

NEW ISSUES

**Moody's Ratings: Notes: MIG 1
Bonds: Aa2**

In the opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Notes and the Series 2004-B Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Under existing law and assuming continued compliance with certain requirements of the Code, interest on the Series 2004-C Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, except as provided herein, and is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The interest on the Notes and Bonds is exempt from Kansas income taxation. The Notes and Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "LEGAL MATTERS" herein.

CITY OF LAWRENCE, KANSAS

**\$15,745,000*
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2004-II**

Notes Dated: September 15, 2004

Notes Due: As shown on the inside cover

The General Obligation Temporary Notes, Series 2004-II (the "Notes") are fully registered notes in the denomination of \$5,000 or any integral multiple thereof. The Notes will be dated September 15, 2004 and will become due on October 1, 2005. The Notes will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which payment of principal of and interest on the Notes will be made. Individual purchases of Notes will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Notes purchased. Notes will bear interest from the dated date thereof. Interest on the Notes will be payable on April 1, 2005 and at maturity on October 1, 2005. Principal of and interest on the Notes are payable by check, draft or wire transfer of funds of the Treasurer of the City (the "Note Paying Agent" and "Note Registrar"). The Notes and the interest thereon are general obligations of the City. See "THE NOTES - Security" for a description of the source of payment for the Notes.

**\$10,670,000*
GENERAL OBLIGATION BONDS
SERIES 2004-B**

**\$1,600,000*
GENERAL OBLIGATION BONDS
SERIES 2004-C
(SUBJECT TO ALTERNATIVE MINIMUM TAX)**

Bonds Dated: September 15, 2004

Bonds Due: as shown on the inside cover

The General Obligation Bonds, Series 2004-B (the "Series 2004-B Bonds") and General Obligation Bonds, Series 2004-C (Subject to Alternative Minimum Tax) (the "Series 2004-C Bonds," the Series 2004-B Bonds and the Series 2004-C Bonds collectively referred to as the "Bonds") are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which payment of principal of and interest on the Bonds will be made. Individual purchases of Bonds will be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. Interest on the Bonds is payable semiannually on March 1 and September 1 in each year beginning March 1, 2005. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as bond registrar and paying agent (the "Paying Agent" and "Bond Registrar"). Interest will be payable by check, draft or wire transfer of funds of the Paying Agent mailed to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date. The Bonds maturing on September 1, 2015 and thereafter will be subject to redemption prior to maturity at the option of the City on September 1, 2014, and thereafter as described herein. See "THE BONDS - Security" for a description of the sources of payment for the Bonds.

The Notes and Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. It is expected that the Notes and Bonds will be available for delivery on or about September 24, 2004 through the facilities of The Depository Trust Company, New York, New York.

**Bids for the Notes will be received until 11:00 a.m., local time and
Bids for the Bonds will be received until 11:30 a.m., local time on
September 14, 2004**

At City Hall, Six East Sixth Street, Lawrence, Kansas

The date of this Official Statement is _____, 2004

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdictions in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULES

NOTES

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
10/01/05	\$15,745,000*	_____%	_____%

(plus accrued interest, if any)

SERIES 2004-B BONDS

<u>Due</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
[09/01/05	\$795,000			09/01/11	\$885,000		
09/01/06	795,000			09/01/12	910,000		
09/01/07	805,000			09/01/13	940,000		
09/01/08	820,000			09/01/14	970,000		
09/01/09	840,000			09/01/15	1,005,000		
09/01/10	860,000			09/01/16	1,045,000]		

SERIES 2004-C BONDS

<u>Due</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
[09/01/05	\$120,000			09/01/11	\$130,000		
09/01/06	120,000			09/01/12	135,000		
09/01/07	120,000			09/01/13	140,000		
09/01/08	125,000			09/01/14	145,000		
09/01/09	125,000			09/01/15	150,000		
09/01/10	130,000			09/01/16	160,000]		

(all plus accrued interest, if any)

* Preliminary, subject to change.

CITY OF LAWRENCE, KANSAS

City Hall
Six East Sixth Street
Lawrence, Kansas 66044
(785/832-3000)

CITY COMMISSION

Mike Rundle, Mayor
David Dunfield, Commissioner
Sue Hack, Commissioner
Dennis Highberger, Commissioner
David Schauner, Commissioner

CITY MANAGER

Michael Wildgen

FINANCE DIRECTOR

A. Ed Mullins

CITY CLERK/
DIRECTOR OF ADMINISTRATIVE SERVICES

Frank Reeb

CITY ATTORNEY

Gerald E. Cooley, Esq.
Lawrence, Kansas

BOND COUNSEL

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

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information or to make any representations with respect to the Notes or Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes or Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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OFFICIAL STATEMENT

CITY OF LAWRENCE, KANSAS

\$15,745,000*

**GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2004-II**

\$10,670,000*

**GENERAL OBLIGATION BONDS
SERIES 2004-B**

\$1,600,000*

**GENERAL OBLIGATION BONDS
SERIES 2004-C
(SUBJECT TO ALTERNATIVE MINIMUM TAX)**

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to the city of Lawrence, Kansas (the "City"), the General Obligation Temporary Notes, Series 2004-II (the "Notes"), the General Obligation Bonds, Series 2004-B (the "Series 2004-B Bonds") and the General Obligation Bonds, Series 2004-C (Subject to Alternative Minimum Tax) (the "Series 2004-C Bonds," the Series 2004-B Bonds and Series 2004-C Bonds collectively referred to as the "Bonds"). The Notes are issued for the purpose of financing on a temporary basis certain street, sewer, public building ~~{**}~~ and other improvements and paying the costs of issuing the Notes. The Series 2004-B Bonds are issued to pay the costs of certain street, sewer ~~{**}~~ and other improvements and to pay the costs of issuing the Bonds. The Series 2004-C are issued for the purpose of paying costs of certain improvements to the City-owned airport and to pay the costs of issuing the Bonds

The Notes and the Bonds are general obligations payable from certain sources as described under the headings "THE NOTES - Security" and "THE BONDS - Security."

The Bonds are subject to optional redemption prior to maturity at the redemption prices specified herein. See "THE BONDS - Redemption Provisions" herein for additional detail.

Except for the information expressly attributed to other sources, all information has been provided by the City. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, has assisted in the preparation of this Official Statement, but expresses no opinion as to the accuracy or sufficiency of any of the information contained herein, except for the matters under the headings captioned "THE NOTES," "THE BONDS" and "LEGAL MATTERS."

* Preliminary, subject to change.

Additional Information

All of the summaries of statutes, opinions, financial and statistical data, and other related reports and documents described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at City Hall, Six East Sixth Street, Lawrence, Kansas 66044. Additional information regarding the City, the Notes and/or the Bonds may be obtained from Michael Wildgen, City Manager, Frank Reeb, City Clerk/Director of Administrative Services, or A. Ed Mullins, Finance Director, at the City Hall, Six East Sixth Street, Lawrence, Kansas 66044 (785/832-3000) or from Gilmore & Bell, P.C., 2405 Grand Boulevard, Suite 1100, Kansas City, Missouri 64108 (816/221-1000).

THE NOTES

Authority and Purpose for the Notes

The Notes are being issued pursuant to a resolution authorizing their issuance and setting forth the terms, details and conditions of the Notes, adopted by the governing body of the City on _____, 2004 (the "Resolution").

The Notes are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.* ~~{,**}~~ **[(including K.S.A. 10-123),]** K.S.A. 12-6a01 *et seq.* and K.S.A. 12-685 *et seq.*, Article 12, § 5 of the Constitution of the State of Kansas and Charter Ordinance ~~{Number}~~ **[Numbers 28 and]** 32 of the City, ~~{,**}~~ all as amended and supplemented. The Notes are issued for the purpose of temporarily financing the construction of certain street, sewer, public building ~~{,**}~~ and other improvements in the City.

Description of the Notes

The Notes will be dated September 15, 2004 and will consist of fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof. Notes shall initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which payment of principal of and interest on the Notes will be made. Individual purchases of Notes will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Notes purchased. The Notes will become due on October 1, 2005. Interest on the Notes will be payable on April 1, 2005 and at maturity on October 1, 2005.

Payment of Principal and Interest

The Treasurer of the City (the "Note Paying Agent" and "Note Registrar") will serve as the note registrar and paying agent for the Notes.

The principal and premium, if any, of the Notes is payable in lawful money of the United States of America, by check, draft or wire transfer, at the office of the Note Paying Agent, upon presentation and surrender of the Notes for payment and cancellation by the registered owners thereof.

Interest on the Notes is payable in lawful money of the United States of America, by check, draft or wire transfer of the Note Paying Agent mailed to the person in whose name the Note is registered, at the address as it

appears on the registration books maintained by the Note Registrar, as of the fifteenth day of the month (whether or not a business day) preceding any date on which interest is payable (the "Record Dates").

Payment of principal of, premium, if any, or interest on a Note may be made by such other method of transferring funds as may be requested by the owner of the Note, provided that the Note Paying Agent shall first receive a written request from such owner (i) specifying the method and route for transferring funds and (ii) providing for the Note Paying Agent to be reimbursed by the owner for all expenses incurred in such fund transfers.

