

# **CITY OF LAWRENCE, KANSAS**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2004**

**Prepared by:  
Department of Finance**

## **City of Lawrence Mission Statement**

### **Our Mission**

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

### **Our Principles**

We are committed to these basic values:

**Integrity  
Courtesy  
Fairness  
Honesty**

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

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

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

### **Our Vision**

We will provide leadership in preparing for the future.

We want our citizens, clients and customers to have high expectations of City services; we will do our best to meet and exceed those expectations.

## CITY OF LAWRENCE, KANSAS

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## **INTRODUCTORY SECTION**

April 15, 2005

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2004 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal Singleton Webb and Wilson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Lawrence for the fiscal year ended December 31, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lawrence's financial statements for the year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

### **Profile of the City**

The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City's location, thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol, makes it one of the fastest growing cities in Kansas. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 31.3 square miles and had an estimated population in 2004 of 86,040.

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

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

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



## **Factors Affecting Financial Condition**

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

**Local economy.** The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. The City Commission approved a \$25 million tax abatement for Seralogicals to manufacture EX-CYTE, a human blood substitute. Pearson Government Solutions announced plans to hire an additional 100 workers by the end of 2005. Protection One will move its corporate headquarters from Topeka to Lawrence. A total of 65 jobs will be transferred to Lawrence.

The average unemployment of the Lawrence MSA in 2004 was 4.2%. The total civilian labor force was 61,924. The average annual unemployment rate for 2000, 2001, 2002, and 2003 was 4.0%, 4.4%, 4.2%, and 4.7%, respectively. The number of homes sold in Lawrence during 2004 was 1,498, a decrease of 2.3% compared to 2003. The average selling price for a home was \$152,700 during the year, a decrease of 3.0% from 2003.

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

The City Commission recently adopted a new ten year capital improvement plan for the water and sanitary sewer utility. The plan includes over \$130 million in projects with the largest cost being \$80 million for the City's second wastewater treatment plant. A rate study to determine the cost of service and level of water and sanitary sewer rates for the next five years was completed in June of 2004 and approved by the City Commission in December 2004. The current plan calls for annual rate increases of 4.0% for water service and 9.0% for sanitary sewer service over the next five years. The projects will be financed with a combination of cash and revenue bonds.

The State of Kansas is currently widening a one mile portion of Highway 40 in the Northwest part of the City. The project would widen the existing highway to four lanes and cost the City over \$3.3 million. The project is expected to lead to additional retail and residential development in that part of the City.

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

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, obligations of Federal agencies, and the Kansas Municipal Investment Pool. The maturities of investments varied from three months to four years with an average maturity just over one year. The weighed average yield on investments during the year was 1.9%. The City's cash management policy was certified by the Municipal Treasurer's Association in 2002. In addition, the State's Pooled Money Investment Board has granted the City expanded investment powers.

**Risk Management.** The City of Lawrence self insures for the majority of our risks. General and automobile liability over \$300,000 per occurrence and \$1 million in aggregate are covered by third parties. The City also maintains insurance policies covering certain high cost items such as fire trucks. To lessen the budgetary impact of large settlements, the City has maintained a liability reserve fund totaling over \$1.3 million.

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

The City also contributes up to 20% of the cost of retiree health care. The benefit is funded on a pay-as-you-go basis. GAAP does not currently require the City to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. However, the Governmental Accounting Standards Board has recently issued GASB 45 initiating such a requirement.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2003. This was the thirteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

