30% sales tax for infrastructure improvements and a .25% sales tax for public transit.

The City Commission approved an increase in the rates charged for water service by an average of 12%. There was no overall increase in rates for sanitary sewer service for 2009. The increase in sanitation rates was 4% for 2009. The water rate increase was approved to provide funding for the capital improvement plan and increases in operating expenses. 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, 2008

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 12,298,829	4,522,561	16,821,390	21,914,431
Investments	51,792,469	37,853,250	89,645,719	60,908,044
Receivables (net of allowance of \$82,240)	41,675,477	2,798,165	44,473,642	20,572,839
Internal balances	(2,882,899)	2,882,899	—	—
Inventories	281,480	646,803	928,283	1,318,536
Prepaid items	—	255,570	255,570	4,003,333
Deferred costs	—	—	—	670,092
Other assets	—	—	—	873,833
Capital assets (Net)				
Land and construction in progress	22,414,079	34,970,819	57,384,898	51,024,973
Other capital assets, net of depreciation	162,277,974	168,909,258	331,187,232	63,405,277
Total assets	<u>\$ 287,857,409</u>	<u>252,839,325</u>	<u>540,696,734</u>	<u>224,691,358</u>
Liabilities				
Accounts payable and accrued expenses	\$ 5,022,896	4,343,570	9,366,466	15,083,743
Unearned revenue	23,090,014	—	23,090,014	372,799
Temporary notes payable	10,635,000	—	10,635,000	—
Long-term liabilities				
Due within one year	11,421,585	5,656,796	17,078,381	3,339,539
Due in more than one year	77,598,757	88,037,424	165,636,181	64,325,962
Total liabilities	<u>\$ 127,768,252</u>	<u>98,037,790</u>	<u>225,806,042</u>	<u>83,122,043</u>
Net Assets				
Invested in capital assets, net of debt	\$ 98,756,330	130,121,705	228,878,035	54,169,023
Restricted for:				
Capital acquisitions	—	18,180,967	18,180,967	—
Debt service	30,717,548	1,685,000	32,402,548	1,009,090
Other purposes	418,398	—	418,398	3,351,461
Unrestricted	30,196,881	4,813,863	35,010,744	83,039,741
Total net assets	<u>\$ 160,089,157</u>	<u>154,801,535</u>	<u>314,890,692</u>	<u>141,569,315</u>

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

CITY OF LAWRENCE, KANSAS

Statement of Activities For the Year Ended December 31, 2008

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	\$ 19,330,700	1,244,723	1,938,881	—	(16,147,096)	—	(16,147,096)	—
Public safety	28,450,607	7,371,902	61,773	—	(21,016,932)	—	(21,016,932)	—
Public works	15,402,053	2,481	2,918,327	1,679,600	(10,801,645)	—	(10,801,645)	—
Health	1,039,965	194,808	—	—	(845,157)	—	(845,157)	—
Social services	1,841,798	156,022	1,212,063	—	(473,713)	—	(473,713)	—
Culture and recreation	8,058,955	1,911,786	918,566	—	(5,228,603)	—	(5,228,603)	—
Tourism	818,561	1,494	—	—	(817,067)	—	(817,067)	—
Airport	248,014	27,972	—	—	(220,042)	—	(220,042)	—
Interest on long-term debt	3,232,294	—	—	1,822,447	(1,409,847)	—	(1,409,847)	—
Total governmental activities	78,422,947	10,911,188	7,049,610	3,502,047	(56,960,102)	—	(56,960,102)	—
Business-type activities:								
Water & sewer	25,644,004	27,953,735	—	—	—	2,309,731	2,309,731	—
Sanitation	10,048,229	9,281,014	—	—	—	(767,215)	(767,215)	—
Parking	1,259,311	1,018,472	—	—	—	(240,839)	(240,839)	—
Stormwater	1,776,832	2,890,385	—	—	—	1,113,553	1,113,553	—
Golf course	999,551	916,239	—	—	—	(83,312)	(83,312)	—
Total business-type activities	39,727,927	42,059,845	—	—	—	2,331,918	2,331,918	—
Total primary government	\$ 118,150,874	52,971,033	7,049,610	3,502,047	(56,960,102)	2,331,918	(54,628,184)	—
Component units:								
Lawrence Housing Authority	\$ 6,880,790	7,101,930	—	401,005	—	—	—	622,145
Lawrence Memorial Hospital	130,775,830	138,933,566	—	3,000,488	—	—	—	11,158,224
Lawrence Public Library	3,760,143	146,005	3,243,655	—	—	—	—	(370,483)
Total component units	\$ 141,416,763	146,181,501	3,243,655	3,401,493	—	—	—	11,409,886
General Revenues								
Taxes								
Property taxes, levied for general purposes					18,353,719	—	18,353,719	—
Property taxes, levied for debt service					6,482,790	—	6,482,790	—
Franchise taxes					5,543,194	—	5,543,194	—
Sales taxes					23,133,235	—	23,133,235	—
Grants and contributions not restricted to specific programs					740,882	—	740,882	—
Unrestricted investment earnings					2,890,086	1,489,597	4,379,683	3,694,483
Miscellaneous					125,372	580,267	705,639	165,465
Transfers					3,890,984	(3,890,984)	—	—
Total general revenues and transfers					61,160,262	(1,821,120)	59,339,142	3,859,948
Change in net assets					4,200,160	510,798	4,710,958	15,269,834
Net assets-beginning					155,888,997	154,290,737	310,179,734	126,299,481
Net assets-ending					\$ 160,089,157	154,801,535	314,890,692	141,569,315

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

CITY OF LAWRENCE, KANSAS

Balance Sheet Governmental Funds December 31, 2008

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 876,644	487,648	54	2,598,852	3,963,198
Cash with fiscal agent	—	8,112,455	—	—	8,112,455
Investments	11,013,304	9,100,000	8,104,288	15,375,830	43,593,422
Receivables:					
Taxes	12,534,545	5,621,702	—	2,975,737	21,131,984
Special assessments	—	14,526,813	—	—	14,526,813
Intergovernmental	2,017,789	—	—	369,636	2,387,425
Accounts (net of allowance of \$4,166)	1,458,636	10,954	—	153,965	1,623,555
Franchise fees	886,899	—	—	—	886,899
Loans	—	—	—	395,398	395,398
Accrued interest	87,272	67,709	125,263	79,949	360,193
Due from other funds	740,000	—	—	—	740,000
Total assets	\$ 29,615,089	37,927,281	8,229,605	21,949,367	97,721,342
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,286,271	—	384,580	414,857	2,085,708
Accrued payroll	1,062,686	—	—	127,765	1,190,451
Due to other funds	—	—	149,000	591,000	740,000
Temporary notes payable	—	—	10,635,000	—	10,635,000
Unearned revenue	14,121,911	20,656,449	—	3,230,013	38,008,373
Total liabilities	16,470,868	20,656,449	11,168,580	4,363,635	52,659,532
Fund balances:					
Reserved for encumbrances	919,854	—	—	228,866	1,148,720
Reserved for debt service	—	17,270,832	—	—	17,270,832
Reserved for loans	—	—	—	395,398	395,398
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	12,224,367	—	—	—	12,224,367
Special revenue funds	—	—	—	16,938,468	16,938,468
Capital projects funds	—	—	(2,938,975)	—	(2,938,975)
Total fund balances	13,144,221	17,270,832	(2,938,975)	17,585,732	45,061,810
Total liabilities and fund balances	\$ 29,615,089	37,927,281	8,229,605	21,949,367	

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.

184,432,718

Other long-term assets are not available to pay for current period expenditures
and, therefore, are deferred in the funds.

14,918,359

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.

5,710,069

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

(90,033,799)

Net assets of governmental activities

\$ 160,089,157

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, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 33,412,721	6,482,790	—	4,511,287	44,406,798
Special assessments	—	3,172,277	—	—	3,172,277
Licenses and permits	1,018,198	—	—	—	1,018,198
Charges for services	4,736,798	—	—	1,865,146	6,601,944
Fines, forfeitures and penalties	2,499,596	—	—	132,897	2,632,493
Interest	684,397	303,918	321,703	465,586	1,775,604
Intergovernmental	9,971,188	26,676	1,550,504	8,208,826	19,757,194
Reimbursements	67,166	—	129,096	—	196,262
Miscellaneous	332,288	146,159	—	576,359	1,054,806
Total revenues	52,722,352	10,131,820	2,001,303	15,760,101	80,615,576
Expenditures:					
Current expenditures:					
General government	12,189,178	—	—	6,779,809	18,968,987
Public safety	27,038,816	—	—	777,977	27,816,793
Public works	5,710,064	—	—	2,548,858	8,258,922
Health	976,097	—	—	61,855	1,037,952
Social services	167,120	—	—	1,285,773	1,452,893
Culture and recreation	3,158,607	—	—	4,306,485	7,465,092
Tourism	—	—	—	818,561	818,561
Airport	132,237	—	—	—	132,237
Capital outlay	395,944	—	6,297,058	1,957,243	8,650,245
Debt service:					
Principal retirement	4,496	7,627,975	—	1,097,411	8,729,882
Interest and fiscal charges	—	2,757,258	—	517,223	3,274,481
Total expenditures	49,772,559	10,385,233	6,297,058	20,151,195	86,606,045
Excess (deficiency) of revenues over (under) expenditures	2,949,793	(253,413)	(4,295,755)	(4,391,094)	(5,990,469)
Other financing sources (uses):					
Transfers in	3,184,588	1,667,570	—	6,107,000	10,959,158
Transfers (out)	(5,247,000)	—	(1,667,570)	(150,000)	(7,064,570)
Issuance of general obligation bonds	—	8,120,000	3,770,000	—	11,890,000
Total other financing sources (uses)	(2,062,412)	9,787,570	2,102,430	5,957,000	15,784,588
Net changes in fund balances	887,381	9,534,157	(2,193,325)	1,565,906	9,794,119
Fund balance, beginning of year	12,256,840	7,736,675	(745,650)	16,019,826	35,267,691
Fund balance, end of year	\$ 13,144,221	17,270,832	(2,938,975)	17,585,732	45,061,810

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, 2008

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

Net changes in fund balances - total governmental funds	\$ 9,794,119
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.	(68,682)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,083,474)
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.	(3,160,118)
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.	(543,921)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>262,236</u>
Change in net assets of governmental activities	\$ <u><u>4,200,160</u></u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2007 Actual
Revenues:					
Taxes	\$ 32,230,241	32,230,241	33,412,721	1,182,480	31,709,349
Licenses and permits	1,078,500	1,078,500	1,018,198	(60,302)	928,922
Charges for services	5,047,058	5,047,058	4,736,798	(310,260)	4,104,360
Fines, forfeitures and penalties	2,500,000	2,500,000	2,499,596	(404)	2,499,828
Interest	1,000,000	1,000,000	684,397	(315,603)	1,398,989
Intergovernmental	9,750,309	9,750,309	9,971,188	220,879	9,428,723
Reimbursements	20,000	20,000	67,166	47,166	6,739
Miscellaneous	335,341	335,341	332,288	(3,053)	144,998
Total revenues	<u>51,961,449</u>	<u>51,961,449</u>	<u>52,722,352</u>	<u>760,903</u>	<u>50,221,908</u>
Expenditures:					
General government	12,692,083	13,358,141	12,087,471	1,270,670	12,328,307
Public safety	28,409,443	28,102,429	27,004,607	1,097,822	26,613,728
Public works	6,576,380	6,336,030	5,958,169	377,861	5,437,218
Health	1,010,583	992,583	959,867	32,716	890,523
Social services	290,468	286,968	167,264	119,704	209,089
Culture and recreation	3,405,834	3,420,239	3,192,641	227,598	3,187,892
Airport	106,177	116,968	132,237	(15,269)	94,618
Capital outlay	608,841	446,451	378,347	68,104	502,801
Debt service:					
Principal retirement and interest expense	<u>4,575</u>	<u>4,575</u>	<u>4,496</u>	<u>79</u>	<u>19,276</u>
Total expenditures	<u>53,104,384</u>	<u>53,064,384</u>	<u>49,885,099</u>	<u>3,179,285</u>	<u>49,283,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,142,935)</u>	<u>(1,102,935)</u>	<u>2,837,253</u>	<u>3,940,188</u>	<u>938,456</u>
Other financing sources (uses):					
Transfers in	3,177,588	3,177,588	3,184,588	7,000	3,123,322
Transfers out	<u>(6,407,000)</u>	<u>(6,447,000)</u>	<u>(5,247,000)</u>	<u>1,200,000</u>	<u>(3,696,000)</u>
Total other financing sources (uses)	<u>(3,229,412)</u>	<u>(3,269,412)</u>	<u>(2,062,412)</u>	<u>1,207,000</u>	<u>(572,678)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ (4,372,347)</u>	<u>(4,372,347)</u>	<u>774,841</u>	<u>5,147,188</u>	<u>365,778</u>
Fund balance, beginning of year			12,256,840		11,934,048
Net change in reserve for encumbrances			<u>112,540</u>		<u>(42,986)</u>
Fund balance, end of year			<u>\$ 13,144,221</u>		<u>12,256,840</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, 2008