Registration and Transfer

As long as any Note remains outstanding, the Note Registrar will maintain a note register and all transfers and exchanges of the Notes will be registered therein. All Notes presented for transfer or exchange shall be accompanied by a written instrument of transfer in a form and with guarantee of signature in a form satisfactory to the Registrar. Notes may be exchanged for Notes in the same aggregate principal amount and maturity upon presentation to the Note Registrar, subject to the terms, conditions and limitations set forth in the Resolution, and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

The City and Note Registrar shall not be required to issue, register, transfer or exchange any Notes during a period beginning on the day following the Record Date preceding any Interest Payment Date and ending on such Interest Payment Date or any Notes which are to be redeemed.

Replacement of Lost, Stolen or Destroyed Notes

If any Note is lost, destroyed, mutilated or wrongfully taken, the City will execute and the Note Registrar will authenticate a new Note of the same series, date, maturity, denomination and interest rate, subject to the provisions of the Resolution authorizing the issuance of the Notes.

In connection with the replacement of Notes the City and the Note Registrar may require satisfactory indemnification and may charge the owners of such Notes reasonable fees and expenses for the replacement of such Notes.

Security

The Notes will constitute general obligations of the City. ~~{**}~~The Notes and the interest thereon are payable in part from special assessments levied upon the property benefited by the construction of certain improvements, from general obligation bonds of the City or from both, and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The balance of the principal and interest on the Notes is payable from general obligation bonds and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.~~{**}~~ The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same become due.

Redemption Provisions

The Notes are not subject to redemption prior to maturity.

THE BONDS

Authority and Purpose for the Bonds

The Series 2004-B Bonds are being issued pursuant to an ordinance of the City authorizing their issuance and a resolution setting forth the terms, details and conditions of the Bonds, adopted by the governing body of the City on _____, 2004.

The Series 2004-B Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.*, ~~{**}~~K.S.A. 12-6a01 *et seq.* and K.S.A. 12-685 *et seq.*, Article 12, § 5 of the Constitution of the State of Kansas and Charter Ordinance ~~{Number}~~ **[Numbers 28 and]** 32 of the City, ~~{**}~~all as amended and supplemented. The Series 2004-B Bonds are issued for the purpose of paying the costs of certain street, sewer ~~{**}~~and other improvements in the City and paying the costs of issuing the Bonds.

The Series 2004-C Bonds are being issued pursuant to an ordinance of the City authorizing their issuance and a resolution setting forth the terms, details and conditions of the Bonds, adopted by the governing body of the City on _____, 2004. The ordinances and resolutions pertaining to the Series 2004-B Bonds and the Series 2004-C Bonds, respectively, are collectively referred to as the "Ordinance."

The Series 2004-C Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including, without limitation, K.S.A. 10-101 *et seq.* and Article 12, § 5 of the Constitution of the State of Kansas and Charter Ordinance Number 32 of the City, all as amended and supplemented. The Series 2004-~~{B}~~ **[C]** Bonds are issued for the purpose of paying the costs of certain improvements to the City-owned airport and paying the costs of issuing the Bonds.

Description of the Bonds

The Bonds will be dated September 15, 2004 and will consist of fully registered certificated bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, numbered in such manner as the Bond Registrar shall determine. Bonds shall initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which payment of principal of and interest on the Bonds will be made. Individual purchases of Bonds will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Bonds purchased. The Bonds will mature on the dates and in the years and in the principal amounts set forth on the inside of the cover page of this Official Statement. Interest on the Bonds will be payable semiannually on the dates set forth on the cover page of this Official Statement.

Payment of Principal and Interest

The Treasurer of the State of Kansas in the city of Topeka, Kansas (the "Paying Agent" and "Bond Registrar") will serve as the bond registrar and paying agent for the Bonds.

The principal of the Bonds is payable in lawful money of the United States of America, by check or draft, at the office of the Paying Agent, upon presentation and surrender of the Bonds for payment and cancellation by the registered owners thereof.

Interest on the Bonds is payable in lawful money of the United States of America, by check or draft of the Paying Agent mailed to the person in whose name the Bond is registered, at the address as it appears on the registration books maintained by the Bond Registrar, as of the fifteenth day of the month (whether or not a business day) preceding any date on which interest is payable (the "Record Dates").

Payment of principal of, premium, if any, or interest on a Bond may be made by such other method of transferring funds as may be requested by the owner of the Bond, provided that the Paying Agent shall first receive a written request from such owner (i) specifying the method and route for transferring funds and (ii) providing for the Paying Agent to be reimbursed by the owner for all expenses incurred in such fund transfers.

Registration and Transfer

As long as any Bond remains outstanding, the Bond Registrar will maintain a bond register and all transfers and exchanges of the Bonds will be registered therein. All Bonds presented for transfer or exchange shall be accompanied by a written instrument of transfer in a form and with guarantee of signature in a form satisfactory to the Bond Registrar. Bonds may be exchanged for Bonds in the same aggregate principal amount and maturity upon presentation to the Bond Registrar, subject to the terms, conditions and limitations set forth in the Ordinances, and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

The City and Bond Registrar shall not be required to issue, register, transfer or exchange any Bonds during a period beginning on the day following the Record Date preceding any Interest Payment Date and ending on such Interest Payment Date or any Bonds which are to be redeemed.

Replacement of Lost, Stolen or Destroyed Bonds

If any Bond is lost, destroyed, mutilated or wrongfully taken, the City will execute and the Bond Registrar will authenticate a new Bond of the same date, maturity, denomination and interest rate, subject to the provisions of the Ordinances authorizing the issuance of the Bonds.

In connection with the replacement of Bonds the City and the Bond Registrar may require satisfactory indemnification and may charge the owners of such Bonds reasonable fees and expenses for the replacement of such Bonds.

Security

The Series 2004-B Bonds will constitute general obligations of the City. The Series 2004-B Bonds and the interest thereon are payable in part from special assessments levied upon the property benefited by the construction of certain improvements, and, if not so paid, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The balance of the principal and interest on the Series 2004-B Bonds is payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Series 2004-B Bonds as the same become due.

The Series 2004-C Bonds will constitute general obligations of the City. The Series 2004-C Bonds and the interest thereon are payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The

full faith, credit and resources of the City are irrevocably pledged for the prompt payment of the principal and interest on the Series 2004-C Bonds as the same become due.

Redemption Provisions

At the option of the City, Bonds maturing on September 1, 2015, and thereafter may be called for redemption and payment prior to maturity, on September 1, 2014, and thereafter, in whole or in part at any time (the maturities and principal amounts of the Bonds of each maturity to be redeemed will be determined by the City) at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

Bonds of less than a full maturity to be redeemed shall be selected by lot in units of \$5,000. If less than all Bonds in a maturity are called for redemption, the City and the Bond Registrar shall, in the case of Bonds in denomination greater than \$5,000, treat each \$5,000 of face value as though it were a separate Bond.

Unless waived by any Owner of Bonds to be redeemed, if the City elects to call any Bonds for redemption and payment prior to the maturity thereof, the City shall give written notice of its intention to redeem such Bonds on a specified date, the same being described by maturity. Each notice shall be mailed by United States first class mail addressed to the owners of the Bonds, mailed not less than 30 days before the date fixed for redemption. The City shall also give such additional notice as may be required by Kansas law in effect as of the date of such notice.

Whenever any Bond is called for redemption and payment, interest on such Bond will cease from the date for which such call is made, provided funds are available for payment at the redemption price specified in the Ordinances.

BOOK-ENTRY ONLY SYSTEM

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing

Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to

credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Note Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Note Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Note Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPLICATION OF NOTE AND BOND PROCEEDS

The following table itemizes the sources of funds available for improvements, exclusive of accrued interest, and how such funds are expected to be used:

NOTES

Sources of Funds:

Principal amount of the Notes	\$ _____.
Original issue premium (discount)	_____.
Total	\$ <u>_____.</u>

Use of Funds:

Funds available for the improvements and costs of issuance	\$ _____.
Bid premium (discount)	_____.
Underwriter's discount	_____.
Total	\$ <u>_____.</u>

SERIES 2004-B BONDS

Sources of Funds:	
Principal amount of the Bonds	\$ _____.
Original issue premium	_____.
Total	\$ _____.
Use of Funds:	
Funds available for the improvements and costs of issuance	\$ _____.
Bid premium	_____.
Underwriter's discount	_____.
Total	\$ _____.

SERIES 2004-C BONDS

Sources of Funds:	
Principal amount of the Bonds	\$ _____.
Original issue premium	_____.
Total	\$ _____.
Use of Funds:	
Funds available for the improvements and costs of issuance	\$ _____.
Bid premium	_____.
Underwriter's discount	_____.
Total	\$ _____.

RATINGS

Moody's Investors Service has given the Notes and Bonds the ratings set forth on the cover page of this Official Statement. Such ratings reflect only the view of such rating agency, and any explanation of the significance of such ratings may be obtained only from the rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that it will not be revised either downward or upward, or withdrawn, by the rating agency. Any downward revision or withdrawal of the ratings may adversely affect the market price of the Notes and the Bonds.

ABSENCE OF LITIGATION

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

The City has no record of employer/employee problems and is not involved in any contested annexation proceedings nor in any litigation which might affect the City's ability to meet its obligations to pay the Bonds and Notes.