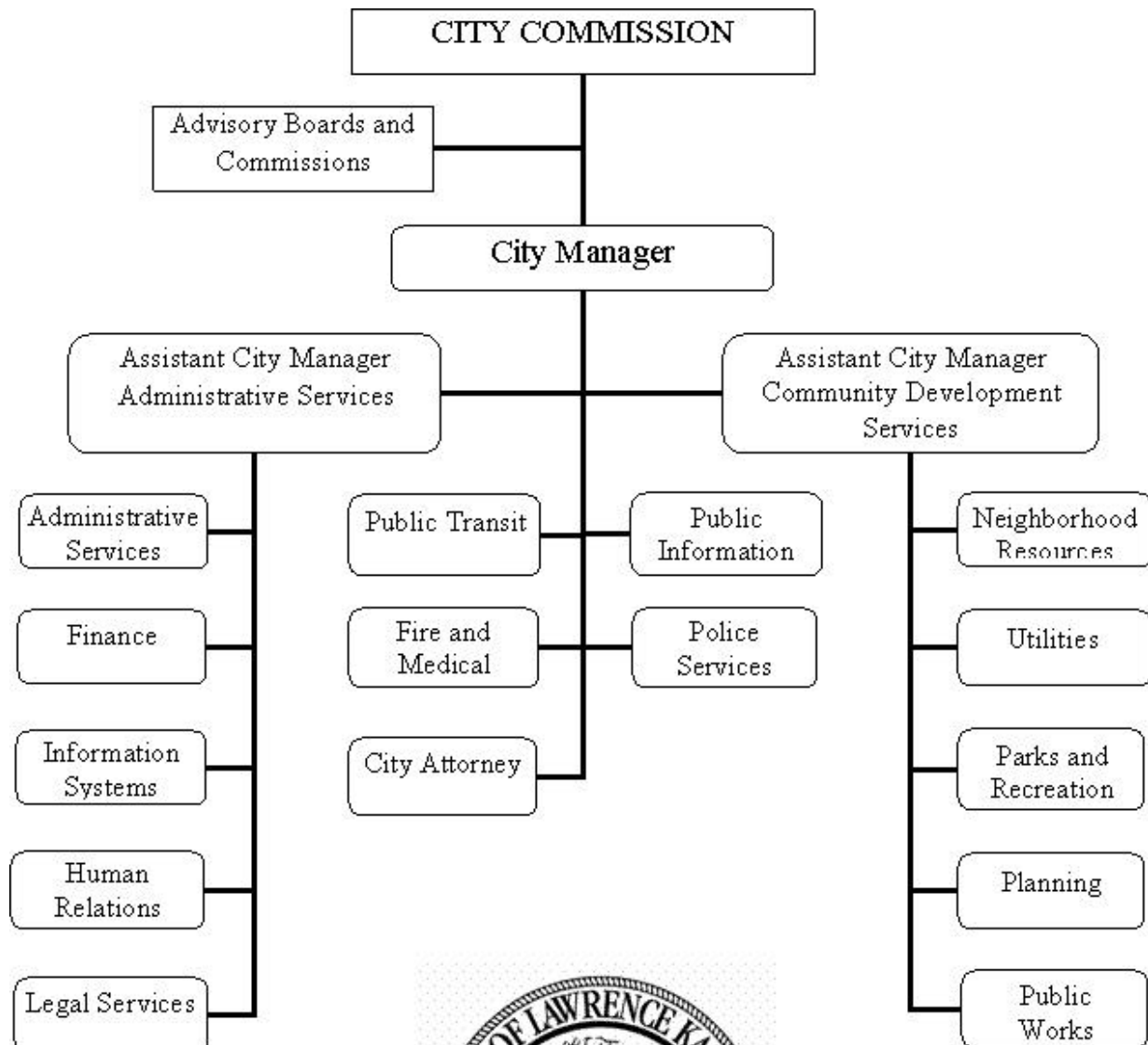
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2004 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

A. Ed Mullins  
Finance Director

# CITY OF LAWRENCE ORGANIZATIONAL CHART



**CITY OF LAWRENCE, KANSAS**

## List of Principal Officials

December 31, 2004

<b>Title</b>	<b>Name</b>
Mayor	Mike Rundle
Vice Mayor	Dennis Highberger
Commission Member	David Dunfield
Commission Member	David Schauner
Commission Member	Sue Hack
City Manager	H. Michael Wildgen
Assistant City Manager	Debbie Van Saun
Assistant City Manager	David Corliss
City Clerk	Frank Reeb
Community Development Director	Victor Torres
Finance Director	A. Ed Mullins
Fire Chief	Jim McSwain
Human Relations Director	Ray Samuel
Parks and Recreation Director	Fred DeVactor
Planning Director	Linda Finger
Police Chief	Ron Olin
Public Works Director	Charles Soules
Utilities Director	Roger Coffey

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawrence,  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

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



President

Executive Director

## **FINANCIAL SECTION**

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

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Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**  
**ON THE BASIC FINANCIAL STATEMENTS**

Mayor and City Commission  
City of Lawrence, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets of \$111,504,220 as of December 31, 2004 and total expenses of \$93,573,351 for the year then ended, and the Housing Authority of the City of Lawrence which statements reflect total assets of \$15,711,093 as of December 31, 2004 and total expenses of \$5,820,944 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Housing Authority of the City of Lawrence, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated April 15, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.