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	\$ 2,780,166	266,390	124,054	161,482	3,332,092	223,176
Investments	14,961,832	1,910,791	850,951	494,595	18,218,169	8,199,047
Receivables:						
Accounts (net of allowance of \$80,691)	1,785,350	685,823	177,500	15,747	2,664,420	305,543
Accrued interest	113,602	11,671	6,234	2,238	133,745	57,667
Inventories	616,064	—	—	30,739	646,803	281,480
Prepaid items	255,570	—	—	—	255,570	—
Restricted cash:						
Customer deposits	39,411	2,165	—	—	41,576	—
Current portion of revenue bonds	785,006	—	—	—	785,006	—
Restricted investments:						
Customer deposits	918,007	—	—	—	918,007	—
Current portion of revenue bonds	899,994	—	—	—	899,994	—
Total current assets	23,155,002	2,876,840	1,158,739	704,801	27,895,382	9,066,913
Noncurrent assets						
Restricted cash	363,887	—	—	—	363,887	—
Restricted investments	17,817,080	—	—	—	17,817,080	—
Total restricted assets	18,180,967	—	—	—	18,180,967	—
Capital assets						
Land	3,539,249	—	1,799,729	479,055	5,818,033	—
Buildings and improvements	203,728,935	1,527,922	12,973,072	7,700,727	225,930,656	459,715
Equipment	4,400,642	6,082,029	1,420,970	529,125	12,432,766	234,491
Construction in progress	29,152,786	—	—	—	29,152,786	204,090
Accumulated depreciation	(57,621,054)	(4,823,456)	(2,174,535)	(4,835,119)	(69,454,164)	(638,961)
Total capital assets	183,200,558	2,786,495	14,019,236	3,873,788	203,880,077	259,335
Total noncurrent assets	201,381,525	2,786,495	14,019,236	3,873,788	222,061,044	259,335
Total assets	\$ 224,536,527	5,663,335	15,177,975	4,578,589	249,956,426	9,326,248
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 2,159,931	114,054	7,525	20,005	2,301,515	97,998
Accrued interest payable	571,627	—	64,999	—	636,626	—
Claims payable	—	—	—	—	—	467,122
Accrued payroll	237,418	152,872	23,134	29,864	443,288	28,213
Accrued vacation and sick pay	457,149	353,216	45,923	63,776	920,064	65,850
Current portion of general obligation bonds	—	—	665,834	—	665,834	—
Total unrestricted current liabilities	3,426,125	620,142	807,415	113,645	4,967,327	659,183
Current liabilities payable from restricted assets:						
Customer deposits	959,976	2,165	—	—	962,141	—
Current portion of revenue bonds	1,685,000	—	—	—	1,685,000	—
Total current liabilities payable from restricted assets	2,644,976	2,165	—	—	2,647,141	—
Total current liabilities	6,071,101	622,307	807,415	113,645	7,614,468	659,183
Noncurrent liabilities						
Compensated absences	387,463	285,488	36,903	56,038	765,892	74,097
General obligation bonds payable	—	—	4,839,101	—	4,839,101	—
Revenue bonds payable	44,605,000	—	—	—	44,605,000	—
Notes payable	40,144,404	—	—	—	40,144,404	—
Net OPEB obligation	33,376	26,876	2,576	6,097	68,925	—
Total noncurrent liabilities	85,170,243	312,364	4,878,580	62,135	90,423,322	74,097
Total liabilities	91,241,344	934,671	5,685,995	175,780	98,037,790	733,280
Net assets:						
Invested in capital assets, net of debt	114,947,121	2,786,495	8,514,301	3,873,788	130,121,705	259,335
Restricted for:						
Water and sewer improvements	18,180,967	—	—	—	18,180,967	—
Debt service	1,685,000	—	—	—	1,685,000	—
Unrestricted	(1,517,905)	1,942,169	977,679	529,021	1,930,964	8,333,633
Total net assets	133,295,183	4,728,664	9,491,980	4,402,809	151,918,636	8,592,968
Total liabilities and net assets	\$ 224,536,527	5,663,335	15,177,975	4,578,589	249,956,426	9,326,248
Total net assets					151,918,636	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					2,882,899	
Net assets of business-type activities					\$ 154,801,535	

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, 2008

	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	\$ 27,833,266	9,132,098	2,890,385	1,934,711	41,790,460	10,923,286
Other sales	120,469	148,916	—	—	269,385	—
Total operating revenues	27,953,735	9,281,014	2,890,385	1,934,711	42,059,845	10,923,286
Operating expenses:						
Continuing operations	—	9,278,886	1,131,532	1,921,948	12,332,366	3,448,226
Transmission and distribution	13,049,087	—	—	—	13,049,087	—
General administration	4,039,937	—	—	—	4,039,937	658,700
Health insurance claims	—	—	—	—	—	6,715,785
Depreciation and amortization	5,288,536	757,345	436,933	340,657	6,823,471	28,032
Total operating expenses	22,377,560	10,036,231	1,568,465	2,262,605	36,244,861	10,850,743
Operating income (loss)	5,576,175	(755,217)	1,321,920	(327,894)	5,814,984	72,543
Nonoperating revenues (expenses)						
Interest income	1,240,452	85,097	46,989	14,795	1,387,333	302,285
Interest expense and fiscal charges	(3,282,750)	—	(208,604)	—	(3,491,354)	—
Gain (loss) on sale of capital assets	21,496	(5,108)	(5,584)	—	10,804	—
Other	232,308	337,155	—	—	569,463	1,564
Total nonoperating revenues (expenses)	(1,788,494)	417,144	(167,199)	14,795	(1,523,754)	303,849
Income (loss) before transfers	3,787,681	(338,073)	1,154,721	(313,099)	4,291,230	376,392
Transfers (out)	(2,964,150)	(386,025)	(462,413)	(75,000)	(3,887,588)	(7,000)
Change in net assets	823,531	(724,098)	692,308	(388,099)	403,642	369,392
Net assets, beginning of year	132,471,652	5,452,762	8,799,672	4,790,908		8,223,576
Net assets, end of year	\$ 133,295,183	4,728,664	9,491,980	4,402,809		8,592,968
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					107,156	
Change in net assets of business-type activities					\$ 510,798	

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, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 28,149,415	9,682,249	2,881,774	1,946,938	42,660,376	10,918,534
Payments to suppliers	(8,681,063)	(3,166,674)	(370,116)	(628,784)	(12,846,637)	(9,893,065)
Payments to employees	(8,493,459)	(6,013,148)	(741,402)	(1,252,577)	(16,500,586)	(1,021,161)
Net cash provided by (used in) operating activities	10,974,893	502,427	1,770,256	65,577	13,313,153	4,308
Cash flows from noncapital financing activities:						
Transfers out	(2,964,150)	(386,025)	(462,413)	(75,000)	(3,887,588)	(7,000)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(16,347,003)	(540,642)	(410,142)	(6,988)	(17,304,775)	—
Proceeds from sales of capital assets	41,118	12,135	—	—	53,253	(215,691)
Proceeds from revenue bonds	4,270,000	—	—	—	4,270,000	—
Principal payments on debt	(3,747,643)	—	(1,029,614)	—	(4,777,257)	—
Interest payments on debt	(3,452,923)	—	(235,239)	—	(3,688,162)	—
Net cash used in capital and related financing activities	(19,236,451)	(528,507)	(1,674,995)	(6,988)	(21,446,941)	(215,691)
Cash flows from investing activities:						
Receipt of interest and dividends	1,378,336	109,194	54,289	20,554	1,562,373	318,901
Purchases of investments	(67,977,835)	(3,360,400)	(1,774,668)	(694,596)	(73,807,499)	(11,853,629)
Sales of investments	75,351,851	3,579,475	1,988,650	600,000	81,519,976	10,992,086
Net cash provided by (used in) investing activities	8,752,352	328,269	268,271	(74,042)	9,274,850	(542,642)
Net increase (decrease) in cash	(2,473,356)	(83,836)	(98,881)	(90,453)	(2,746,526)	(761,025)
Cash and cash equivalents, beginning of year	6,441,826	352,391	222,935	251,935	7,269,087	984,201
Cash and cash equivalents, end of year	\$ 3,968,470	268,555	124,054	161,482	4,522,561	223,176
Components of cash and cash equivalents at end of year:						
Cash	\$ 2,780,166	266,390	124,054	161,482	3,332,092	223,176
Restricted cash - customer deposits	39,411	2,165	—	—	41,576	—
Restricted cash - revenue bonds	785,006	—	—	—	785,006	—
Restricted cash - noncurrent	363,887	—	—	—	363,887	—
	\$ 3,968,470	268,555	124,054	161,482	4,522,561	223,176
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 5,576,175	(755,217)	1,321,920	(327,894)	5,814,984	72,543
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	5,180,637	733,892	429,852	340,657	6,685,038	28,032
Other income	232,308	337,155	—	—	569,463	1,564
Change in:						
Accounts receivable	(72,581)	64,080	(1,530)	12,227	2,196	(6,316)
Inventories of supplies	47,273	—	—	(1,052)	46,221	17,945
Prepaid items	(82,122)	—	—	—	(82,122)	—
Accounts payable	(130,917)	9,299	(2,147)	(2,621)	(126,386)	(100,352)
Claims payable	—	—	—	—	—	(30,266)
Accrued payroll	64,402	39,761	4,648	8,007	116,818	7,113
Customer deposits	35,953	(1,590)	—	—	34,363	—
Accrued vacation and sick pay	90,389	48,171	14,937	30,156	183,653	14,045
Net OPEB obligation	33,376	26,876	2,576	6,097	68,925	—
Total adjustments	5,398,718	1,257,644	448,336	393,471	7,498,169	(68,235)
Net cash provided by (used in) operating activities	\$ 10,974,893	502,427	1,770,256	65,577	13,313,153	4,308

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, 2008

Assets		
Cash	\$	306,661
Investments		—
Accounts receivable		277
Restricted assets - court receivables		<u>70,683</u>
Total assets	\$	<u><u>377,621</u></u>
Liabilities		
Accounts payable	\$	306,938
Court bonds payable		<u>70,683</u>
Total liabilities	\$	<u><u>377,621</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, 2008

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 1,210,373	19,379,233	1,324,825	21,914,431
Investments	3,471,353	57,436,691	—	60,908,044
Receivables (net)	1,412,664	19,160,175	—	20,572,839
Inventories	52,575	1,265,961	—	1,318,536
Prepaid items	82,519	3,920,814	—	4,003,333
Deferred costs	—	670,092	—	670,092
Other assets	29,835	843,998	—	873,833
Capital assets (net)				
Land and construction in progress	1,516,176	49,508,797	—	51,024,973
Other capital assets, net of depreciation	11,199,696	49,753,774	2,451,807	63,405,277
Total assets	<u>\$ 18,975,191</u>	<u>201,939,535</u>	<u>3,776,632</u>	<u>224,691,358</u>
Liabilities				
Accounts payable and accrued expenses	\$ 423,557	14,440,251	219,935	15,083,743
Unearned revenue	8,480	364,319	—	372,799
Long-term liabilities				
Due within one year	—	3,339,539	—	3,339,539
Due in more than one year	1,297,871	63,028,091	—	64,325,962
Total liabilities	<u>\$ 1,729,908</u>	<u>81,172,200</u>	<u>219,935</u>	<u>83,122,043</u>
Net Assets				
Invested in capital assets, net of debt	\$ 12,715,872	39,001,344	2,451,807	54,169,023
Restricted for:				
Debt service	—	1,009,090	—	1,009,090
Other purposes	3,351,461	—	—	3,351,461
Unrestricted	1,177,950	80,756,901	1,104,890	83,039,741
Total net assets	<u>\$ 17,245,283</u>	<u>120,767,335</u>	<u>3,556,697</u>	<u>141,569,315</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, 2008

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Expenses	\$ 6,880,790	130,775,830	3,760,143	141,416,763
Program revenues:				
Charges for services	7,101,930	138,933,566	146,005	146,181,501
Operating grants and contributions	—	—	3,243,655	3,243,655
Capital grants and contributions	401,005	3,000,488	—	3,401,493
Net (expense) revenue	622,145	11,158,224	(370,483)	11,409,886
General Revenues				
Unrestricted investment earnings	136,663	3,527,783	30,037	3,694,483
Miscellaneous	—	85,000	80,465	165,465
Total general revenues and transfers	136,663	3,612,783	110,502	3,859,948
Change in net assets	758,808	14,771,007	(259,981)	15,269,834
Net assets-beginning, restated	16,486,475	105,996,328	3,816,678	126,299,481
Net assets-ending	\$ 17,245,283	120,767,335	3,556,697	141,569,315

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, 2008

(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
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.
- b. Publication of proposed budget and notice of public hearing on or before August 5 of each year.