LEGAL MATTERS

Approval of Notes and Bonds

All matters incident to the authorization and issuance of the Notes and Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the matters under the headings captioned "THE NOTES," "THE BONDS" and "LEGAL MATTERS."

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law, the interest on the Notes and the Series 2004-B Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes and the Series 2004-B Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes and the Series 2004-B Bonds in federal gross income retroactive to the date of issuance of the Notes and the Series 2004-B Bonds. The Notes and the Series 2004-B Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes and the Series 2004-B Bonds.

In the opinion of Bond Counsel, under existing law, the interest on the Series 2004-C Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, except for any period in which a Series 2004-C Bond is held by a "substantial user" of the project financed by the Series 2004-C Bonds or a "related person" within the meaning of Section 147(a) of the Code. It should be noted, however, that interest on the Series 2004-C Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2004-C Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2004-C Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2004-C Bonds. The Series 2004-C Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2004-C Bonds.

Under existing law, the interest on the Notes and Bonds is exempt from Kansas income taxation.

Original Issue Discount Securities

In the opinion of Bond Counsel, subject to the conditions set forth above, the original issue discount, if any, in the selling price of each Note or Bond (hereinafter referred to as the "OID Securities"), to the extent properly allocable to each owner of such Security, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Security over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the OID Securities were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Security in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Security plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Security (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Security during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Security. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Security would be treated as gain from the sale or exchange of such Security. Owners of OID Securities should consult with their individual tax advisors to determine whether the application of the proposed original issue discount federal regulations will require them to include, for state and local income tax purposes, an amount of interest on the OID Securities as income even though no corresponding cash interest payment is actually received during the tax year.

Collateral Tax Consequences

Prospective purchasers of the Notes and the Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Notes and the Bonds or, in the case of a financial institution, that portion of such institution's interest expense allocable to interest on the Notes and the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Notes and the Bonds; (iii) interest on the Notes and the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Notes and the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of the Notes and the Bonds should consult their own tax advisors as to the applicability of these tax consequences.

UNDERWRITING

Notes

On Tuesday, September 14, 2004, the City received _____ () bid proposals for the purchase of the Notes. The Notes were awarded to _____,

_____, who submitted the best bid at a price equal to \$_____, plus accrued interest to the date of closing.

Bonds

On Tuesday, September 14, 2004, the City received _____ (___) bid proposals for the purchase of the Bonds. The Series 2004-B Bonds were awarded to _____, _____, who submitted the best bid at a price equal to \$_____, plus accrued interest to the date of closing.

On Tuesday, September 14, 2004, the City received _____ (___) bid proposals for the purchase of the Bonds. The Series 2004-C Bonds were awarded to _____, _____, who submitted the best bid at a price equal to \$_____, plus accrued interest to the date of closing.

CONTINUING DISCLOSURE

In the Resolution authorizing the Notes and in the Ordinance authorizing the Bonds, the City covenants to provide annually certain financial information and operating data and other information necessary to comply with the Rule 15c2-12 of the Securities and Exchange Commission, and to transmit the same to certain national repositories and the Municipal Securities Rulemaking Board, as applicable. Each covenant is for the benefit of and is enforceable by the owners of the Notes and the Bonds, respectively. See APPENDIX B - CONTINUING DISCLOSURE INSTRUCTIONS for the obligations the City undertakes with respect to the Notes and the Bonds.

The City is in compliance in all material respects with any previous undertakings by the City to provide annual financial information or notices of material events.

OFFICIAL STATEMENT CERTIFICATION

At the closing the City will deliver to the original purchasers of the Notes and Bonds a certificate to the effect that as of the date hereof to the best of their knowledge, this Official Statement is true, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

The preparation of this Official Statement and its distribution has been authorized by the City. This Official Statement is hereby duly approved by the City and "deemed final" in accordance with the Securities and Exchange Commission Rule 15c2-12 as of the date on the cover page hereof.

CITY OF LAWRENCE, KANSAS

By _____
Mayor

APPENDIX A

THE CITY

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THE CITY

GENERAL INFORMATION

Size and Location

The City is located approximately 38 miles west of Kansas City, Missouri. The City encompasses approximately 23.46 square miles and had a population of 80,098 persons according to 2000 census figures which represented a 22% increase over 1990 census figures for the City. The City is the county seat of Douglas County, Kansas.

Government and Organization

The City was founded in 1854 as a project of the New England Emigrant Aid Society. Under the laws of the State of Kansas, it became a first class city in 1946 and has had a Commissioner-City Manager form of government since 1951. The five member Commission is elected at large to either a two or four year term. The City Manager serves at the discretion of the Commission. Each year the Commission chooses one of its members to serve as Mayor. Staff members who assist the City Manager in preparing the budget, appropriating revenues and expenditures, and keeping detailed account records are the Assistant City Manager and the Director of Finance.

The following tables list the principal elected and appointed executive officers of the City:

Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term</u>
Mike Rundle	Mayor and Commissioner	Term expires April 10, 2007*
Dennis Highberger	Vice Mayor and Commissioner	Term expires April 10, 2007**
David Dunfield	Commissioner	Term expires April 12, 2005
David Schauner	Commissioner	Term expires April 12, 2005
Sue Hack	Commissioner	Term expires April 12, 2005

*Expiration date is for term as Commissioner, term as Mayor expires April, 2005.

**Expiration date is for term as Commissioner, term as Vice Mayor expires April, 2005.

Appointed Officers

<u>Name</u>	<u>Title</u>
Michael Wildgen	City Manager
Frank Reeb	City Clerk/Director of Administrative Services
A. Ed Mullins	Director of Finance
Gerald E. Cooley, Esq.	City Attorney
Charles Soules	Director of Public Works
Terese Gorman	City Engineer

Municipal Services and Utilities

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. All revenues to enable the City to provide water, sewer and sanitation service are generated exclusively by user fees.

Other utility service in the City is provided by private companies. Natural gas is provided by Aquila. Western Resources, Inc. sells electricity to both urban and rural customers in and around the City.

Southwestern Bell Telephone Company serves the City with over 34,000 access lines and 13 exchanges. In 1986, Southwestern Bell installed nearly 63 miles of underground fiberoptics cable in the City. Southwestern Bell is currently negotiating with the State of Kansas to construct additional telecommunication infrastructure in exchange for the removal of the cap on the percentage of revenues the Company can earn. The current franchise agreement with Southwestern Bell was negotiated in 1996. A new telecommunications franchise agreement is currently being developed.

Southwestern Bell provides long distance service within its local access and transport area. Equal carrier access is provided for long distance service outside the City. AT&T, Sprint, MCI, and many other companies are available. Cellular telephone service is also available.

Transportation

Transportation media have been essential to the growth of the City since its earliest days. At present, five major highways pass through the City and furnish a radial network for good automobile, bus and truck transportation, extending in each main direction from the City. The Kansas Turnpike (U.S. Interstate 70) includes three interchanges which access the City. The highway network contributes to accessibility to the Lawrence Municipal Airport, the Kansas City International Airport and the Topeka Municipal Airport. In 1990, the City received a grant in the amount of \$1.1 million for installation of an instrument landing system and runway extension at the airport. The Airport Master Plan was reviewed and updated in 1990. The City completed the construction of a new fueling facility and T-hangars at the airport in 1998. The construction of an additional T-hangar and the renovation of an existing hangar to accommodate the construction of ultra-light aircraft was completed in 2000.

Two railroads serve industrial areas in the City. The Burlington Northern Santa Fe Railway serves the City with a minimum of three trains daily. The Union Pacific Railroad serves the City with thirty trains each day. Reciprocal switching is not available since the rail lines do not intersect. Piggy-back service is available from both railroads in Kansas City, Kansas.

AMTRAK serves the City with two trains daily from the depot located at 413 East 7th Street in the City. Service to Kansas City and Topeka was not affected by the recent announced cutbacks in routes.

Greyhound Bus Lines provides bus service from a depot located at 2447 West 6th Street in the City.

The City of Lawrence initiated a fixed route bus system in December, 2000. The City has recently extended the contract with MV Transportation, Inc. to operate the system.

Educational Institutions

Unified School District No. 497 operates eighteen elementary schools, four junior high schools and two senior high schools in the City. Some 9,919 students were enrolled in these schools in the 2003-2004 school year. In addition five private schools operate within the City. In November, 1994, the voters approved a \$36,900,000 bond issue for the construction of a second high school. The District issued the bonds in February of 1995. The new high school opened in the fall of 1997. In 1998, voters approved the construction of a new elementary school which opened in 2000.

The main campus of the University of Kansas is located in the City. The University was organized by the Kansas Legislature in 1864 and opened its doors to students in September 1866. In its 134 years, 15 chancellors and three acting chancellors have guided its destiny. Students enrolled in the fall semester of 2003 numbered 28,849 with 26,458 enrolled on the main campus in the City. The University has over 75 buildings, plus 45 residential structures on its 930-acre main campus within the City, and owns 2,435 acres of land in seven locations, including the College of Health Sciences and Hospital facilities in Kansas City. The University of Kansas has 9,555 employees and an annual payroll of approximately \$200 million. The University does not make a direct financial contribution to the City, but its indirect contribution through housing, purchasing, cultural arts, utilities and services constitute an enormous asset to the City.