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

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

*Lowenthal, Singleton, Webb & Wilson*

Professional Association

April 15, 2005

## Management's Discussion and Analysis

As management of the City of Lawrence, Kansas, we offer readers of the financial statements an overview and analysis of the financial activities of the City of Lawrence for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

### Financial Highlights

- The assets of the City of Lawrence exceeded its liabilities at the end of 2004 by \$295,094,086. Of this amount, \$105,967,322 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$15 million reduction in governmental liabilities.
- As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$39,021,076, an increase of \$1,791,437 in comparison with the prior year. Approximately 68% is available for spending at the City's discretion.
- At the end of 2004, the City's unreserved general fund balance was \$12,922,924 or 31.6% of general fund expenditures and transfers.
- The City's total debt decreased 3.0% during the year. The debt was issued to fund various street and storm water improvements.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lawrence's basic financial statements. The financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Some revenues and expenses reported in the statements will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, public works, and recreation. The business-type activities include the water and sanitary sewer, sanitation, storm sewer, and golf course operations.

The government-wide financial statements include not only the City of Lawrence, but also the Lawrence Public Library, the Lawrence Public Housing Authority and Lawrence Memorial Hospital. Financial information for these component units is reported separately from the financial information presented for the City.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental, proprietary, and fiduciary.

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

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

The City of Lawrence maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

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

## Government-wide Financial Analysis

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

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

	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
Current and other Assets	\$ 82,486	\$ 90,975	\$ 50,033	\$ 49,289	\$ 132,519	\$ 140,264
Capital Assets	<u>164,291</u>	<u>162,558</u>	<u>157,977</u>	<u>154,580</u>	<u>322,268</u>	<u>317,138</u>
Total	<u>\$ 246,777</u>	<u>\$ 253,533</u>	<u>\$ 208,010</u>	<u>\$ 203,869</u>	<u>\$ 454,787</u>	<u>\$ 457,402</u>
Long term Liabilities	\$ 69,795	\$ 74,318	\$ 65,166	\$ 64,937	\$ 134,961	\$ 139,255
Other Liabilities	<u>15,250</u>	<u>25,926</u>	<u>9,482</u>	<u>11,444</u>	<u>24,732</u>	<u>37,370</u>
Total	<u>\$ 85,045</u>	<u>\$ 100,244</u>	<u>\$ 74,648</u>	<u>\$ 76,381</u>	<u>\$ 159,693</u>	<u>\$ 176,625</u>
Net Assets:						
Capital Assets, net of						
Debt	\$ 86,270	\$ 97,569	\$ 87,319	\$ 83,053	\$ 173,589	\$ 180,622
Restricted	8,631	21,238	6,906	5,909	15,537	27,147
Unrestricted	<u>66,831</u>	<u>34,482</u>	<u>39,137</u>	<u>38,526</u>	<u>105,968</u>	<u>73,008</u>
Total	<u>\$ 161,732</u>	<u>\$ 153,289</u>	<u>\$ 133,362</u>	<u>\$ 127,488</u>	<u>\$ 295,094</u>	<u>\$ 280,777</u>

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

As of the end of 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in part to \$15 million reduction in liabilities. This was the result of a \$10.6 million reduction in temporary notes and a \$4.5 million reduction in general obligation bonds. Other events increasing net assets included positive net changes in General Fund balance of \$4.6 million and in the combined Special Revenue Funds balances of \$417,000. In addition, the balance in the Debt Service Fund increased by over \$750,000.

There was an increase in net assets reported in connection with the business-type activities. Restricted assets in the Water and Sewer Fund increased as the city continues to build up cash to finance future capital projects. All of the enterprise funds, except Public Parking and the Golf Course, had positive net income for the year, with most of the income generated by the Water and Sewer Fund. Business-type capital assets reported a \$3.4 million increase primarily due to the expansion of the storm water system.