City of Lawrence, Kansas

Notes to Basic Financial Statements

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- 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 Transportation Special Revenue Fund budget from the original amount of \$1,550,846 to the final amount of \$1,782,846.

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 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 2009. It is not practicable to apportion delinquent taxes held by the County Treasurer at the

City of Lawrence, Kansas

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

City of Lawrence, Kansas

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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 2008.

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

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.

City of Lawrence, Kansas

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(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

(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.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2008

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 \$90,033,799 difference are as follows:

Bonds payable	\$	83,405,065
Accrued interest payable		1,153,404
Claims and judgments payable		329,511
Compensated absences		4,955,344
Net OPEB obligation		<u>190,475</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>90,033,799</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 \$68,682 difference are as follows:

Capital outlay	\$	7,416,195
Depreciation expense		<u>(7,484,877)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>(68,682)</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 \$3,160,118 difference are as follows:

Debt issued:		
Issuance of general obligation bonds	\$	(11,890,000)
Principal repayments:		
General obligation debt		8,725,386
Notes payable		<u>4,496</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>(3,160,118)</u></u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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 \$543,921 difference are as follows:

Compensated absences	\$	(248,240)
Claims and judgments		(147,393)
Accrued interest		42,187
Net OPEB obligation		(190,475)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	(543,921)

(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, 2008, 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	\$ 38,900,000	0.26	43	Not applicable
U.S. Government Agencies	38,209,750	0.05	43	Not applicable
State Treasurer's investment pool	12,535,969	0.53	14	S&P AAA-/S1+
Total fair value	<u>\$ 89,645,719</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.

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

City of Lawrence, Kansas

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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, 2008 is as follows:

	Primary Government			Total
	General Fund	Special Revenue Funds	Debt Service Funds	
Property taxes	\$ 12,652,267	4,176,803	5,961,442	22,790,512
Motor vehicle tax	1,095,846	330,961	516,325	1,943,132
Payment in lieu of tax	94,320	3,523	5,023	102,866
Utility franchise taxes	5,543,194	-	-	5,543,194
Sales taxes*	14,027,094	-	-	14,027,094
Tax revenue	\$ 33,412,721	4,511,287	6,482,790	44,406,798

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

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2008 were as follows:

Fund	Levy
Primary government:	
General	\$ 14.869
Library	3.259
Public Transportation	1.171
Recreation	0.483
Debt Service	7.006
Total primary government	\$ 26.788

City of Lawrence, Kansas
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December 31, 2008

(7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2008:

<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	\$ 80,240,451	11,890,000	8,725,386	83,405,065	9,064,166
Long term notes payable	4,496	-	4,496	-	-
Estimated claims and judgements payable	182,118	147,393	-	329,511	-
Accrued vacation and sick pay	4,832,498	3,143,205	2,880,412	5,095,291	2,357,419
Net OPEB obligation	-	190,475	-	190,475	-
Total primary government	<u>\$ 85,259,563</u>	<u>15,371,073</u>	<u>11,610,294</u>	<u>89,020,342</u>	<u>11,421,585</u>
Business-type activities:					
General obligation bonds	\$ 6,534,549	-	1,029,614	5,504,935	665,834
Revenue bonds	43,465,000	4,270,000	1,445,000	46,290,000	1,685,000
Long term notes payable	42,447,047	-	2,302,643	40,144,404	2,385,899
Accrued vacation and sick pay	1,502,811	1,384,445	1,201,300	1,685,956	920,064
Net OPEB obligation	-	68,925	-	68,925	-
Total primary government	<u>\$ 93,949,407</u>	<u>5,723,370</u>	<u>5,978,557</u>	<u>93,694,220</u>	<u>5,656,797</u>

The following is a summary of temporary note transactions for the year ended December 31, 2008:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	<u>\$ 10,225,000</u>	<u>10,635,000</u>	<u>10,225,000</u>	<u>10,635,000</u>

Debt payable, other than claims and judgments and compensated absences, at December 31, 2008 is composed of the following:

<u>Debt Issue</u>	<u>Date Issued</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>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	\$ 25,910,000	\$ 22,325,000	1,435,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	19,695,000	110,000
Water and sewerage improvement	2008	2028	3.0-4.5	4,270,000	4,270,000	140,000
					<u>46,290,000</u>	<u>1,685,000</u>

City of Lawrence, Kansas
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December 31, 2008

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	30,861,651	1,918,973
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,169,389	4,767,481	244,475
Kansas Public Water Supply Loan Fund	2002	2023	4.14	5,563,007	4,515,272	222,451
					<u>40,144,404</u>	<u>2,385,899</u>
General obligation bonds:						
Internal improvement	1999	2009	4.5-6.0	2,110,000	310,000	310,000
Internal improvement	2000	2009	4.875-6.25	2,450,000	435,000	435,000
Internal improvement	2000	2010	4.25-5.95	2,455,000	590,000	285,000
Internal improvement	2000	2010	4.5-5.75	560,000	120,000	60,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,245,000	140,000
Internal improvement	2000	2010	4.625-5	4,990,000	1,825,000	890,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	6,830,000	425,000
Internal improvement	2001	2012	4.37-6.125	2,840,000	1,090,000	250,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	680,000	125,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	4,245,000	765,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,595,000	135,000
Internal improvement	2002	2014	2.8-3.7	920,000	525,000	75,000
Refunding	2003	2016	2.25-4.2	4,270,000	1,945,000	210,000
Refunding	2003	2016	2.25-4.2	10,190,000	6,515,000	700,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	1,555,000	235,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	2,035,000	250,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	2,125,000	280,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	7,385,000	840,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	1,115,000	125,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	8,625,000	855,000
Internal improvement	2006	2018	4.00	17,130,000	14,680,000	1,265,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	10,550,000	800,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	11,890,000	275,000
					<u>88,910,000</u>	<u>9,730,000</u>
Total primary government				\$	<u>175,344,404</u>	<u>13,800,899</u>

In 2008, the City issued \$11,890,000 of general obligation bonds for paying the costs of certain street, building, traffic signal, and other improvements and doing a cross-over refunding of the Series 2000-D and 2000-F general obligation bonds. The General Obligation Bonds, Series 2008-A, are due in annual installments of \$275,000 to \$1,320,000 with interest due in semiannual installments at an average rate of 3.77% through September 1, 2020.

A portion of the Series 2008-A was issued to conduct a cross-over refunding of the Series 2000-D and 2000-F bonds on the call date of September 1, 2010. The transaction was undertaken to achieve interest cost savings. The refundings will reduce total debt service over the next twelve years by \$556,247 with an economic gain of \$441,035. The \$11,890,000 proceeds of the Series 2008-A will be used to fund \$3,725,000 in new projects and cross-over refund \$1,960,000 in aggregate principal of the Series 2000-D bonds and \$5,960,000 in aggregate principal of the Series 2000-F bonds. The refunding resulted in a future value savings on the Series 2000-D bonds of \$130,656 with a net present value of \$104,066. The refunding also resulted in a future value savings on the Series 2000-F bonds of \$425,591 with a net present value of \$336,969.

In a cross-over refunding, the proceeds of the refunding bonds are placed in an escrow account and invested in government securities. These securities and their earnings are structured to pay interest on the new bonds until

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2008

the September 1, 2010 call date of the Series 2000-D and Series 2000-F bonds at which time the escrow account crosses over and prepays the entire remaining principal of the refunded bonds. The city will continue to pay the originally scheduled debt service on the Series 2000-D and Series 2000-F bonds until September 1, 2010. After the call date, the city will make debt payments on the Series 2008-A bonds, taking advantage of the lower interest rate.

In 2008, the City issued \$10,635,000 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 2008-I, bear interest of 2.00% and mature October 1, 2009.

The City intends to redeem all temporary notes outstanding at December 31, 2008 in 2009 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
2009	\$ 9,064,166	3,288,692	12,352,858
2010	8,758,114	2,955,665	11,713,779
2011	8,414,010	2,617,201	11,031,211
2012	8,727,625	2,301,963	11,029,588
2013	8,763,067	1,968,618	10,731,685
2014-2018	33,853,084	5,137,491	38,990,575
2019-2023	5,824,999	361,225	6,186,224
Total	\$ 83,405,065	18,630,855	102,035,920

General obligation bonds to be paid with enterprise revenues:

Year	Principal Due	Interest Due	Total Due
2009	\$ 665,834	194,997	860,831
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
2014-2018	2,496,917	226,328	2,723,245
Total	\$ 5,504,935	986,504	6,491,439

City of Lawrence, Kansas
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Total general obligation bonds:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2009	\$	9,730,000	3,483,689	13,213,689
2010		9,320,000	3,125,519	12,445,519
2011		8,990,000	2,768,065	11,758,065
2012		9,320,000	2,434,187	11,754,187
2013		9,375,000	2,080,855	11,455,855
2014-2018		36,350,001	5,363,819	41,713,820
2019-2023		<u>5,824,999</u>	<u>361,225</u>	<u>6,186,224</u>
Total	\$	<u>88,910,000</u>	<u>19,617,359</u>	<u>108,527,359</u>

Revenue bonds:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2009	\$	1,685,000	1,987,298	3,672,298
2010		1,825,000	1,907,260	3,732,260
2011		1,855,000	1,835,860	3,690,860
2012		1,915,000	1,763,260	3,678,260
2013		1,980,000	1,687,685	3,667,685
2014-2018		10,865,000	7,177,038	18,042,038
2019-2023		11,910,000	4,719,045	16,629,045
2024-2028		9,100,000	2,244,263	11,344,263
2029-2033		<u>5,155,000</u>	<u>593,100</u>	<u>5,748,100</u>
Total	\$	<u>46,290,000</u>	<u>23,914,809</u>	<u>70,204,809</u>

City of Lawrence, Kansas
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Long-term notes payable, State Revolving Loan Fund:

Year		Principal Due	Interest Due	Total Due
2009	\$	2,385,899	1,320,046	3,705,945
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
2014-2018		15,319,820	3,465,067	18,784,887
2019-2023		12,000,235	848,491	12,848,726
Total	\$	<u>40,144,404</u>	<u>10,086,252</u>	<u>50,230,656</u>

In 2008, the City issued \$4,270,000 in Water and Sewage System revenue bonds. The bonds are due in annual installments of \$140,000 to \$305,000 with interest due in semiannual installments at rates of 3.00% to 4.50% through November 1, 2028. 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 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, 2008, total outstanding conduit debt was \$28,050,000.