The City is also the home of the Haskell Indian Nations University. On May 10, 1881, the Congress of the United States passed the Indian Appropriation Bill for the year 1883. This bill was signed by President Chester A. Arthur on May 17, 1882, and included an amendment which resulted in the founding of Haskell. Haskell currently occupies a 320-acre plot of rolling land on the eastern edge of the City. The approximately 44 buildings on the campus are clustered around a spacious mall, well shaded with oaks, maples and elms. In 1961 the United States Department of the Interior made Haskell a National Landmark. Haskell enjoys a rich and successful history and its name is recognized in the Indian communities across the United States, as evidenced by the fact that a large number of the current students have had a close relative precede them at Haskell. Admission policies require that students furnish proof of at least one-fourth degree Indian blood and approval of resident and other enrollment criteria from their agency. Many Indian leaders are Haskell graduates, including a former Commissioner of Indian Affairs. Haskell has approximately 1,150 students, 212 employees and an annual payroll of approximately \$5.0 million. Haskell completed the construction of new dormitories in 1999.

Health Facilities

One hospital, over 79 physicians and 50 dentists serve the residents of the City. The 200 bed Lawrence Memorial Hospital was completed in 1977 at a total cost in excess of \$12 million. An \$18,000,000 addition to the hospital, including a new medical office building and a 95,000 square foot wing, was completed in 1998. Mt. Oread Medical Arts Center is an urgent care and occupational health facility serving the City. In addition, the residents have access to the medical facilities in Topeka and Kansas City, including the University of Kansas College of Health Sciences and Hospital in Kansas City.

Public health services are provided by the Lawrence-Douglas County Health Department which receives over 23,500 visits annually and is supported by user fees and tax revenues from the City and Douglas County. Its services include elderly care, pre-natal programs, family planning, well child clinics, home visitation, adolescent services and a variety of training courses. Mental health services are provided by the Bert Nash Community Mental Health Center, Inc. Bert Nash presently serves over 2,200 clients annually and is supported by user fees and tax revenues from the City and Douglas County. A new health care center opened in 1999. The facility was funded with proceeds from the County-wide sales tax. The City's share of the cost of this new health care center was financed with proceeds from the Series V 1996 General Obligation Sales Tax Bonds.

Watkins Memorial Health Center on the University of Kansas campus, financed by student fees, serves the student population's health needs. The center employs 14 full-time physicians, houses a pharmacy, and provides services which include diagnostic, physical therapy, sports medicine, mental health, and gynecology. The facility was completed in 1974 at a total cost of approximately \$3.6 million. A \$5.65 million addition to the Watkins Memorial Health Center was completed in 1997.

Ambulance services are provided on a county-wide basis by the Lawrence Fire Department. User fees pay for a portion of operating expenses with the remainder funded from Douglas County tax revenues. The City and the County agreed to a merger of the service in 1997, with the City assuming management control and the County providing tax support.

Recreational, Cultural and Religious Facilities

There are fifty parks totaling 3,275 acres, two indoor and one outdoor municipal swimming pools, five recreation centers, 18 tennis courts including the 8-court outdoor Lawrence Tennis Center, 24 ball fields (14 lighted) and 18 group picnic shelters, all maintained and operated by the City. Holcom Park Recreation Center opened in 1988. This \$1.3 million facility houses an all-purpose gymnasium, a racquetball court, a fitness center, and conference rooms to be used by all Lawrence citizens. In November, 1994, voters approved a one percent County-wide sales tax. The City's portion of the revenue is being used to pay the costs of constructing recreation facilities and one-half of the new health care facility referred to under "Health Facilities."

A variety of water recreation areas are within minutes of the City, including the 7,500 acre Clinton Reservoir area which opened in 1979. Clinton Lake has several Federal Recreation areas and a State Park Recreation area. Perry Lake, Douglas County Lake and Lone Star Lake are all nearby. The City operates the 994 acre Riverfront Park. Outdoor recreation opportunities at this park include fishing, boating, picnicking, camping and hiking.

Various skating, golfing, and movie facilities are available in the community. The 45-hole Alvamar Golf Course is privately owned and includes an 18-hole course and a 9-hole course that are open to the public. The construction of an 18-hole municipal golf course was completed in July, 1998.

The various academic, athletic and cultural activities offered by the University of Kansas provide a wealth of recreational and cultural activities for City residents.

The Lawrence Arts Center, Lawrence Community Theatre, Senior Citizen Center, and Watkins Community Museum provide facilities for a wide variety of community programs and events that complement those of the University of Kansas, Unified School District No. 497, and the City's Parks and Recreation Department. Construction of a new arts center was completed in 2002. The City has agreed to pay approximately \$4.35 million and the Lawrence Arts Center has agreed to pay approximately \$3.0 million to build the facility. The City issued bonds in 2000 to permanently finance the City's share of the costs of the arts center and to temporarily finance approximately \$1.25 million of the Lawrence Arts Center share of the costs. The Lawrence Arts Center portion of the debt was retired on September 1, 2003.

Joint efforts of the City and School District culminated with the construction of an auditorium in 1980 which is used in the School District's physical education program and is also available to the public. Programs include classes in fitness, crafts, dance, performing arts, sports, aquatics, fine arts, and leisure activities. An indoor aquatic center was recently built adjacent to the new high school.

There are ten museums in the area, each recording and celebrating a unique aspect of the City's rich history which includes the influences of Native American population, the Civil War, railroad growth, agriculture and the development of a major state university.

The City has 77 churches representing 29 different denominations.

Insurance

The City has been self-insured in the areas of worker's compensation, health insurance and general liability for several years. In 1986, the City began to self-fund automobile liability. In 1980, the City created worker's compensation and liability reserve funds to cover major liability claims against the City in these areas. As of December 31, 2003, the amount of reserves totaled \$863,701 and \$1,288,458 respectively. The City initiated its Risk Management program to minimize risk in the work and public service environment; protect the City from accidental losses which could be financially catastrophic, identify, measure, prevent, and control risks; and continually reassess risk exposure and available financial resources to protect against losses. Consistent with these objectives, the Risk Manager/Safety Officer conducts a number of safety seminars throughout the year in departments of the City to educate employees in proper safety techniques. In addition to safety seminars, the Risk Manager coordinates the formation of and provides staff assistance to Safety Committees in all departments.

The Risk Manager/Safety Officer investigates all vehicular accidents and general liability claims, not only to assess damage and liability to the City, but for cause and future prevention, as well. Claims to insurance companies, as well as claims in self-insured areas, are processed through the Risk Management office. Extensive records are kept on claim processing and monthly reports are issued to all departments to alert them to repeat injuries and accidents.

Retirement Plans

The City contributes directly to three retirement plans for its employees. All "non-sworn" employees and the City each contribute 7.65% of the base salary for FICA (Social Security and Medicare). In 2003, \$3,336,346 was paid into this program. After one year's service, all full-time employees, except police and fire department employees, contribute 4% of their base salary and the City an additional actuarial determined amount to the Kansas Public Employee Retirement System (KPERs). In 2003, the City contributed 3.07% of the employee's salary and paid into the program a total of \$563,744. KPERs is a multi-employer, cost sharing public employee retirement system that was established by state statute in 1961.

All sworn officers of the police and fire departments working more than 1,000 hours per year are members of the Kansas Police and Fire Retirement system. They contribute 7% of their base salary. In 2003, the City contributed 7.43% or \$1,073,361 into the system. Both Kansas retirement programs are managed by a seven member Board of Trustees. The City's contributions vary annually and are based on annual actuarial studies and are mandated by statute. The Funded Ratio for all Kansas Public Employee system participants was 77.6% in 2002 on a combined basis. The State of Kansas and its local governments are currently contributing less than the actuarially determined rate. As a result the Funded Ratio is projected to decrease to about 81% in 10 years.

Upon retirement, the City pays all accumulated vacation leave and 25% of sick leave. As of December 31, 2003, the long term portion of compensated absences totaled \$1,689,585.

Employee Relations

The City employs approximately 712 full-time employees. Of these, about 140 are directly affected by union negotiations. Employees of the City have never struck against management. Kansas is a right to work state. A one-year agreement was approved by the City Commission and the City's police officers in 2003. The City's firefighters also agreed to a one-year agreement in 2003.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce, Industry and Employment

The local economy is varied and diverse. Employment opportunities are provided by over 2,100 local employers. Non-farm employees were grouped into the following categories as of June 30, 2004:

EMPLOYMENT (000's)	
Services	20.5
Retail/Wholesale Trade.....	6.5
Financial/Insurance	1.8
Manufacturing	3.5
Government	14.6
Transportation/Utilities	1.4
Construction and Mining	<u>3.0</u>
Total.....	51.3

Source: Kansas Department of Human Resources

As of June ~~(20)~~ **[30]**, 2004, the number of non-farm wage and salary employees in Douglas County was 51,300 and the unemployment rate was 5.0%. Hallmark Cards, Lawrence Paper Company, Pearson Solutions, FMC Chemicals, Amarr, World Company, Berry Plastics, Del Monte Foods and K-Mart Corporation Warehouse are some of the better known industries found in the City.