Overall, the City's net assets increased by \$14,317,404 during 2004 due to positive net income in most funds and the continued construction of capital assets. Much of the increase was the result of General Fund revenues exceeding expenditures by \$4.6 million and water and sewer revenues exceeding expenses by over \$4.3 million. The City is also attempting to increase its cash reserves to pay for future capital projects. The Storm Water Utility experienced positive net income of over \$1.4 million. A more complete analysis of the changes in the City's net assets is shown below.

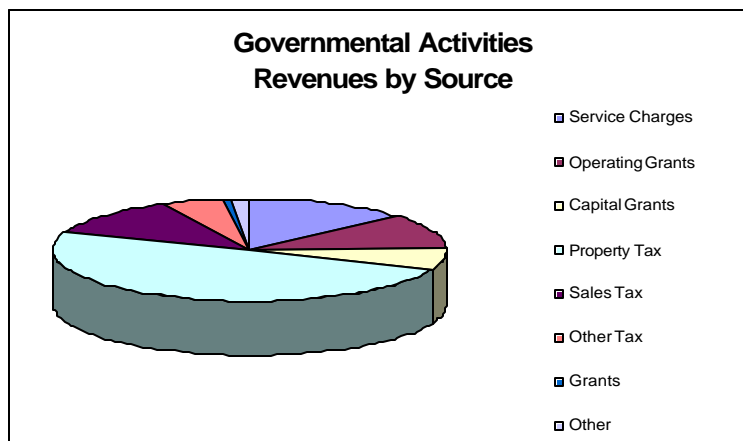
City of Lawrence's Changes in Net Assets  
(000's)

	Governmental		Business-type		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Service	\$ 9,306	\$ 8,410	\$ 34,523	\$ 35,061	\$ 43,829	\$ 43,471
Operating Grants	8,068	8,691	34	27	8,102	8,718
Capital Grants	4,476	4,704	-	-	4,476	4,704
General Revenues:			-	-	-	-
Property Taxes	34,663	31,839	-	-	34,663	31,839
Sales Taxes	8,324	7,501	-	-	8,324	7,501
Other Taxes	3,685	3,661	-	-	3,685	3,661
Unrestricted Grants	531	518	-	-	531	518
Other	932	1,194	896	658	1,828	1,852
Total	69,985	66,518	35,453	35,746	105,438	102,264
Expenses						
General Government	14,404	13,529	-	-	14,404	13,529
Public Safety	22,024	21,444	-	-	22,024	21,444
Public Works	12,949	10,582	-	-	12,949	10,582
Social Services	2,678	2,883	-	-	2,678	2,883
Recreation	6,876	7,034	-	-	6,876	7,034
Health	888	1,382	-	-	888	1,382
Interest on Debt	3,165	3,843	-	-	3,165	3,843
Water and Sewer	-	-	17,080	16,561	17,080	16,561
Sanitation	-	-	7,818	7,218	7,818	7,218
Public Parking	-	-	934	912	934	912
Storm Water	-	-	1,210	1,122	1,210	1,122
Golf	-	-	1,095	1,050	1,095	1,050
Total expenses	62,984	60,697	28,137	26,863	91,121	87,560
Excess [deficiency]	7,001	5,821	7,316	8,883	14,317	14,704
Transfers	1,442	1,288	(1,442)	(1,288)	-	-
Change in Net Assets	8,443	7,109	5,874	7,595	14,317	14,704
Beginning Net Assets	153,289	146,180	127,488	119,893	280,777	264,018
Ending Net Assets	\$ 161,732	\$ 153,289	\$ 133,362	\$ 127,488	\$ 295,094	\$ 278,722

**Governmental activities.** Governmental activities increased the City's net assets by \$8,443,710 during the year. Ambulance reimbursements and court fines increased nearly \$500,000 from 2003. Sales tax revenue showed significant growth for the first time in nearly two years. Other key elements of governmental activities during the year are as follows.