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, 2008

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	\$ 65,549,955	-	1,465,124	64,084,831	1,570,000
Retirement plan obligation	809,228	60,652	191,390	678,490	165,230
	<u>\$ 66,359,183</u>	<u>60,652</u>	<u>1,656,514</u>	<u>64,763,321</u>	<u>1,735,230</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>
Series 2003	2019	2.5-5.38	17,450,000	\$ 13,455,000	950,000
Series 2006	2036	5.0-5.25	51,845,000	50,610,000	620,000
Total Revenue Bonds				64,065,000	1,570,000
Unamortized loss on refunding				19,831	-
				<u>\$ 64,084,831</u>	<u>1,570,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2008 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2009	\$ 1,570,000	3,270,112	4,840,112
2010	1,630,000	3,206,002	4,836,002
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
2014-2018	11,070,000	13,115,239	24,185,239
2019-2023	9,265,000	10,323,177	19,588,177
2024-2028	10,860,000	7,904,692	18,764,692
2029-2033	14,005,000	4,823,188	18,828,188
2034-2036	10,230,000	1,061,501	11,291,501
Total	<u>\$ 64,065,000</u>	<u>52,799,476</u>	<u>116,864,476</u>

Arbitrage – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2008.

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2008

(8) Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,576,270	-	-	14,576,270
Construction in progress	8,917,176	6,731,106	(7,810,473)	7,837,809
Total capital assets, not being depreciated	<u>23,493,446</u>	<u>6,731,106</u>	<u>(7,810,473)</u>	<u>22,414,079</u>
Capital assets, being depreciated:				
Buildings	54,049,254	179,526	-	54,228,780
Improvements other than buildings	24,485,040	4,687,572	-	29,172,612
Machinery and equipment	24,273,524	813,396	(3,830,971)	21,255,949
Infrastructure	156,453,624	3,030,759	-	159,484,383
Total capital assets being depreciated	<u>259,261,442</u>	<u>8,711,253</u>	<u>(3,830,971)</u>	<u>264,141,724</u>
Less accumulated depreciation for:				
Buildings	23,365,596	1,789,687	-	25,155,283
Improvements other than buildings	7,745,314	1,144,597	-	8,889,911
Machinery and equipment	18,999,772	1,656,597	(3,714,706)	16,941,663
Infrastructure	47,954,865	2,922,028	-	50,876,893
Total accumulated depreciation	<u>98,065,547</u>	<u>7,512,909</u>	<u>(3,714,706)</u>	<u>101,863,750</u>
Total capital assets, being depreciated, net	<u>161,195,895</u>	<u>1,198,344</u>	<u>(116,265)</u>	<u>162,277,974</u>
Governmental activities capital assets, net	<u>\$ 184,689,341</u>	<u>7,929,450</u>	<u>(7,926,738)</u>	<u>184,692,053</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,658,231	159,802	-	5,818,033
Construction in progress	25,386,287	17,457,898	(13,691,399)	29,152,786
Total capital assets, not being depreciated	<u>31,044,518</u>	<u>17,617,700</u>	<u>(13,691,399)</u>	<u>34,970,819</u>
Capital assets, being depreciated:				
Buildings	69,769,713	45,629	-	69,815,342
Improvements other than buildings	144,014,821	12,100,489	-	156,115,310
Machinery and equipment	14,627,200	1,232,355	(3,426,788)	12,432,767
Total capital assets being depreciated	<u>228,411,734</u>	<u>13,378,473</u>	<u>(3,426,788)</u>	<u>238,363,419</u>
Less accumulated depreciation for:				
Buildings	11,511,898	1,498,302	-	13,010,200
Improvements other than buildings	44,127,543	3,998,644	-	48,126,187
Machinery and equipment	10,514,022	1,188,091	(3,384,339)	8,317,774
Total accumulated depreciation	<u>66,153,463</u>	<u>6,685,037</u>	<u>(3,384,339)</u>	<u>69,454,161</u>
Total capital assets, being depreciated, net	<u>162,258,271</u>	<u>6,693,436</u>	<u>(42,449)</u>	<u>168,909,258</u>
Business-type activities capital assets, net	<u>\$ 193,302,789</u>	<u>24,311,136</u>	<u>(13,733,848)</u>	<u>203,880,077</u>

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

Governmental activities:	
General government	\$ 120,875
Public safety	463,611
Public works	5,855,238
Health	800
Social services	415,507
Culture and recreation	513,069
Airport	115,777
Total governmental funds	<u>7,484,877</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>28,032</u>
Total depreciation expense - governmental activities	<u>\$ 7,512,909</u>
Business-type activities:	
Water & sewer	\$ 5,180,636
Sanitation	733,892
Parking	154,353
Storm water	429,852
Golf course	186,304
Total proprietary funds	<u>\$ 6,685,037</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2008

(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 2008 was 5.93%. The City's employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006 were \$1,452,741, \$1,243,576, and \$1,022,060, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2008 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, 2008, 2007, and 2006 were \$2,700,755, \$2,534,222, and \$2,264,361, respectively, equal to the required contributions for each year.

(10) Interfund Transactions

Interfund Receivables and Payables

At December 31, 2008, the following funds had interfund receivables and payables to the following funds

<u>Due From</u>	<u>General Fund</u>
Special Revenue Funds:	
Gas Tax	\$ 72,500
Community Development	344,500
Home Program	174,000
	<u>591,000</u>
Capital Projects Fund	<u>149,000</u>
	<u>\$ 740,000</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, 2008

Interfund Transfers

A summary of transfers for the year ended December 31, 2008 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,184,588	5,247,000
Special Revenue Funds:		
Guest Tax	-	150,000
Recreation	1,447,000	-
Capital Improvement Reserve	315,000	-
Equipment Reserve	200,000	-
Guest Tax Reserve	150,000	-
Liability Reserve	150,000	-
Sales Tax Reserve	3,060,000	-
Workers Comp Reserve	785,000	-
	<u>6,107,000</u>	<u>150,000</u>
Bond & Interest Fund	<u>1,667,570</u>	<u>-</u>
Capital Project Fund	<u>-</u>	<u>1,667,570</u>
Enterprise Funds:		
Water and Sewer System	-	2,964,150
Sanitation	-	386,025
Public Parking	-	75,000
Storm Water Utility	-	462,413
	<u>-</u>	<u>3,887,588</u>
Internal Service – Central Maintenance	<u>-</u>	<u>7,000</u>
	<u>\$ 10,959,158</u>	<u>10,959,158</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, 2008, the City had construction contract commitments totaling approximately \$8,151,159. The City expects to receive the contracted services during fiscal year 2009.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2008

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 \$3,508,149 at December 31, 2008. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2008 was \$158,118. The liability reported in the financial statements at December 31, 2008 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.

	2008	2007
Unpaid claims, January 1	\$ 497,388	327,586
Incurred claims (including IBNRs)	5,461,579	4,834,475
Claim payments	5,491,845	4,664,673
Unpaid claims, December 31	\$ 467,122	497,388

(12) Fund Deficit

At December 31, 2008, the Home Program Fund had a fund deficit of \$43,452. This deficit is a result of program expenditures for which reimbursements have not yet been requested. The Capital Project Fund had a deficit of \$2,938,975 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:

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

City of Lawrence, Kansas
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December 31, 2008

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 are comprised of the following:

	Governmental Activities	Business-Type Activities	Total
Total net capital assets	\$ 184,692,053	203,880,077	388,572,130
Less:			
Current portion of general obligation bonds	(9,064,166)	(665,834)	(9,730,000)
Current portion of revenue bonds	-	(1,685,000)	(1,685,000)
Temporary notes payable	(10,635,000)	-	(10,635,000)
Noncurrent portion of general obligation debt	(74,340,899)	(4,839,101)	(79,180,000)
Noncurrent portion of revenue bonds payable	-	(44,605,000)	(44,605,000)
Noncurrent portion of notes payable	-	(40,144,404)	(40,144,404)
Add:			
Unspent general obligation bonds and temporary note proceeds	8,104,342	18,180,967	26,285,309
Net assets-invested in capital assets, net of related debt	\$ <u>98,756,330</u>	<u>130,121,705</u>	<u>228,878,035</u>

(15) Postemployment Healthcare Plan

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2008

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, 2008, the City contributed \$120,500 to the Plan (approximately 31% of total premiums). Plan participants contributed \$269,069 to the Plan (approximately 69% of total premiums) through their required contributions ranging from \$237 to \$789 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	\$ 379,900
Annual OPEB cost (expense)	379,900
Benefit payments	120,500
Change in net OPEB obligation	259,400
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 259,400

The District'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, 2008 was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
December 31, 2008	\$ 379,900	\$ 120,500	\$ 259,400

The information for the two preceding years was not available.

Funding Status and Funding Progress. As of the year ended December 31, 2008, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$4,217,000 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,217,000. The covered payroll (annual payroll of active employees covered by the plan) was \$40,192,000, and the ratio of the UAAL to the covered payroll was 10.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, will

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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, 2008, 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 8.5% for medical, 12.0% for drugs and 4.0% for dental, reduced by decrements to ultimate rates of 5%, 5% and 4% after eight years. The UAAL is being amortized as a level dollar over an open thirty-year period.

City of Lawrence, Kansas
 Other Post-Employment Benefits
 Required Supplementary Information
 December 31, 2008

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets (a)</u>	Actuarial Accrued <u>Liability (b)</u>	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as Percent of Payroll <u>(b-a)/(c)</u>
12/31/2008	\$ -	\$ 4,217,000	\$ 4,217,000	\$ -	\$ 40,192,000	10.5%

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	\$ 379,900	\$ 120,500	\$ 259,400

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).

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 target neighborhoods 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, 2008

Assets	Guest Tax	Special Revenue										Law Enforcement Grant	Workers' Compensation Reserve
		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
Cash	\$ 17,676	368,556	8,440	250,573	100,804	383	136,565	108,324	96,052	204,268	95,654	77,126	345,758
Investments	298,442	—	440,625	638,766	—	762,917	—	63,678	3,015,964	3,139,176	31,765	1,580,452	3,345,048
Receivables:													
Taxes	—	2,581,177	12,235	382,325	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	106	3,929	—	20,222	—	451	—	127,107	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	20,436	18,055	327	8,381	23,643
Total assets	\$ 316,118	2,949,733	461,406	1,275,593	100,804	783,522	136,565	172,453	3,132,452	3,488,606	127,746	1,665,959	3,714,449
													12,845
													1,975,409
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ —	—	1,365	35,377	341	6,621	9,708	—	—	195,867	—	3,899	9,745
Accrued payroll	—	—	844	64,551	4,693	44,307	138	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	72,500	—	—	—	—	—	—	—
Deferred revenue	—	2,808,603	106	419,952	—	—	—	451	—	901	—	—	—
Total liabilities	—	2,808,603	2,315	519,880	5,034	123,428	9,846	451	—	196,768	—	3,899	9,745
													129,320
Fund balances:													
Reserved for encumbrances	—	—	102,351	34,851	—	53,493	38,171	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:													
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,662,060	—
Undesignated	316,118	141,130	356,740	720,862	95,770	606,601	88,548	172,002	3,132,452	3,291,838	127,746	—	3,704,704
Total fund balances	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
Total liabilities and fund balances	\$ 316,118	2,949,733	461,406	1,275,593	100,804	783,522	136,565	172,453	3,132,452	3,488,606	127,746	1,665,959	3,714,449
													12,845
													1,975,409