A new Home Depot outlet opened in June 2003. This store location required about \$2.8 million in the infrastructure improvements. The City Commission has approved a \$25 million tax abatement to Serologicals to manufacture their EX-CYTE product. Serologicals is a global provider of biological products. The City Commission approved a \$17.1 million tax abatement to Amarr in November 2003. Amarr manufactures garage doors and anticipates hiring 80 employees. Protection One will move its corporate headquarters from Topeka to Lawrence. A total of 65 jobs will be transferred to Lawrence.

The City is a center for local agriculture and related industries, including trading, farm implements and supplies, and transportation. Predominant agricultural products include wheat, corn, other small grains, livestock and dairy products.

The following table sets forth the average annual employment figures for Douglas County, Kansas and the State of Kansas for the last five years for which numbers are available:

DOUGLAS COUNTY

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1999	55,973	54,180	1,793	3.2%
2000	55,377	53,180	2,197	4.0%
2001	56,150	53,676	2,474	4.4%
2002	58,778	56,292	2,486	4.2%
2003	58,116	55,411	2,705	4.7%

Source: Kansas Department of Human Resources

STATE OF KANSAS

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1999	1,434,000	1,391,000	43,000	3.0%
2000	1,411,000	1,359,000	52,000	3.7%
2001	1,381,000	1,322,000	59,000	4.3%
2002	1,449,659	1,384,444	65,215	4.5%
2003	1,434,000	1,357,000	77,000	5.4%

Source: Kansas Department of Human Resources

Housing Services

A local Housing Authority manages and operates a 120 unit public housing high rise complex for the elderly, a 130 unit low income family public housing development and 350 houses are being rented under the Section 8 existing Federal Housing program. There are a total of 69 scattered site public housing units in the City. The Housing Authority is operated by a five-member board which is appointed by the Mayor with City Commission approval. The City purchased 30 lots with the proceeds from a Federal Home grant. A total of 50 moderately-priced units were constructed on these sites.

Clinton Place with 58 apartment units, Prairie Ridge with 101 apartment units and Vermont Towers with 60 units, house elderly and handicapped persons. Both Prairie Ridge and Vermont Towers were financed with Industrial Revenue Bonds and Clinton Place was financed by private developers. Funding for all of these units comes from rents and federal rent subsidies. Two elderly housing projects were recently constructed, Drury Place and Sterling House. Drury Place was funded with \$2,880,000 in Industrial Revenue Bonds issued by the City.

The Lawrence Presbyterian Manor, a home for the elderly operated by a non-profit organization and 100 percent occupied, was financed by \$2,000,000 in Industrial Revenue Bonds issued by the City and \$500,000 in private donations.

Building Permits

The following table indicates the number of building permits and total valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation.

Building Permit Activity

<u>TYPE</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Single Family	317	304	308	305	392
Duplex	157	119	168	46	62
Multi-Family	253	359	302	236	195
Business	30	37	48	37	38
Remodel	291	285	234	341	312
Elec/Plumbing	689	945	1,148	902	637
Sign	348	353	304	279	277
Miscellaneous	<u>929</u>	<u>1029</u>	<u>1,102</u>	<u>843</u>	<u>1,070</u>
Total	3,014	3,431	3,614	2,989	2,983

Value of Building Permits

<u>Year</u>	<u>Valuation</u>
1999	\$149,742,874
2000	175,039,978
2001	152,209,259
2002	141,596,618
2003	150,516,323

DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City

The following tables set forth as of September 1, 2004, all of the outstanding general obligation bonds, temporary notes, revenue bonds and other obligations of the City and the Bonds being issued. The following list of outstanding general obligation bonds does not include bonds that have previously been refunded by the City.

General Obligation Bonds

<u>Category of Indebtedness</u>	<u>Date of Indebtedness</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
General Obligation Sales Tax Bonds, Series R 1995	10/01/95	09/01/05	\$295,000
General Obligation Bonds, Series S 1995	10/01/95	09/01/05	30,000
General Obligation Bonds, Series U 1996	09/01/96	09/01/06	130,000
General Obligation Airport Bonds, Series W 1996	09/01/96	09/01/06	95,000
General Obligation Bonds, Series X 1997	05/01/97	09/01/06	685,000
General Obligation Bonds, Series Y 1997	09/01/97	09/01/07	1,020,000
General Obligation Bonds, Series 1998-A	05/01/98	09/01/07	1,790,000
General Obligation Bonds, Series 1999-A	05/01/99	09/01/08	2,135,000
General Obligation Bonds, Series 1999-B	09/01/99	09/01/09	1,450,000
General Obligation Bonds, Series 2000-A	05/01/00	09/01/09	1,870,000
General Obligation Bonds, Series 2000-B	09/15/00	09/01/10	1,610,000
General Obligation Bonds, Series 2000-C	9/15/00	09/01/10	340,000
General Obligation Bonds, Series 2000-D	12/15/00	09/01/20	2,740,000
General Obligation Refunding Bonds, Series 2000-E	12/15/00	09/01/10	4,990,000
General Obligation Bonds, Series 2000-F	12/15/00	09/01/20	8,325,000
General Obligation Bonds, Series 2001-A	05/15/01	09/01/12	1,990,000
General Obligation Bonds, Series 2001-B	9/15/01	9/01/13 (1,135,000) [1,130,000]	
General Obligation Bonds, Series 2002-A	5/15/02	9/01/13	6,985,000
General Obligation Refunding Bonds, Series 2002-B	5/15/02	9/01/19	2,115,000
General Obligation Bonds, Series 2002-C	9/15/02	9/01/14	800,000
General Obligation Bonds, Series 2003-A	01/01/03	09/01/16	3,405,000
General Obligation Sales Tax Refunding Bonds, Series 2003-B	01/01/03	09/01/16	10,190,000
General Obligation Bonds Series 2003-C	05/15/03	09/01/14	2,430,000

General Obligation Bonds Series 2003-D	09/15/03	09/01/15	2,935,000
General Obligation Bonds Series 2004-A	05/15/04	09/01/15	3,200,000
General Obligation Bonds Series 2004-B ⁽¹⁾	9/15/04	9/1/16	10,670,000
General Obligation Bonds Series 2004-C ⁽¹⁾	9/15/04	9/1/16	<u>1,600,000</u>
Total		(\$ _____)	<u>[\$74,955,000]</u>

⁽¹⁾ The Bonds currently being issued.

Temporary Notes

<u>Category of Indebtedness</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
Series 2003-II ⁽¹⁾	9/15/03	10/01/04	\$15,375,000
Series 2003-III ⁽¹⁾	9/15/03	10/01/04	1,805,000
Series 2004-I ⁽¹⁾	5/15/04	10/01/04	10,115,000
Series 2004-II	9/15/04	10/01/05	<u>15,745,000</u>
Total			<u>\$43,040,000⁽²⁾</u>

⁽¹⁾Series 2003-II, Series 2003-III and Series 2004-II will be paid off with proceeds from the Notes and the Bonds.

⁽²⁾As of October 1, 2004, the City will have \$15,745,000 in Temporary Notes outstanding.

In November, 1994, the voters of Douglas County (which includes the City) approved a one percent county-wide sales tax. A portion of the proceeds of the sales tax is paid to the City which, in turn, uses such moneys primarily to fund recreation improvements and public health facilities. The City's Series R 1995 Bonds were issued for a new swimming pool. The Series V 1996 Bonds were issued to, among other things, finance an adult softball complex and one-half of the estimated \$14.2 million cost of certain improvements to accommodate publicly funded health facilities (the balance of said cost to be paid by Douglas County). A portion of the Series V 1996 Bonds were refunded with the proceeds of the Series 2003-B Bonds. The Series 2000-B Bonds were issued, in part, to finance an indoor aquatic center. While general obligation bonds have been issued for these projects, the source of funding will be sales tax proceeds. See "FINANCIAL INFORMATION CONCERNING THE CITY -- Sales Tax."

The following table sets forth as of September 1, 2004, all of the outstanding revenue bonds of the City:

<u>Revenue Bonds</u>			
<u>Category of Indebtedness</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Water and Sewer Revenue Bonds	07/01/96	11/01/15	\$4,435,000
Water and Sewer Revenue Bonds	07/01/97	11/01/16	<u>5,040,000</u>
Total Revenue Bonds			<u>\$9,475,000</u>

Other Obligations

<u>Category of Indebtedness</u>	<u>Date of Loan Agreement</u>	<u>Amount Available</u>	<u>Amount Outstanding</u>
Kansas Public Water Pollution Control Loan Fund*	January, 2000	\$46,093,953	\$39,385,756
Kansas Public Water Supply Loan Fund**	August, 2001	7,000,000	5,761,455
Kansas Public Water Supply Loan Fund***	May, 2002	5,620,015	5,141,591

* The City has entered into a loan agreement to borrow up to \$46,093,953 from the Kansas Water Pollution Control Revolving Fund to finance the expansion of the City's sanitary sewer treatment plant.

**The City has entered into a loan agreement to borrow up to \$7,000,000 from the Kansas Public Water Supply Revolving Loan Fund to pay for the expansion of the Clinton Water Treatment Plant.

***The City has entered into a loan agreement to borrow up to \$5,620,015 from the Kansas Public Water Supply Revolving Loan Fund to pay for the processing of lime residuals.

The revolving fund loans represent general obligations of the City payable, ultimately, from the City's ability to levy unlimited ad valorem taxes; however, the City intends to provide for payments on the revolving fund loans with net revenues from the water and sewer system. The revolving fund loan agreements dedicate revenues of the City's water and sewer system, subordinate to its outstanding water and sewer revenue bonds.

Statistical Information

The following table provides information on the debt burden of the City over the last five years:

<u>Year</u>	<u>Assessed¹ Valuation</u>	<u>Actual¹ Value</u>	<u>Population²</u>	<u>Debt³ Per Capita</u>	<u>Ratio of Debt³ to Assed. Val.</u>	<u>Ratio of Debt³ to Act. Val.</u>
1999	\$498,664	\$3,346,738	81,560	\$ 780.41	12.76%	1.90%
2000	545,452	3,657,971	80,098	949.77	14.18	2.11
2001	595,971	4,009,270	83,495	927.78	13.00	1.93
2002	629,033	4,221,701	85,282	1,042.83	14.14	2.11
2003	674,353	4,525,862	86,040	1120.58	14.30	2.13

¹Excluding motor vehicles, amount expressed in thousands

²Planning Department estimates, except for 2000 which is from the Census Bureau

³Direct General Obligation Debt Only

History of Indebtedness

The following table shows the amount of debt outstanding by type as of December 31 over the last five years:

<u>Year</u>	<u>Temporary Notes</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>
1999	\$12,405,000	\$51,245,000	\$14,360,000
2000	11,875,000	64,200,000	13,140,000
2001	14,850,000	62,615,000	11,855,000
2002	22,270,000	66,665,000	10,510,000
2003	28,270,000	66,295,000	9,475,000

The City has never in its history defaulted on the payment of any of its debt obligations.

Debt Service Requirements

The following debt service schedule shows an estimate of the yearly principal and interest requirements for all outstanding long-term general obligation bonded indebtedness of the City (including the Bonds now being issued with assumed interest rates averaging ~~()~~ [3.3]%):

Debt Service Schedule

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
(2004)			
2005	[8,900,000	\$2,843,114	\$11,623,114
2006	8,325,000	2,549,316	10,754,316
2007	7,600,000	2,251,068	9,731,068
2008	6,895,000	1,969,239	8,739,239
2009	6,535,000	1,715,236	8,125,236
2010	6,050,000	1,470,564	7,390,564
2011	4,935,000	1,244,005	6,049,005
2012	5,140,000	1,063,340	6,068,340
2013	5,055,000	869,208	5,784,208
2014	4,120,000	674,515	4,649,515
2015	3,885,000	514,903	4,249,903
2016	3,390,000	358,405	3,588,405
2017	995,000	217,055	1,212,055
2018	1,045,000	165,493	1,210,493
2019	1,090,000	110,838	1,200,838
2020	<u>995,000</u>	<u>53,175</u>	<u>1,048,175</u>
Total	<u>\$74,955,000</u>	<u>\$18,069,472</u>	<u>\$91,424,472</u>

Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of December 31, 2003, and the percent attributable (on the basis of assessed valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to City</u>	<u>Amount Applicable to City</u>
Douglas County	\$29,265,000	75.2%	\$22,007,280
Unified School District No. 497	55,820,000	85.7%	<u>47,837,740</u>
Total			<u>\$69,845,020</u>

Debt Limitations

The City's authority to incur debt is covered by a number of general and special statutes. The City's debt limitation is 30% of assessed valuation. Some of the exceptions to the statutory limitations on bonded indebtedness include issues for the purpose of acquiring, enlarging, extending or improving any storm or sanitary sewer or bonds issued by any city for the purpose of acquiring, enlarging, extending or improving any municipal utility. Other Kansas statutes authorize general obligation bonds for certain purposes and exempt such bonds from the general statutory debt limit.

Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations.....	\$743,219,623
Legal limitation of Bonded Debt ¹	(\$222,965,887) [\$222,965,886]
Outstanding general obligation debt as of the date of the Bonds for debt limitation purposes ²	(\$_____) [\$90,700,000]
Additional debt capacity.....	(\$_____) [\$132,265,886]

¹K.S.A. 10-301 *et seq.*

²Excludes the temporary notes to be retired with the proceeds of the Bonds and Notes.

Industrial Revenue Bonds

The City has provided a receptive environment for industrial and commercial expansion and has the following outstanding industrial revenue bonds. The City of Lawrence is not responsible for paying either the principal or the interest on the bonds.

<u>Issued On Behalf Of</u>	<u>Amount of Issue</u>	<u>Year Issued</u>	<u>Year Matures</u>	<u>Taxable Year*</u>
The Quaker Oats Company	\$9,500,000	1977	2007	1988
Prairie Ridge	2,310,800	1978	2019	1989
Vermont Towers	1,757,000	1979	2021	1989
Riverfront Square Investors	630,000	1984	2004	1995
Presbyterian Manor	3,500,000	1986	2007	Exempt
Kan/Del Hotel Partners	9,100,000	1986	2016	1997
Eldridge House Project	2,000,000	1986	2011	1997
Brandon Woods, Inc.	6,000,000	1987	2012	1998
RAM (The Garage Door Group)	2,500,000	1989	2004	2000
Kinnedyne	1,850,000	1990	2005	2000
Lawrence Paper Co. Series A	1,550,000	1990	2005	2000
Lawrence Paper Co. Series B	1,450,000	1990	2005	2000
Lawrence Paper Co.	1,485,000	1993	2005	1993
Lawrence Paper Co.	1,535,000	1993	2005	1993
E&E Specialties	1,500,000	1993	2008	2003
Lawrence Paper Co.	1,000,000	1994	2006	2006
Lawrence Paper Co.	3,000,000	1994	2007	2007
Drury Place	2,880,000	1994	2014	2014
Ram (The Garage Door Group)	6,625,000	1995	2015	2004
Microtech	775,000	1997	2007	2007
Prosoco	8,050,000	1999	2019	2009
Martin-Logan	1,500,000	1999	2019	2009
DST Realty of Lawrence, Inc.	9,000,000	2001	2012	2011

* The year the exemption from taxation for the Industrial Revenue Bond financed property expired or will expire.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

Kansas law prescribes the policies and procedures by which the City prepares its annual budget. By August 25 of each year prior to the new fiscal year beginning on January 1, the governing body of the City must adopt and file the annual budget with the County Clerk and the State Director of Accounts and Reports. The annual budget contains an itemized estimate of the anticipated revenue and the proposed expenditures necessary to meet the City's financial needs, detailed by program and object of expenditures. The annual budget must be balanced so that total resources (revenues and prior year fund balances) must equal obligations. An annual budget of estimated receipts and disbursements for the coming fiscal year is prepared by the Assistant City Manager and the Finance Director, under the direction of the City Manager. The budget is presented to the City Commission in August for approval after a public hearing. The City's fiscal year runs from January 1 through December 31. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rate of levy per thousand dollars and per assessed valuation required to raise each amount shown on the budget to be paid from ad valorem taxes. Budgets must be adopted for all funds unless exempted by state statute.

In order to insure that Kansas public agencies will conduct their financial affairs in a fiscally responsible manner, the state legislature enacted a "cash-basis law" in 1933 (K.S.A. 10-1101 to 10-1122, inclusive), which makes it unlawful for the governing body of any Kansas municipality to create any indebtedness in excess of the amount of funds actually on hand in the treasury of such municipality at the time for such purpose, or to authorize the issuance of any order, warrant, or check or other evidence of indebtedness of such municipality in excess of the funds actually on hand in the treasury at the time for such purpose. The essence of the "cash-basis law" is to prohibit municipalities from spending more than they receive annually in operating revenues and to prevent the issuance of short-term debt to cover operating expenditures. An exception to cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The Kansas statues and the State Municipal Accounting Board provide for municipal record keeping in conformance with the cash-basis and budget laws of the state of Kansas. The City maintains separate funds for specific purposes and projects, in accordance with state law. Revenues and expenditures are accounted for and a comprehensive annual report is produced which shows revenues received, encumbrances and expenditures against budgeted revenues and expenditures. The City's accounting records are maintained in accordance with generally accepted accounting principles. Annual audits of the City's financial records are performed by a firm of certified public accountants, a member of which is a Licensed Municipal Public Accountant, in accordance with generally accepted auditing standards. The audit is filed on an annual basis with the State Division of Accounts and Reports. The 2003 annual audit of the City was performed by Lowenthal Singleton Webb & Wilson, Lawrence, Kansas. Copies of audit reports for the past five years are on file in the City Clerk's office and available for review. The City received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its 2002 financial report.

The City follows a modified accrual basis of accounting for all funds except proprietary funds. The accrual basis of accounting is followed for proprietary funds.

Sources of Revenue

The City finances its general operations through the local property tax levy, sales taxes, franchise fees, a variety of license and permit fees, and other miscellaneous sources as indicated below for the 2003 fiscal year for the general fund:

<u>Source</u>	<u>Percent</u>
Sales tax	28.40%
Intergovernmental	20.26
Local property tax	22.16
Franchise Fees	9.04
Other	10.06
Fines and forfeitures	4.97
Licenses and Permits	2.53
Interest on investments	0.94
Charges for service	<u>1.64</u>
Total	100.00%

Revenues, Expenditures and Changes in Fund Balance - General Fund

The following table shows the revenues, expenditures and fund balances for the General Fund for the last five years. Taxes increased in 2003 due to increases in assessed value and an increase in the levy. In 2003, assessed valuation increased by 7.2% and the general fund levy was higher by 2.7 mills. City sales taxes were up by \$390,000 compared to 2002. Building permit fees were higher due to an increase in the fees charged for permits. Intergovernmental revenue was less as the result of a reduction in State transfers. Other revenue included more than \$2.6 million from the County for the operation of the ambulance service.