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2008

	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Cash	\$ 70,574	92,267	4,203	100,726	140,752	40,955	155,244	32	643	392	3,554	58,991	2,598,852
Investments	—	100,000	—	—	—	100,000	—	—	—	—	—	—	15,375,830
Receivables:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	2,975,737
Intergovernmental	—	—	—	—	17,143	—	—	208,381	—	144,112	—	—	369,636
Accounts	—	—	—	—	—	—	—	2,150	—	—	—	—	153,965
Loans	—	—	—	—	—	—	—	395,398	—	—	—	—	395,398
Accrued interest	—	95	—	—	—	95	—	—	—	—	—	—	79,949
Total assets	\$ 70,574	192,362	4,203	100,726	157,895	141,050	155,244	605,961	643	144,504	3,554	58,991	21,949,367
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ —	—	—	—	2,053	—	49	7,145	643	12,691	33	—	414,857
Accrued payroll	—	—	—	—	3,290	—	1,004	4,319	—	1,265	3,354	—	127,765
Due to other funds	—	—	—	—	—	—	—	344,500	—	174,000	—	—	591,000
Deferred revenue	—	—	—	—	—	—	—	—	—	—	—	—	3,230,013
Total liabilities	—	—	—	—	5,343	—	1,053	355,964	643	187,956	3,387	—	4,363,635
Fund balances:													
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	228,866
Reserved for loans	—	—	—	—	—	—	—	395,398	—	—	—	—	395,398
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	23,000
Unreserved:													
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	3,508,149
Undesignated	70,574	170,362	3,203	100,726	152,552	141,050	154,191	(145,401)	—	(43,452)	167	58,991	13,430,319
Total fund balances	70,574	192,362	4,203	100,726	152,552	141,050	154,191	249,997	—	(43,452)	167	58,991	17,585,732
Total liabilities and fund balances	\$ 70,574	192,362	4,203	100,726	157,895	141,050	155,244	605,961	643	144,504	3,554	58,991	21,949,367

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2008

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	—	3,014,973	1,049,608	446,706	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	287,894	1,565,892	—	—	—	11,360	—	—	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	132,897	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	107,853	113,698	1,494	54,351	123,340	—	59,982
Intergovernmental	917,859	12,409	4,459	1,839	638,887	2,760,250	640,887	—	—	—	—	—	—	—	—
Miscellaneous	—	—	376	103,100	—	499	—	16,603	—	—	—	5,260	—	—	—
Total revenues	917,859	3,027,382	1,342,337	2,117,537	638,887	2,760,749	640,887	27,963	107,853	246,595	1,494	59,611	123,340	—	59,982
Expenditures:															
General government	—	3,021,000	1,457,895	—	—	—	—	—	—	—	—	85,002	—	—	560,928
Public safety	—	—	—	—	631,655	—	—	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,548,858	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	3,335,019	—	—	557,973	—	—	—	—	—	323,144	—	—
Tourism	739,960	—	—	—	—	—	—	—	—	—	78,601	—	—	—	—
Capital outlay	—	—	—	—	—	98,617	67,943	—	780,996	281,669	—	—	562,103	—	—
Debt service:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,097,411	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	517,223	—	—
Total expenditures	739,960	3,021,000	1,457,895	3,335,019	631,655	2,647,475	625,916	—	780,996	281,669	78,601	85,002	2,499,881	—	560,928
Excess (deficiency) of revenues over (under) expenditures	177,899	6,382	(115,558)	(1,217,482)	7,232	113,274	14,971	27,963	(673,143)	(35,074)	(77,107)	(25,391)	(2,376,541)	—	(500,946)
Other financing sources (uses):															
Transfers in	—	—	—	1,447,000	—	—	—	—	315,000	200,000	150,000	150,000	3,060,000	—	785,000
Transfers out	(150,000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	(150,000)	—	—	1,447,000	—	—	—	—	315,000	200,000	150,000	150,000	3,060,000	—	785,000
Net change in fund balances	27,899	6,382	(115,558)	229,518	7,232	113,274	14,971	27,963	(358,143)	164,926	72,893	124,609	683,459	—	284,054
Fund balance, beginning of year	288,219	134,748	574,649	526,195	88,538	546,820	111,748	144,039	3,490,595	3,126,912	54,853	1,537,451	3,021,245	12,845	1,562,035
Fund balance, end 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

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2008

	City Parks Memorial	Special Revenue										Total	
		Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Nonmajor Governmental Funds
Revenues:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	4,511,287
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	1,865,146
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	132,897
Interest	—	533	—	635	—	773	1,906	—	—	—	—	1,021	465,586
Intergovernmental	—	—	—	—	1,820,422	—	65,240	713,972	—	469,132	163,470	—	8,208,826
Miscellaneous	6,389	242,850	—	—	—	28,440	—	58,195	—	100,452	—	14,195	576,359
Total revenues	6,389	243,383	—	635	1,820,422	29,213	67,146	772,167	—	569,584	163,470	15,216	15,760,101
Expenditures:													
General government	5,487	—	—	—	1,523,389	—	—	—	—	—	126,108	—	6,779,809
Public safety	—	—	—	—	119,004	—	—	—	—	—	—	27,318	777,977
Public works	—	—	—	—	—	—	—	—	—	—	—	—	2,548,858
Health	—	—	—	—	61,855	—	—	—	—	—	—	—	61,855
Social services	—	—	—	—	—	—	48,468	679,158	—	558,147	—	—	1,285,773
Culture and recreation	—	84,647	—	—	—	5,702	—	—	—	—	—	—	4,306,485
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	818,561
Capital outlay	—	—	—	—	165,915	—	—	—	—	—	—	—	1,957,243
Debt service:	—	—	—	—	—	—	—	—	—	—	—	—	—
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,097,411
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	517,223
Total expenditures	5,487	84,647	—	—	1,870,163	5,702	48,468	679,158	—	558,147	126,108	27,318	20,151,195
Excess (deficiency) of revenues over (under) expenditures	902	158,736	—	635	(49,741)	23,511	18,678	93,009	—	11,437	37,362	(12,102)	(4,391,094)
Other financing sources (uses):													
Transfers in	—	—	—	—	—	—	—	—	—	—	—	—	6,107,000
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	(150,000)
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—	—	—	5,957,000
Net change in fund balances	902	158,736	—	635	(49,741)	23,511	18,678	93,009	—	11,437	37,362	(12,102)	1,565,906
Fund balance, beginning of year	69,672	33,626	4,203	100,091	202,293	117,539	135,513	156,988	—	(54,889)	(37,195)	71,093	16,019,826
Fund balance, end of year	70,574	192,362	4,203	100,726	152,552	141,050	154,191	249,997	—	(43,452)	167	58,991	17,585,732

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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2007 Actual</u>
Revenues:					
Taxes	\$ 6,385,043	6,385,043	6,482,790	97,747	6,298,511
Special assessments	1,700,000	1,700,000	3,172,277	1,472,277	1,880,223
Interest	150,000	150,000	303,918	153,918	635,717
Intergovernmental	—	—	26,676	26,676	—
Miscellaneous	85,000	85,000	146,159	61,159	108,551
Total revenues	<u>8,320,043</u>	<u>8,320,043</u>	<u>10,131,820</u>	<u>1,811,777</u>	<u>8,923,002</u>
Expenditures:					
Principal retirement	8,200,000	8,200,000	7,627,975	572,025	7,570,032
Interest and fiscal charges	<u>3,520,000</u>	<u>3,520,000</u>	<u>2,753,458</u>	<u>766,542</u>	<u>2,173,837</u>
Total expenditures	<u>11,720,000</u>	<u>11,720,000</u>	<u>10,381,433</u>	<u>1,338,567</u>	<u>9,743,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,399,957)</u>	<u>(3,399,957)</u>	<u>(249,613)</u>	<u>3,150,344</u>	<u>(820,867)</u>
Other financing sources:					
Transfers in	—	—	1,667,570	1,667,570	1,268,040
Issuance of general obligation bonds	—	—	8,120,000	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>9,787,570</u>	<u>1,667,570</u>	<u>1,268,040</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (3,399,957)</u>	<u>(3,399,957)</u>	<u>9,537,957</u>	<u>4,817,914</u>	<u>447,173</u>
Fund balance, beginning of year			7,736,675		7,289,502
Net change in reserve for encumbrances			<u>(3,800)</u>		<u>—</u>
Fund balance, end of year			<u>\$ 17,270,832</u>		<u>7,736,675</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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2007 Actual</u>
Revenues – intergovernmental	\$ <u>820,800</u>	<u>820,800</u>	<u>917,859</u>	<u>97,059</u>	<u>785,956</u>
Expenditures:					
Tourism – contractual services	<u>832,000</u>	<u>832,000</u>	<u>739,960</u>	<u>92,040</u>	<u>737,206</u>
Excess (deficiency) of revenues over (under) expenditures	(11,200)	(11,200)	177,899	189,099	48,750
Other financing (uses) – transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>—</u>	<u>(48,750)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(161,200)</u>	<u>(161,200)</u>	27,899	<u>189,099</u>	<u>—</u>
Fund balance, beginning of year			<u>288,219</u>		<u>288,219</u>
Fund balance, end of year			\$ <u><u>316,118</u></u>		<u><u>288,219</u></u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2007 Actual</u>
Revenues:					
Taxes	\$ 2,958,299	2,958,299	3,014,973	56,674	2,926,914
Intergovernmental	-	-	12,409	12,409	-
Total revenues	<u>2,958,299</u>	<u>2,958,299</u>	<u>3,027,382</u>	<u>69,083</u>	<u>2,926,914</u>
Expenditures:					
General government - contractual services	<u>3,021,000</u>	<u>3,021,000</u>	<u>3,021,000</u>	<u>—</u>	<u>2,950,000</u>
Total expenditures	<u>3,021,000</u>	<u>3,021,000</u>	<u>3,021,000</u>	<u>—</u>	<u>2,950,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(62,701)</u>	<u>(62,701)</u>	6,382	<u>69,083</u>	(23,086)
Fund balance, beginning of year			<u>134,748</u>		<u>157,834</u>
Fund balance, end of year			\$ <u>141,130</u>		<u>134,748</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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)	2007 Actual
Revenues:					
Taxes	\$ 1,053,105	1,053,105	1,049,608	(3,497)	665,697
Charges for services	312,300	312,300	287,894	(24,406)	216,789
Intergovernmental	—	—	4,459	4,459	—
Miscellaneous	—	—	376	376	14,068
Total revenues	<u>1,365,405</u>	<u>1,365,405</u>	<u>1,342,337</u>	<u>(23,068)</u>	<u>896,554</u>
Expenditures:					
General government					
Personal services	53,493	53,493	60,322	(6,829)	43,374
Contractual service	1,496,853	1,728,253	1,471,260	256,993	1,413,376
Commodities	500	1,100	519	581	785
Total expenditures	<u>1,550,846</u>	<u>1,782,846</u>	<u>1,532,101</u>	<u>250,745</u>	<u>1,457,535</u>
Excess (deficiency) of revenues over (under) expenditures	(185,441)	(417,441)	(189,764)	227,677	(560,981)
Other financing sources – transfers in	—	—	—	—	232,000
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ (185,441)</u>	<u>(417,441)</u>	<u>(189,764)</u>	<u>227,677</u>	<u>(328,981)</u>
Fund balance, beginning of year			574,649		904,541
Net change in reserve for encumbrances			<u>74,206</u>		<u>(911)</u>
Fund balance, end of year			<u>\$ 459,091</u>		<u>574,649</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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2007 Actual</u>
Revenues:					
Taxes	\$ 443,158	443,158	446,706	3,548	427,916
Charges for services	1,460,350	1,460,350	1,565,892	105,542	1,431,733
Intergovernmental	—	—	1,839	1,839	—
Miscellaneous	<u>95,000</u>	<u>95,000</u>	<u>103,100</u>	<u>8,100</u>	<u>99,936</u>
Total revenues	<u>1,998,508</u>	<u>1,998,508</u>	<u>2,117,537</u>	<u>119,029</u>	<u>1,959,585</u>
Expenditures:					
Culture and recreation:					
Personal services	2,884,057	2,803,856	2,697,486	106,370	2,618,646
Contractual service	434,655	405,017	373,587	31,430	390,804
Commodities	241,900	268,981	262,425	6,556	206,754
Capital outlay	—	5,500	5,485	15	—
Other	<u>30,000</u>	<u>107,258</u>	<u>—</u>	<u>107,258</u>	<u>—</u>
Total expenditures	<u>3,590,612</u>	<u>3,590,612</u>	<u>3,338,983</u>	<u>251,629</u>	<u>3,216,204</u>
Excess (deficiency) of revenues over (under) expenditures	(1,592,104)	(1,592,104)	(1,221,446)	370,658	(1,256,619)
Other financing sources – transfers in	<u>1,447,000</u>	<u>1,447,000</u>	<u>1,447,000</u>	<u>—</u>	<u>1,400,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(145,104)</u>	<u>(145,104)</u>	225,554	<u>370,658</u>	143,381
Fund balance, beginning of year			526,195		425,506
Net change in reserve for encumbrances			<u>3,964</u>		<u>(42,692)</u>
Fund balance, end of year			\$ <u>755,713</u>		<u>526,195</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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)	2007 Actual
Revenues – intergovernmental	\$ 575,000	575,000	638,887	63,887	548,596
Expenditures:					
Health:					
Personal services	240,000	240,000	228,797	11,203	5,014
Contractual service	398,154	398,154	398,156	(2)	635,797
Commodities	10,000	10,000	4,702	5,298	4,028
Other	5,000	5,000	—	5,000	—
Total expenditures	653,154	653,154	631,655	21,499	644,839
Excess (deficiency) of revenues over (under) expenditures	\$ (78,154)	(78,154)	7,232	85,386	(96,243)
Fund balance, beginning of year			88,538		184,781
Fund balance, end of year			\$ 95,770		88,538

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, 2008
(With Comparative Actual Amounts for 2007)

	2008				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2007 Actual</u>
Revenues					
Intergovernmental	\$ 2,650,391	2,650,391	2,760,250	109,859	2,667,979
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>499</u>	<u>(9,501)</u>	<u>1,336</u>
Total revenues	<u>2,660,391</u>	<u>2,660,391</u>	<u>2,760,749</u>	<u>100,358</u>	<u>2,669,315</u>
Expenditures:					
Public works:					
Personal services	1,691,231	1,691,231	1,667,322	23,909	1,683,915
Contractual service	480	12,135	12,718	(583)	5,660
Commodities	1,010,000	1,014,950	812,476	202,474	922,399
Capital outlay	<u>150,000</u>	<u>133,395</u>	<u>110,227</u>	<u>23,168</u>	<u>118,124</u>
Total expenditures	<u>2,851,711</u>	<u>2,851,711</u>	<u>2,602,743</u>	<u>248,968</u>	<u>2,730,098</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(191,320)</u>	<u>(191,320)</u>	158,006	<u>349,326</u>	(60,783)
Fund balance, beginning of year			546,820		532,359
Net change in reserve for encumbrances			<u>(44,732)</u>		<u>75,244</u>
Fund balance, end of year			\$ <u>660,094</u>		<u>546,820</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, 2008
(With Comparative Actual Amounts for 2007)

	2008			Variance	2007
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues -- intergovernmental	\$ 575,000	575,000	640,887	65,887	548,596
Expenditures:					
Culture and recreation:					
Personal services	47,900	46,400	45,779	621	49,385
Contractual service	304,500	354,402	367,330	(12,928)	353,313
Commodities	90,000	80,888	98,729	(17,841)	111,505
Capital outlay	145,000	108,210	72,992	35,218	71,572
Other	10,000	7,500	—	7,500	—
Total expenditures	597,400	597,400	584,830	12,570	585,775
Excess (deficiency) of revenues over (under) expenditures	\$ (22,400)	(22,400)	56,057	78,457	(37,179)
Fund balance, beginning of year			111,748		133,384
Net change in reserve for encumbrances			(41,086)		15,543
Fund balance, end of year			\$ 126,719		111,748

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, 2008

	Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:				
Cash		\$ 55,690	105,792	161,482
Investments		345,064	149,531	494,595
Receivables:				
Accounts		15,616	131	15,747
Accrued interest		1,924	314	2,238
Inventories		—	30,739	30,739
Total current assets		<u>418,294</u>	<u>286,507</u>	<u>704,801</u>
Capital assets				
Land		479,055	—	479,055
Buildings and improvements		4,084,602	3,616,125	7,700,727
Equipment		392,981	136,144	529,125
Accumulated depreciation		<u>(2,876,630)</u>	<u>(1,958,489)</u>	<u>(4,835,119)</u>
Total capital assets		<u>2,080,008</u>	<u>1,793,780</u>	<u>3,873,788</u>
Total assets		<u>\$ 2,498,302</u>	<u>2,080,287</u>	<u>4,578,589</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable		\$ 8,487	11,518	20,005
Accrued payroll		20,853	9,011	29,864
Accrued vacation and sick pay		42,256	21,520	63,776
Total current liabilities		<u>71,596</u>	<u>42,049</u>	<u>113,645</u>
Noncurrent liabilities				
Compensated absences		39,984	16,054	56,038
Net OPEB obligation		5,885	212	6,097
Total noncurrent liabilities		<u>45,869</u>	<u>16,266</u>	<u>62,135</u>
Total liabilities		<u>117,465</u>	<u>58,315</u>	<u>175,780</u>
Net assets:				
Invested in capital assets, net of debt		2,080,008	1,793,780	3,873,788
Unrestricted		300,829	228,192	529,021
Total net assets		<u>2,380,837</u>	<u>2,021,972</u>	<u>4,402,809</u>
Total liabilities and net assets		<u>\$ 2,498,302</u>	<u>2,080,287</u>	<u>4,578,589</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, 2008

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Operating revenues - charges for services	\$ 1,018,472	916,239	1,934,711
Operating expenses:			
Continuing operations	1,107,467	814,481	1,921,948
Depreciation and amortization	154,353	186,304	340,657
Total operating expenses	1,261,820	1,000,785	2,262,605
Operating income (loss)	(243,348)	(84,546)	(327,894)
Nonoperating revenues (expenses) - interest income	12,832	1,963	14,795
Income (loss) before transfers	(230,516)	(82,583)	(313,099)
Transfers (out)	(75,000)	—	(75,000)
Change in net assets	(305,516)	(82,583)	(388,099)
Net assets, beginning of year	2,686,353	2,104,555	4,790,908
Net assets, end of year	\$ 2,380,837	2,021,972	4,402,809

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, 2008

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,030,734	916,204	1,946,938
Payments to suppliers	(278,277)	(350,507)	(628,784)
Payments to employees	(801,679)	(450,898)	(1,252,577)
Net cash provided by (used in) operating activities	(49,222)	114,799	65,577
Cash flows from noncapital financing activities:			
Transfers out	(75,000)	—	(75,000)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	—	(6,988)	(6,988)
Cash flows from investing activities:			
Receipt of interest and dividends	18,905	1,649	20,554
Purchases of investments	(445,065)	(249,531)	(694,596)
Sales of investments	500,000	100,000	600,000
Net cash provided by (used in) investing activities	73,840	(147,882)	(74,042)
Net increase (decrease) in cash	(50,382)	(40,071)	(90,453)
Cash and cash equivalents, beginning of year	106,072	145,863	251,935
Cash and cash equivalents, end of year	\$ 55,690	105,792	161,482
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (243,348)	(84,546)	(327,894)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	154,353	186,304	340,657
Change in:			
Accounts receivable	12,262	(35)	12,227
Inventories of supplies	—	(1,052)	(1,052)
Accounts payable	(8,337)	5,716	(2,621)
Accrued payroll	5,826	2,181	8,007
Accrued vacation and sick pay	24,137	6,019	30,156
Net OPEB obligation	5,885	212	6,097
Total adjustments	194,126	199,345	393,471
Net cash provided by (used in) operating activities	\$ (49,222)	114,799	65,577

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, 2008

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 298	27,646	195,232	223,176
Investments	395,840	—	7,803,207	8,199,047
Receivables:				
Accounts	275,141	—	30,402	305,543
Accrued interest	2,424	—	55,243	57,667
Inventories	275,411	6,069	—	281,480
Total current assets	<u>949,114</u>	<u>33,715</u>	<u>8,084,084</u>	<u>9,066,913</u>
Capital assets				
Buildings and improvements	459,715	—	—	459,715
Equipment	234,491	—	—	234,491
Construction in progress	204,090	—	—	204,090
Accumulated depreciation	(638,961)	—	—	(638,961)
Total capital assets	<u>259,335</u>	<u>—</u>	<u>—</u>	<u>259,335</u>
Total assets	<u>\$ 1,208,449</u>	<u>33,715</u>	<u>8,084,084</u>	<u>9,326,248</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable	\$ 12,446	—	85,552	97,998
Claims payable	—	—	467,122	467,122
Accrued payroll	28,213	—	—	28,213
Accrued vacation and sick pay	65,850	—	—	65,850
Total current liabilities	<u>106,509</u>	<u>—</u>	<u>552,674</u>	<u>659,183</u>
Noncurrent liabilities - compensated absences	74,097	—	—	74,097
Total liabilities	<u>180,606</u>	<u>—</u>	<u>552,674</u>	<u>733,280</u>
Net assets:				
Invested in capital assets, net of debt	259,335	—	—	259,335
Unrestricted	768,508	33,715	7,531,410	8,333,633
Total net assets	<u>1,027,843</u>	<u>33,715</u>	<u>7,531,410</u>	<u>8,592,968</u>
Total liabilities and net assets	<u>\$ 1,208,449</u>	<u>33,715</u>	<u>8,084,084</u>	<u>9,326,248</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, 2008

	Central Maintenance	Stores	Health Insurance	Total
Operating revenues - charges for services	\$ 3,367,943	4,670	7,550,673	10,923,286
Operating expenses:				
Continuing operations	3,441,479	6,747	—	3,448,226
General administration	—	—	658,700	658,700
Health insurance claims	—	—	6,715,785	6,715,785
Depreciation and amortization	28,032	—	—	28,032
Total operating expenses	3,469,511	6,747	7,374,485	10,850,743
Operating income (loss)	(101,568)	(2,077)	176,188	72,543
Nonoperating revenues (expenses)				
Interest income	19,282	—	283,003	302,285
Other	1,564	—	—	1,564
Total nonoperating revenues (expenses)	20,846	—	283,003	303,849
Income (loss) before transfers	(80,722)	(2,077)	459,191	376,392
Transfers out	(7,000)	—	—	(7,000)
Change in net assets	(87,722)	(2,077)	459,191	369,392
Net assets (deficit), beginning of year	1,115,565	35,792	7,072,219	8,223,576
Net assets (deficit), end of year	\$ 1,027,843	33,715	7,531,410	8,592,968

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, 2008

	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,370,152	4,670	7,543,712	10,918,534
Payments to suppliers	(2,376,441)	(7,007)	(7,509,617)	(9,893,065)
Payments to employees	(1,021,161)	—	—	(1,021,161)
Net cash provided by (used in) operating activities	(27,450)	(2,337)	34,095	4,308
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	(215,691)	—	—	(215,691)
Net cash provided by (used in) capital and related financing activities	(215,691)	—	—	(215,691)
Cash flows from investing activities:				
Receipt of interest and dividends	24,853	—	294,048	318,901
Purchases of investments	(395,840)	—	(11,457,789)	(11,853,629)
Sales of investments	600,000	—	10,392,086	10,992,086
Net cash provided by (used in) investing activities	229,013	—	(771,655)	(542,642)
Net increase (decrease) in cash	(21,128)	(2,337)	(737,560)	(761,025)
Cash and cash equivalents, beginning of year	21,426	29,983	932,792	984,201
Cash and cash equivalents, end of year	\$ 298	27,646	195,232	223,176
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (101,568)	(2,077)	176,188	72,543
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	28,032	—	—	28,032
Other income	1,564	—	—	1,564
Change in:				
Accounts receivable	645	—	(6,961)	(6,316)
Inventories of supplies	18,205	(260)	—	17,945
Accounts payable	4,514	—	(104,866)	(100,352)
Claims payable	—	—	(30,266)	(30,266)
Accrued payroll	7,113	—	—	7,113
Accrued vacation and sick pay	14,045	—	—	14,045
Total adjustments	74,118	(260)	(142,093)	(68,235)
Net cash provided by (used in) operating activities	\$ (27,450)	(2,337)	34,095	4,308

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, 2008

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
Payroll Clearing				
Assets:				
Cash	\$ 51,687	20,055,532	20,076,141	31,078
Accounts receivable	<u>277</u>	<u>—</u>	<u>—</u>	<u>277</u>
	<u>\$ 51,964</u>	<u>20,055,532</u>	<u>20,076,141</u>	<u>31,355</u>
Liabilities:				
Accounts payable	\$ <u>51,964</u>	<u>20,055,532</u>	<u>20,076,141</u>	<u>31,355</u>
Municipal Court				
Assets:				
Cash	\$ 162,220	905,832	792,760	275,292
Investments	100,000	—	100,000	—
Restricted assets - court receivables	<u>70,683</u>	<u>—</u>	<u>—</u>	<u>70,683</u>
	<u>\$ 332,903</u>	<u>905,832</u>	<u>892,760</u>	<u>345,975</u>
Liabilities:				
Accounts payable	\$ 262,220	905,832	892,760	275,292
Payable from restricted assets	<u>70,683</u>	<u>—</u>	<u>—</u>	<u>70,683</u>
	<u>\$ 332,903</u>	<u>905,832</u>	<u>892,760</u>	<u>345,975</u>
KPRF				
Assets:				
Cash	\$ <u>291</u>	<u>9,548</u>	<u>9,548</u>	<u>291</u>
Liabilities:				
Accounts payable	\$ <u>291</u>	<u>9,548</u>	<u>9,548</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, 2008

Fire Insurance Proceeds Fund	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
Assets:				
Cash	\$ —	43,782	43,782	—
Liabilities:				
Accounts payable	\$ —	43,782	43,782	—
Totals - All Agency Funds				
Assets:				
Cash	\$ 214,198	21,014,694	20,922,231	306,661
Investments	100,000	—	100,000	—
Accounts receivable	277	—	—	277
Restricted assets - court receivables	70,683	—	—	70,683
Total assets	\$ 385,158	21,014,694	21,022,231	377,621
Liabilities:				
Accounts payable	\$ 314,475	21,014,694	21,022,231	306,938
Court bonds payable	70,683	—	—	70,683
Total liabilities	\$ 385,158	21,014,694	21,022,231	377,621

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 five years. Table 2 shows the Changes in Net Assets for the last five years.