Due to the loss of state demand transfers, General Fund expenditures were tightly controlled. Expenditures increased due to health care costs and a general wage adjustment. Health expenditures are higher due to increased funding needs of the City/County Health Department.

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<u>Revenues:</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Taxes	\$24,120,940	\$22,028,665	\$21,074,610	\$20,122,866	\$19,389,900
Licenses & Permits	1,024,587	785,543	675,677	593,385	660,835
Intergovernmental	8,221,185	8,787,440	9,154,446	9,066,599	8,088,078
Charges for Services	666,799	636,279	607,813	405,886	397,971
Fines, Forfeitures and Penalties	2,012,187	1,776,155	1,437,216	1,366,765	1,346,049
Interest on Investments	387,341	637,996	884,648	1,210,670	829,377
Other	<u>4,069,862</u>	<u>3,955,651</u>	<u>3,557,341</u>	<u>3,004,270</u>	<u>2,735,464</u>
Total Revenues	<u>\$40,502,901</u>	<u>\$38,607,729</u>	<u>\$37,391,751</u>	<u>\$35,770,441</u>	<u>\$33,447,674</u>
<u>Expenditures:</u>					
General Government	9,448,702	8,632,339	7,916,107	\$6,705,550	\$6,753,648
Public Safety/ Public Works	24,060,854	23,801,428	21,660,646	19,879,184	18,395,129
Health	817,976	746,869	670,032	615,188	428,928
Culture and Recreation	2,779,402	2,697,474	2,633,345	2,504,703	2,403,123
Airport	92,401	94,373	79,274	98,141	55,518
Transfers out	<u>3,772,000</u>	<u>4,150,000</u>	<u>4,307,000</u>	<u>4,227,000</u>	<u>4,332,382</u>
Total Expenditures	<u>\$40,971,335</u>	<u>\$40,122,483</u>	<u>\$37,266,404</u>	<u>\$34,029,766</u>	<u>\$32,368,728</u>
Revenues Over (Under) Expenditures	(468,434)	(1,514,754)	125,347	1,740,675	1,078,946
Fund Balance, January 1	<u>9,647,391</u>	<u>11,162,145</u>	<u>11,036,798</u>	<u>9,296,123</u>	<u>8,217,177</u>
Fund Balance, December 31	<u>\$9,178,957</u>	<u>\$9,647,391</u>	<u>\$11,162,145</u>	<u>\$11,036,798</u>	<u>\$9,296,123</u>

Source: Audited financial statements.

Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund

The following table shows the revenues, expenditures and changes in fund balance for the debt service fund. Tax revenue was slightly higher in 2003 due to an increase in assessed valuation.

<u>Revenues:</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Ad Valorem Taxes	\$4,902,828	\$4,580,759	\$4,051,783	\$3,668,190	\$3,579,347
Special Assessments	1,369,411	640,943	703,422	767,942	815,907
Interest	141,182	252,804	427,890	546,963	356,686
Transfers from Other Funds	401,189	0	0	18,457	1,593,785
Other	<u>911,205</u>	<u>134,025</u>	<u>372,249</u>	<u>5,369,204⁽¹⁾</u>	<u>436,210</u>
Total Revenues:	<u>\$7,725,815</u>	<u>\$5,608,531</u>	<u>\$5,555,344</u>	<u>\$10,370,756</u>	<u>\$6,781,935</u>
<u>Expenditures:</u>					
Principal, Interest and Commission	7,181,185	\$6,239,996	\$5,864,300	\$10,396,478 ⁽¹⁾	\$4,918,321
Other	<u>13,566</u>	<u>0</u>	<u>0</u>	<u>20,579</u>	<u>5,444</u>
Total Expenditures	<u>\$7,194,751</u>	<u>\$6,239,996</u>	<u>\$5,864,300</u>	<u>\$10,417,057</u>	<u>\$4,923,765</u>
Revenues Over (Under) Expenditures	\$ 531,064	\$ (631,465)	\$ (308,956)	(46,301)	\$1,858,170
Fund Balance, January 1	<u>7,006,605</u>	<u>7,638,070</u>	<u>7,947,026</u>	<u>7,993,327</u>	<u>6,135,157</u>
Fund Balance, December 31	<u>\$7,537,669</u>	<u>\$7,006,605</u>	<u>\$7,638,070</u>	<u>\$7,947,026</u>	<u>\$7,993,327</u>

⁽¹⁾ Includes approximately \$4,990,000 in bond proceeds paid to an escrow agent to currently refund a portion of the City's General Obligation Refunding and Improvement Bonds, Series 1992 on March 1, 2001.

Source: Audited financial statements.

Property Valuation Procedures

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties under the direction of state statutes. The Douglas County Appraiser's office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the City.

All property in Douglas County has been reevaluated as a result of a bill passed by the 1985 session of the Kansas Legislature requiring county assessors to reassess property for tax purposes, with an effective date of January 1, 1989.

In conjunction with the November, 1986 general election, Kansas voters approved a proposition to modify the State Constitution with respect to classification of property for ad valorem taxation. For taxable years commencing January 1, 1989, and thereafter, real and personal property is divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use is valued on the basis of its agricultural income or productivity and assessed at 30% of the value so obtained; commercial and industrial machinery and equipment is assessed at 20% of its fair market value; residential property and vacant lots are assessed at 12% of fair market value; and all other property, except public utilities, will be assessed at 30% of fair market value. Farm machinery and equipment, merchants' and manufacturers' inventories, and livestock are exempt from property taxation.

In conjunction with the November, 1992 general election, Kansas voters approved a proposition to further modify the state constitution with respect to classification of property for ad valorem taxation. The modified classification provisions are effective for assessment and taxation of property on and after January 1, 1993. Property is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family, mobile or manufactured homes, including the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%.

Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which are assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which are assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, are valued at its retail cost when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, are valued at its retail cost when new less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property

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

The 1985 legislation mandating property reappraisal also made provision for a new limitation on taxing authority effective January 1, 1989. Legislation adopted in 1992 continued this limitation. Although this limitation affects most operating funds including the General Fund, this change does not affect the City's ability to levy unlimited taxes to make principal and interest payments on City indebtedness. The City's Bond and Interest Fund, from which principal and interest payments are financed, is exempt from the tax limitation imposed by the 1985 and 1992 Kansas Legislature.

Property Valuations by Class

The following table gives the assessed valuation of the City by class of property for the last five years:

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>State Assessed Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
1999	\$430,724,410	\$49,302,310	\$18,637,210	\$64,322,054	\$562,985,984
2000	469,852,465	56,523,350	19,076,106	62,714,338	608,166,259
2001	516,933,790	58,430,000	20,607,464	64,881,953	658,841,127
2002	553,933,830	54,197,260	20,902,337	67,238,029	696,271,456
2003	598,234,485	54,874,350	21,244,347	68,866,441	743,219,623

Due to changes in the method in which the State of Kansas computes assessed valuation, tax roll value for the City do not include the following:

- (1) Values of business aircraft, merchants' and manufacturing inventories, livestock, farm machinery and equipment, cars for sale by automobile dealers, hay and silage and all other grasses harvested for forage, grain bins, mechanics, hand tools, educational, charitable, religious and governmental institutions, cemeteries, finished goods, work in process, raw materials or supplies used in the production of finished goods, personal possessions, and household goods and effects used by home day care providers.
- (2) Values of motor vehicles within the City. Motor vehicles are assessed separately from other property and the City derives revenues from such assessment in a separate collection. Motor vehicle figures are shown above because under Kansas law they are used in the calculation of general obligation debt limitations.

The assessed value for computing the City's debt limitation is the total equalized tangible valuation.

Property Tax Collections

The City's adopted budget is submitted to the Douglas County Clerk, and based upon final assessed valuation for the year, the tax levies for the City and other subdivisions of the County are determined and spread on the tax rolls. Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes

that are unpaid on the due dates are penalized at the rate of 12% per annum (1% prorated monthly) until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale in July of each year and is sold to the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within three years after the tax sale are subject to foreclosure sale.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid in full by August 15, warrants are issued and placed in the hands of the Sheriff for collection. On October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non enforced lien expires five years after it is entered.

The following table sets forth property tax collection information for the City for the last five years. The total levy is expressed in mills.

<u>Year Ended Dec. 31</u>	<u>Total Levy</u>	<u>Total Taxes Levied</u>	<u>Current Taxes Collected</u>		<u>Current & Delinquent Taxes Collected</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
1999	22.596	\$10,377,742	\$10,111,307	97.43	\$10,228,830	98.57
2000	24.353	12,143,963	11,688,149	96.25	11,844,454	97.53
2001	23.904	13,038,707	12,545,282	96.22	12,773,484	97.97
2002	24.773	14,686,529	14,059,564	95.73	14,281,440	97.24
2003	25.563	16,086,484	15,512,068	96.43	15,814,366	98.31

Property Tax Levies

The City may levy taxes in accordance with the requirements of its adopted budget and within the restrictions of a state aggregate tax lid. The funds of cities restricted by the tax lid include the general fund, capital improvement funds and special improvement funds. Levies not effected by the tax lid include bond and interest funds, social security and retirement funds, insurance funds, library, noxious weeds and special law enforcement funds. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the county appraiser. The City added a 2.0 mill levy for mass transportation in 2000.