CITY OF LAWRENCE, KANSAS

(accrual basis of accounting)

Unaudited

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

CITY OF LAWRENCE, KANSAS

Changes in Net Assets

Last Six Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
2008					
Expenses					
Governmental activities					
General government					
Public safety	\$ 13,529,468	14,403,955	15,787,385	17,850,454	19,365,613
Public works	21,444,143	22,024,175	23,958,869	26,850,570	28,091,852
Health	10,389,739	12,755,790	13,152,884	16,608,613	14,467,570
Social services	1,382,529	888,333	897,509	976,258	992,789
Culture and recreation	2,882,748	2,678,321	3,330,734	2,651,489	1,917,240
Tourism	6,543,285	6,211,637	7,145,971	8,205,079	7,834,774
Airport	490,053	663,943	680,490	675,797	779,687
Interest on long-term debt	191,661	192,485	188,284	201,034	212,253
Total governmental activities expenses	3,842,917	3,164,980	2,838,234	3,175,178	2,655,108
Business-type activities:					
Water & sewer	60,696,543	62,983,619	67,980,360	77,194,472	76,316,886
Sanitation	16,561,112	17,079,804	18,439,977	21,182,353	23,578,051
Parking	7,218,375	7,817,606	8,395,807	9,146,491	9,593,230
Stormwater	912,248	935,905	962,303	934,309	1,110,029
Golf course	1,121,598	1,209,570	1,527,637	1,710,016	1,778,006
Total business-type activities expenses	1,049,496	1,094,435	992,548	817,710	925,676
Total primary government expenses	26,862,829	28,137,320	30,318,272	33,790,879	36,984,992
	\$ 87,559,372	91,120,939	98,298,632	110,985,351	113,301,878
					118,150,874
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 719,087	886,557	1,164,158	1,151,175	1,213,241
Public safety	5,597,535	6,403,610	6,523,480	6,745,201	6,390,357
Culture and recreation	1,563,897	1,408,227	1,554,583	1,642,377	1,764,266
Other activities	530,016	608,024	598,888	693,927	550,054
Operating grants and contributions	8,690,675	8,068,395	8,645,939	8,296,784	8,107,569
Capital grants and contributions	4,703,593	4,476,161	4,298,427	7,464,153	6,982,954
Total governmental activities program revenues	21,804,803	21,850,974	22,785,475	25,993,617	25,008,441
Business-type activities:					
Charges for services:					
Water & sewer	22,731,523	21,980,918	24,666,589	27,625,934	27,702,909
Sanitation	7,859,391	8,069,691	8,350,141	8,738,585	8,980,990
Parking	896,694	831,787	871,504	954,766	876,578
Stormwater	2,677,414	2,728,541	2,767,975	2,794,985	2,836,484
Golf course	896,158	912,526	935,964	971,712	923,375
					27,953,735
					9,281,014
					1,018,472
					2,890,385
					916,239
					(continued)

CITY OF LAWRENCE, KANSAS

Changes in Net Assets, Continued

Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Unaudited					
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
Total primary government program revenues	\$ 56,895,159	\$ 56,410,267	\$ 60,440,597	\$ 67,166,765	\$ 66,345,621
Net (expense)/revenue					
Governmental activities	\$ (38,891,740)	\$ (41,132,645)	\$ (45,194,885)	\$ (51,200,855)	\$ (51,308,445)
Business-type activities	8,227,527	6,421,973	7,336,850	7,382,269	4,352,188
Total primary government net expense	\$ (30,664,213)	\$ (34,710,672)	\$ (37,858,035)	\$ (43,818,586)	\$ (46,956,257)
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
Franchise taxes	3,660,489	3,684,941	3,754,184	3,986,982	4,784,605
Sales taxes	18,893,835	20,740,306	21,318,108	21,733,540	22,172,560
Unrestricted grants and contributions	518,024	530,786	530,707	543,415	548,596
Investment earnings	1,107,797	980,553	1,912,596	3,144,551	3,290,116
Miscellaneous	86,437	(49,408)	98,035	140,358	187,713
Transfers	1,288,000	1,441,718	1,892,038	2,102,194	4,269,392
Total governmental activities	43,159,407	48,239,947	51,565,383	54,176,447	59,021,751
Business-type activities:					
Investment earnings	657,587	531,703	1,449,433	2,666,000	2,464,859
Miscellaneous	-	363,740	318,358	268,427	641,216
Transfers	(1,288,000)	(1,441,718)	(1,892,038)	(2,102,194)	(4,269,392)
Total business-type activities	(630,413)	(546,275)	(124,247)	832,233	(1,163,317)
Total primary government	\$ 42,528,994	\$ 47,693,672	\$ 51,441,136	\$ 55,008,680	\$ 57,858,434
Change in Net Assets					
Governmental activities	\$ 4,267,667	\$ 7,107,302	\$ 6,370,498	\$ 2,975,592	\$ 7,713,306
Business-type activities	7,597,114	5,875,698	7,212,603	8,214,502	3,188,871
Total primary government	\$ 11,864,781	\$ 12,983,000	\$ 13,583,101	\$ 11,190,094	\$ 10,902,177
					4,200,160
					510,798
					4,710,958

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

Year	Property Tax	Sales Tax (1)	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
1999	\$ 10,228,830	\$10,190,751	\$ 2,852,957	\$ 1,449,320	\$ 90,830	\$ 24,812,688
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

(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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 1,126,996	1,458,930	787,810	727,909	1,014,374	905,414	854,863	850,300	807,314	919,854
Unreserved	8,169,127	9,577,868	10,374,335	8,919,482	8,164,583	12,922,924	14,472,880	11,083,748	11,449,526	12,224,367
Total General Fund	\$ 9,296,123	11,036,798	11,162,145	9,647,391	9,178,957	13,828,338	15,327,743	11,934,048	12,256,840	13,144,221
All other governmental funds										
Reserved	\$ 8,532,342	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
Unreserved, reported in:										
Special revenue funds	14,447,575	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
Capital projects funds	3,112,736	6,863,034	(9,556,787)	(7,091,096)	5,652,282	1,618,585	(10,419,107)	(6,221,334)	(745,650)	(2,938,975)
Total all other governmental fund \$	26,092,653	29,920,852	13,930,634	15,389,289	28,050,682	25,192,738	13,430,486	17,596,780	23,010,851	31,917,589

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

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 24,812,688	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
Special assessments	815,907	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
Licenses and permits	660,835	593,385	675,677	785,543	1,024,587	1,121,828	1,082,191	1,128,747	928,922	1,018,198
Charges for services	3,062,775	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
Fines, forfeitures and penalties	1,346,049	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
Interest	2,307,620	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
Intergovernmental	14,205,653	15,773,675	22,465,623	17,500,790	18,995,245	19,144,592	18,346,114	19,796,516	17,396,256	19,757,194
Reimbursements	399,861	2,135,342	261,166	1,757,694	555,980	397,638	178,665	1,321,000	70,834	196,262
Miscellaneous	1,127,191	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
Total Revenues	48,738,579	55,280,821	62,450,084	60,860,068	64,542,594	68,389,700	70,364,104	76,492,933	74,517,315	80,615,576
Expenditures										
General government	8,348,177	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
Public safety	14,931,935	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
Public works	4,768,079	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
Health	1,469,277	1,110,069	1,200,890	1,271,162	1,369,492	883,005	895,344	974,790	990,668	1,037,952
Social services	1,847,584	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
Culture and recreation	4,038,120	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
Tourism	485,027	460,605	443,181	463,622	486,845	660,735	677,282	674,777	779,687	818,561
Airport	52,107	81,876	79,691	94,373	75,885	76,708	72,507	85,290	96,545	132,237
Capital outlay	14,307,421	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
Debt service:										
Principal retirement	4,603,859	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
Interest and fiscal charges	2,424,977	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
Total expenditures	57,276,563	72,840,164	83,505,405	72,516,418	76,209,635	81,876,263	88,609,552	94,746,230	84,398,604	86,606,045
Excess of revenues over (under) expenditures	(8,537,984)	(17,559,343)	(21,055,321)	(11,656,350)	(11,667,041)	(13,486,563)	(18,245,448)	(18,253,297)	(9,881,289)	(5,990,469)
Other financing sources (uses)										
Transfers in	6,590,494	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
Transfers out	(5,959,827)	(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)
Proceeds of general obligation bonds	5,796,733	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
Total other financing sources (uses)	6,427,400	23,128,217	5,190,450	11,600,251	23,860,000	15,278,000	7,982,601	19,025,896	15,618,152	15,784,588
Net change in fund balances	(2,110,584)	5,568,874	(15,864,871)	(56,099)	12,192,959	1,791,437	(10,262,847)	772,599	5,736,863	9,794,119
Debt service as a percentage of noncapital expenditures	16.4%	24.8%	15.3%	15.2%	23.4%	29.1%	15.8%	14.2%	14.6%	15.2%

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		
1999	\$ 430,724,410	\$3,093,617,130	\$49,302,310	\$197,209,240	\$18,637,210	\$55,911,630	\$ 498,663,930	\$3,346,738,000	15.0	24.35
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

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

Table 7

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates						Total Direct & Overlapping Rates	
	Operating Millage	Service Millage	Total City Millage	Douglas County			School District				
				Operating Millage	Service Millage	Total County Millage	Operating Millage	Service Millage	Total School Millage		
											State of Kansas
1999	17.69	6.67	24.35	22.24	2.38	24.62	43.47	11.05	54.52	1.50	104.99
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

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2008

Unaudited

Taxpayer	Type of Business	2008			Percent of			1999			Percent of		
		Assessed Valuation	Rank	Total Assessed Valuation		Assessed Valuation	Rank	Total Assessed Valuation		Assessed Valuation	Rank	Total Assessed Valuation	
Westar Energy	Electric Utility	\$ 8,267,096	1	0.96	%	\$ 6,682,250	3	1.34	%				
Southwestern Bell	Telephone Utility	5,956,279	2	0.69		7,791,583	2	1.56					
Packware Corp	Plastics Manufacturer	5,149,500	3	0.60		3,282,165	6	0.66					
Hallmark Cards	Card Manufacturer	4,838,035	4	0.56		4,768,800	4	0.96					
Lawrence Paper Co.	Paper Manufacturer	4,253,185	5	0.49		3,785,595	5	0.76					
Inland Western Lawrence	Retail Center	3,910,210	6	0.45		-		—					
Walmart	Retail Outlet	3,458,670	7	0.40		-		—					
Peoples Natural Gas	Gas Utility	3,282,584	8	0.38		2,834,509	7	0.57					
World Company	Media	3,258,855	9	0.38		-		—					
Celliance	Biotechnology	2,948,125	10	0.34		-		—					
Kresge	District Warehouse	-		—		8,956,070	1	1.80					
Oread Labs	Research Lab	-		—		2,743,085	8	0.55					
Lawrence Cable	Cable Utility	-		—		2,650,355	9	0.53					
Target	Retail Outlet	-		—		2,386,105	10	0.48					
Total		\$ 45,322,539		5.26	%	\$ 45,880,517		9.21	%				

Source: Douglas County Clerk.

Table 9

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1999	\$10,377,742	\$10,111,307	97.43	\$ 256,943	\$ 10,228,830	98.57	\$ 469,909	4.53 %
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

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

SCHEDULES OF DEBT CAPACITY INFORMATION

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

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General		Capital		General		Capital				
	Obligation Bonds	Notes Payable	Revenue Bonds	Obligation Bonds	Notes Payable	Leases	Obligation Bonds	Leases			
1999 \$	44,424,058	\$ 133,971	\$ -	\$ 6,820,942	\$ -	\$ 235,603	\$ 65,974,574	0.0694	%	\$ 816.08	
2000	57,003,154	133,971	-	7,196,846	5,452,112	-	82,926,083	0.0510		1,016.75	
2001	55,962,449	107,161	-	6,652,551	22,112,277	-	96,689,438	0.0370		1,207.14	
2002	62,636,388	91,499	-	6,083,612	42,601,580	18,797	121,941,876	0.0451		1,460.47	
2003	72,638,936	75,285	-	5,486,064	49,470,892	-	137,146,177	0.0488		1,608.15	
2004	68,139,695	58,498	-	6,745,305	49,114,320	-	132,992,818	0.0463		1,545.71	
2005	66,122,813	41,118	-	10,957,187	46,970,878	-	150,001,996	0.0486		1,694.15	
2006	75,118,846	23,125	-	9,951,154	44,542,451	-	154,495,576	0.0471		1,710.25	
2007	80,240,451	4,496	-	6,534,549	42,447,047	-	172,691,543	0.0497		1,912.19	
2008	83,405,065	-	-	5,504,935	40,144,404	-	175,344,404	0.0505		1,929.70	

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

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

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
1999	80,843	498,664	\$ 65,605,000	\$ 7,993,327	\$ 57,611,673	11.55 %	\$ 712.64
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

(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.

Table 12

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2008

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	\$ 88,910,000	\$ 17,270,832	\$ 71,639,168	100 %	\$ 71,639,168
Overlapping:					
Douglas County	21,818,000	4,179,820	17,638,180	75	13,228,635
Unified School District No. 497	<u>89,255,000</u>	<u>5,970,690</u>	<u>83,284,310</u>	88	<u>73,290,193</u>
	<u>\$ 199,983,000</u>	<u>27,421,342</u>	<u>172,561,658</u>		<u>\$ 158,157,996</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 residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

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

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

Unaudited

	<u>1999</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>
Total Assessed Valuation of Taxable Property	\$ 562,985,984	\$ 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
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	168,895,795	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
Total net debt applicable to limit (includes temporary notes)	<u>63,650,000</u>	<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>
Legal Debt Margin	\$ <u>105,245,795</u>	\$ <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>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	37.69%	41.70%	39.07%	43.56%	43.55%	38.29%	38.97%	37.66%	34.85%	35.47%

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

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
1999	\$ 19,420,407	\$ 10,937,931	\$ 8,482,476	\$1,155,000	\$ 878,794	\$2,033,794	4.17
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

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>
1999	80,843	950,713,680	11,760	24.70	10,371	3.2 %
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

Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 1998-1999 Personal and Per Capita Income Estimates for Counties and Incorporated Places from 1990 census, 2000-2003 data from 2000 census, 2004-2007 data from BEA. 2008 information was not yet available at the report date.
- (3) 1990 Census of Population General Population Characteristics, except 2000-2007 which are 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	2008		1999
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
The University of Kansas	9,396	1	15.47%
Lawrence Public Schools	1,710	2	2.82%
Pearson	1,800	3	2.96%
City of Lawrence	1,250	4	2.06%
Lawrence Memorial Hospital	1,200	5	1.98%
Hallmark Card, Inc.	814	6	1.34%
The World Company	600	7	0.99%
Amarr Garage Doors	588	8	0.97%
K-Mart Distribution Center	452	9	0.74%
DCCCA	425	10	0.70%
Total	<u>18,235</u>		<u>30.02%</u>

Information Not Available

Sources: Lawrence Chamber of Commerce
Kansas Department of Human Resources

SCHEDULES OF OPERATING INFORMATION

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

CITY OF LAWRENCE, KANSAS

Full Time Equivalent Employees by Function

Last Ten Fiscal Years

Unaudited

<u>Function/Program</u>	<u>1999</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>
General Government	52.70	54.70	57.70	63.93	62.63	64.63	67.63	73.76	79.63	72.63
Public Safety	279.55	289.55	297.55	308.25	323.25	328.50	329.00	341.00	342.25	335.82
Public Works	159.00	164.00	167.00	174.50	173.00	173.00	175.50	181.00	188.00	190.00
Culture & Recreation	70.00	70.00	77.00	75.50	75.00	74.63	75.13	75.28	75.28	75.28
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	6.80	10.25	10.25	10.00	9.00	8.95	8.75	11.68
Water & Sewer	106.00	106.00	106.00	109.00	111.63	111.76	113.26	120.26	133.76	135.26
Total	<u>675.05</u>	<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>821.67</u>

Source: City of Lawrence Budget Document

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire Protection										
Number of Firefighters and Officers	129	140	140	133	137	137	137	138	138	139.5
Number of Fire Calls Answered	1,919	1,919	1,959	2,160	1,896	1,953	1,953	2,154	2,005	2,045
Number of Medical Calls Answered	5,705	5,705	6,612	6,380	6,225	6,700	6,700	6,810	6,858	7,592
Number of Medical Transports	4,340	4,340	4,355	5,679	3,924	3,924	3,924	4,434	4,649	4,789
Number of Inspections Conducted	2,706	2,706	2,685	8,011	5,240	5,240	5,240	5,963	7,065	7,260
Police Protection										
Number of Commissioned Police Officers	123	128	138	133	138	138	138	142	142	142
Number of Full Time Civilians	23	24	25	34	34	33	34	34	34	34
Number of Calls for Service	106,946	106,946	107,856	87,322	86,804	110,192	110,192	121,576	126,874	115,404
Arrests Processed through County Jail	2,484	2,484	2,624	2,882	2,699	2,834	2,834	3,233	2,661	2,775
Officer Issued Traffic Violations	18,475	18,475	19,675	16,460	18,327	24,008	24,008	39,348	40,572	35,543
Officer Issued Parking Violations	15,019	15,019	15,519	15,748	13,417	14,421	14,421	96,739	94,890	92,355
Sewerage System										
Number of Service Connections	24,400	24,400	24,820	28,252	28,252	29,515	29,515	31,499	32,000	32,741
Actual Daily Average of Treatment in Million Gallons D	8.9	8.9	8.9	9.2	9.2	12.5	12.5	10.5	10.6	11.5
Water System										
Number of Service Connections	24,500	27,500	27,850	29,115	28,895	29,770	29,770	32,142	32,522	32,741
Daily Average Consumption in Million Gallons	11.6	11.6	11.6	12.6	13	13	13	12.2	11.4	10.4
Maximum Daily Capacity of Plant in Million Gallons	27.5	27.5	27.5	31.5	31.5	32.5	32.5	32.5	32.5	36.5

Sources: Various government departments

Table 19

CITY OF LAWRENCE, KANSAS
Capital Asset Statistics by Function
Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Works										
Miles of Streets	265	270	275	278	300	300	300	318	318.8	319.6
Culture and Recreation										
Recreation Centers	5	5	5	5	5	5	5	5	5	5
Parks	35	35	35	50	52	52	52	53	52	52
Park Acreage	3,148	3,148	3,398	3,275	3,270	3,275	3,275	3,497	3,497	3,535
Tennis Courts	18	18	18	18	20	20	20	20	20	19
Fire Protection										
Number of Stations	7	4	4	7	5	5	5	5	5	5
Police Protection										
Number of Stations	1	2	2	2	2	2	2	2	2	2
Number of Patrol Units	23	23	23	24	24	25	25	35	37	35
Sewerage System										
Miles of Sanitary Sewers	300	315	315	425	475	475	475	497	418	425
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	40	40	40	41	39	39	39	35	36	31
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	350	355	355	385	400	400	400	418	420	440
Number of City owned Fire Hydrants	2,300	2,350	2,350	2,881	2,944	2,944	2,944	3,008	3,285	3,081
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	213,500	215,500	215,500	254,100	267,134	267,134	297,924	320,705	264,966	230,846
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	18	19	19	18	16	16	16	16	16	16
Number of Public Elementary School Instructors	455	470	470	386	386	445	445	427	452	480
Number of Public Secondary Schools	6	6	6	7	7	7	7	6	6	6
Number of Public Secondary School Instructors	394	394	394	373	373	433	433	379	374	375
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	167	177	177	186	186	173	173	191

Sources: Various government departments

SINGLE AUDIT SECTION

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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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2009. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 17, 2009.

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.

Howenthal, Singleton, Webb & Wilson

Professional Association

April 17, 2009

LOWENTHAL SINGLETON WEBB & WILSON
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2008. Major federal financial programs are identified in the 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, 2008.

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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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. The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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.

Howenthal, Singleton, Webb & Wilson

Professional Association

April 17, 2009

CITY OF LAWRENCE, KANSAS
Schedule of Expenditures of Federal Awards
December 31, 2008

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	B-05-MC-20-0007	\$ 360,813
Community Development Block Grant/ Entitlement Grants	14.218	B-06-MC-20-0008	210,531
			<u>571,344</u>
Home - Investment Partnerships Program	14.239	M07-MC200205	210,079
Home - Investment Partnerships Program	14.239	M08-MC200205	144,112
			<u>354,190</u>
Fair Housing Assistance - State & Local (07)	14.401	FF207K077011	29,486
Fair Housing Assistance - State & Local (08)	14.401	FF207K087011	17,933
			<u>47,419</u>
KS Department of Commerce and Housing			
Emergency Shelter Grant (07)	14.231	S-02-DC-20-0001-2007-15	18,114
Emergency Shelter Grant (08)	14.231	S-03-DC-20-0001-2008-15	45,192
			<u>63,306</u>
Total U.S. Department of Housing and Urban Development			<u>1,036,259</u>
U. S. Department of Transportation			
Federal Transportation Administration			
Federal Transit Formula Grant	20.507	KS-30-X022	1,914
Federal Transit Formula Grant	20.507	KS-90-X107	14,077
Federal Transit Formula Grant	20.507	KS-90-X115	16,502
Federal Transit Formula Grant	20.507	KS-90-X119	1,437,200
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004712	168,892
			<u>1,638,585</u>
KS Department of Transportation			
Comprehensive Transportation Planning Grant	20.205	03 P.L. and Sect. 5303 Funds	95,204
Transportation Enhancements	20.205	23 TE-0178-01/TEA-T017 (801)	530,267
State and Community Highway Safety (STEP)	20.600	OP-1207-07	18,624
			<u>644,095</u>
Total Department of Transportation			<u>2,282,680</u>
U.S. Department of Justice			
Direct Assistance			
Overtime Reimbursement			19,933
			<u>19,933</u>
KS Office of the Governor			
Edward Byrne Memorial Justice Assistance (JAG) Grant	16.738	2007-DJ-BX-0938	31,220
			<u>31,220</u>
Total Department of Justice			<u>51,153</u>
U.S. Department of the Interior			
KS Historical Society			
Historic Preservation Fund	15.904	20-06-21519-004	10,032
			<u>10,032</u>
Total Department of the Interior			<u>10,032</u>
Total Federal Financial Awards Expenditures			\$ 3,380,124

- 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.
- 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, 2008

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)

Name of Federal Program or Cluster

20.205
20.507

Comprehensive Transportation Planning
Federal Transit Formula Grant

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

Auditee qualified as low-risk auditee? X Yes No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2008

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