The following table shows the City's tax levies by fund for each of the last five years:

<u>Year</u>	<u>General Fund</u>	<u>Bond and Interest</u>	<u>Other Funds</u>	<u>Total Levy</u>
1999	\$5,671,455	\$3,090,000	\$1,616,287	\$10,377,742
2000	5,560,601	3,324,094	3,259,268	12,143,963
2001	5,973,188	3,682,249	3,383,270	13,038,707
2002	6,849,500	4,229,351	3,607,678	14,686,529
2003	8,343,000	4,483,112	3,260,372	16,086,484

Largest Taxpayers

The following table sets forth the ten largest property taxpayers in the city of Lawrence according to their 2003 assessed valuation.

<u>Firm</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Western Resources	\$9,451,488	1.40%
Southwestern Bell	8,451,366	1.25
K-Mart Warehouse	8,874,825	1.32
Hallmark Cards	5,294,715	0.79
Packer Ware	4,889,440	0.72
Lawrence Paper Company	4,035,515	0.60
World Co	3,702,030	0.55
Delmonte	3,442,830	0.51
NCS	3,145,640	0.47
Lawrence Technology	2,826,370	0.42

Source: Douglas County Clerk

Sales Tax

On October 1, 1990, retailers in the City began collecting an additional 1/2% sales tax that was approved by the voters in August of that year. The total City sales tax is 1.0%. The following table represents retail sales in the City of Lawrence and the City's share of the sales tax generated. A 1.0% County-wide sales tax was approved by the voters of Douglas County in November, 1994. The County-wide sales tax was effective January 1, 1995 and the City received its share of the County-wide sales tax as shown below. The City's share of revenues from the County-wide sales tax is pledged to the payment of the Series R 1995 Bonds and the Series V 1996 Bonds. The sales tax will also be pledged to the payment of the Series 2003-B Bonds upon redemption of the Series V 1996 Bonds on September 1, 2004.

<u>Year</u>	<u>*Retail Sales</u>	<u>City Sales Tax</u>	<u>County Sales Tax</u>
1999	\$1,003,376,600	\$10,190,752	\$6,332,666
2000	1,045,735,800	10,660,961	7,235,296
2001	1,077,637,282	10,997,729	7,254,552
2002	1,072,585,382	10,957,561	7,141,571
2003	1,093,468,500	11,392,376	7,501,459

*Retail Sales subject to local sales tax

Douglas County anticipates using the proceeds of the County-wide sales tax to fund one-half the estimated costs of certain improvements to accommodate publicly funded health facilities (the balance of said cost to be paid by the City) and to fund the construction of an adult detention facility. See "DEBT STRUCTURE OF THE CITY -- Current Indebtedness of the City."

APPENDIX B

CONTINUING DISCLOSURE INSTRUCTIONS

CONTINUING DISCLOSURE INSTRUCTIONS

Purpose of the Continuing Disclosure Instructions. The Continuing Disclosure Instructions (the "Instructions") are for the benefit of the beneficial owners of any series of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (defined below). The Instructions are to govern the continuing disclosure obligations of the City with respect to the City's General Obligation Temporary Notes, Series 2004-II (the "Notes") and General Obligation Bonds, Series 2004-B (the "Series 2004-B Bonds") and General Obligation Bonds, Series 2004-C (Subject to Alternative Minimum Tax) (the "Series 2004-C Bonds") and any additional series of Bonds that the City hereafter elects to make subject to the Instructions.

Definitions. Unless otherwise defined in the Instructions, the following capitalized terms have the following meanings for purposes of the Instructions:

"Beneficial owner" means any registered owner of the Bonds and any other person who, directly or indirectly, has investment power with respect to any of the Bonds.

"Bond Counsel" means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the City.

"Bonds" means the Notes, the Series 2004-B Bonds, the Series 2004-C Bonds and any additional series of bonds or municipal obligations of the City that the City elects at the time of issuance to have subject to the Instructions for the purpose of constituting the undertaking of the City to provide continuing disclosure pursuant to Rule 15c2-12.

"City" means the City of Lawrence, Kansas.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means any information repository recognized by the Securities and Exchange Commission as a nationally recognized municipal securities information repository under Rule 15c2-12.

"Participating Underwriter" means any of the original underwriters of the Notes, the Series 2004-B Bonds and any future series of Bonds required to comply with Rule 15c2-12 in connection with the offering of any series of Bonds.

"Rule 15c2-12" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SID" means any public or private information depository, if any, designated by the State of Kansas and the Securities and Exchange Commission as such for purposes of Rule 15c2-12.

Provision of Annual Reports.

(a) Within 180 days after the close of each fiscal year, the City shall furnish to each NRMSIR and to the SID, if any, (i) a copy of the financial statements of the City prepared in accordance with generally accepted accounting principles and audited by its independent auditors (or if not available as of such date, the unaudited financial statements of the City and as soon thereafter as available such audited financial statements of the City), and (ii) the operating data of the City, updated for the fiscal year then ended, in substantially the scope

and form contained in Appendix A of this Official Statement with respect to the Notes and the Series 2004-B Bonds in the tables under the headings or and labeled as follows:

- Commerce, Industry and Employment
- Building Permits
- Current Indebtedness of the City
- Statistical Information
- History of Indebtedness
- Debt Service Requirements
- Overlapping Indebtedness
- Debt Limitations
- Sources of Revenue
- Revenue, Expenditures and Changes in Fund Balance - General Fund
- Revenue, Expenditures and Changes in Fund Balance - Debt Service Fund
- Property Valuations by Class
- Property Tax Collections
- Property Tax Levies
- Largest Taxpayers
- Sales Tax

(b) Any or all of the financial information or operating data required hereunder may be incorporated by reference from other documents, including official statements of debt issues with respect to the City that have been filed with each NRMSIR or the Securities and Exchange Commission, and in the case of a final official statement, that is available from the MSRB. The City shall clearly identify in each annual report filed hereunder each document incorporated by reference and the source from which it is available.

Reporting of Material Events.

(a) The City shall disseminate to the SID, if any, and to each NRMSIR or to the MSRB, promptly upon the occurrence thereof notice of any of the following events with respect to each series of the Bonds, if material:

- (i) Principal or interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of any series of the Bonds;
- (vii) Modifications to rights of security holders;
- (viii) Calls (other than mandatory sinking fund redemptions or redemptions at maturity);
- (ix) Defeasances;

- (x) Release, substitution or sale of property securing repayment of any series of the Bonds; and
- (xi) Rating changes.

(b) The City shall also provide to the SID, if any, and to each NRMSIR or to the MSRB, as promptly as practicable notice of any failure of the City to provide the NRMSIRs and the SID, if any, the annual financial information or operating data required hereunder on or before the date specified.

Termination of Reporting Obligation. The City's obligations under the Instructions shall terminate with respect to each series of Bonds upon the legal defeasance, prior redemption or payment in full of all of such series of Bonds.

Amendment; Waiver.

(a) The provisions of the Instructions may be amended only by a written instrument executed by the Mayor of the City if the City receives an opinion from Bond Counsel to the effect that the Instructions, as so amended, are in compliance with Rule 15c2-12 and all current amendments thereto and interpretations thereof that are applicable to the Instructions.

(b) If an amendment is made to the Instructions, the City shall describe in the next annual financial report submitted to the NRMSIRs pursuant to the instructions the substance of the amendment, the reasons for such amendment and the impact of such amendment on the type of operating data or financial information required to be provided under the Instructions.

Additional Information. Nothing in the Instructions shall be deemed to prevent the City from disseminating any other information, or including any other information in any report or notice made hereunder, in addition to that which is required by the Instructions. If the City chooses to include any information in any report or notice made hereunder in addition to that which is specifically required by the Instructions, the City shall have no obligation hereunder to update such information or include it in any future report or notice.

Noncompliance. The provisions of the Instructions shall be subject to specific enforcement or action in mandamus in a court of equity by any beneficial owner of any series of the Bonds. A breach of the provisions of the Instructions shall not constitute a default or event of default under the resolution adopted by the City authorizing any series of the Bonds.

Beneficiaries. The Instructions are for the benefit of the City, the Participating Underwriters and the beneficial owners of any series of the Bonds, and shall create no rights in any other person.

Applicability to Future Series of Bonds. The Instructions apply to any future series of Bonds of the City that the City elects to have subject to the Instructions at the time of issuance thereof. The Instructions shall constitute the undertaking of the City with respect to any such future series of Bonds for the purpose of any Participating Underwriters determining compliance with Rule 15c2-12. Nothing contained in the Instructions shall obligate the City to adopt the Instructions with respect to any future bonds or municipal obligations issued by the City.

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and revised document: G:\WPDATA\CRI\106847.03 LAWRENCE NOTES 2004-II\POS2.DOC

CompareRite found 22 change(s) in the text

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