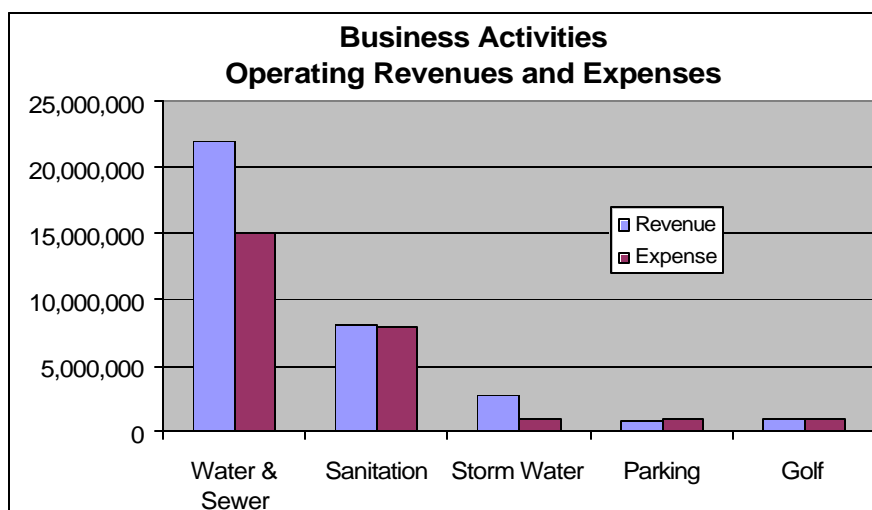
Property taxes increased due to a 7.2% increase in assessed valuation and a 13.8% increase in the total levy. Most of the increase in the levy was to adequately finance the operation of the general fund after the likely permanent loss of \$1.2 million in state demand transfers. Operating grants for governmental activities decreased because of the amount received by City under the CDBG program was less by \$700,000. The CDBG grant award totaled \$963,000 in 2004.

Expenses increased 3.6% because of general wage adjustments, the hiring of 3 firefighters and greater depreciation expense. Public Works accounted for most of the increase in governmental activities because of additional depreciation expense on capital assets.



**Business-type activities.** Business-type activities increased the City's net assets by \$5,873,694. All of the City's business-type activities experienced positive net income with the exception of the Public Parking and Golf Course funds. The key elements of the increase are as follows:

- Positive net income in the Water and Sewer equaling \$4.3 million. However, water revenue was down by \$1.1 million from 2003 due to the wet summer. Sanitary sewer rates were increased by 6% in 2004.
- Positive net income in the Storm Water Fund equaling \$1.4 million. Storm water fees were not changed in 2004.
- Continued build up of cash reserves in the Water and Sewer Fund to pay for future capital projects.
- Expansion of the storm water collection system.



## **Financial Analysis of the Government's Funds**

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

As of December 31, 2004, the City of Lawrence's governmental funds reported combined ending fund balances of \$39,021,076, an increase of \$7,834,079 from the prior year. Approximately 68% of the total is unreserved and thus available for spending in future years. The remaining amount has already been committed to liquidate contracts and purchase orders and pay debt service and legal claims.

The general fund is the primary operating fund of the City. At the end of 2004, unreserved general fund balance totaled \$12,922,924, while total general fund balance totaled \$13,828,338. Unreserved general fund balance represents 31.6% of total general fund expenditures and transfers, significantly above the 15% minimum established by the City Commission.

Key factors in the increase of the general fund balance are as follows:

- An increase in both the assessed value and General Fund levy
- A rebound in sales tax collections
- Virtually no increase in expenditures from the prior year

The debt service fund has a total fund balance of \$8,296,387, all of which is reserved for debt service. There was a \$758,718 increase in fund balance during the year. The City continues to receive prepaid special assessment payments. However, the underlying debt is not retired making it necessary to retain a sufficient fund balance to make future debt payments.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$28,675,602 at the end of 2004. The unrestricted fund equity of the Sanitation Fund amounted to \$3,809,583 at the end of 2004. The net income for the Water and Sewer Fund and Sanitation Fund was \$4,272,726 and \$135,557, respectively. The continued population growth of Lawrence has had an impact on the funds. Increasing demands for water and sanitary sewer services will result in the need to expand existing facilities on the water side and construct a second wastewater treatment plant by 2011. The Sanitation Fund must continue to add routes and equipment to service the growth areas of the City.

### **General Fund Budgetary Highlights**

The City of Lawrence adopts its budget on a fund basis. The adopted budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category exceeded the budgeted amount. Expenditure adjustments between programs and line items were minimal since departments were directed to hold the line on spending. The more significant operational changes to the 2004 budget from prior year budgets are listed below:

- Travel and training budgets were reduced and travel primarily limited to the surrounding states.
- A target of \$100,000 in salary savings in the General Fund was achieved by leaving positions open for a designated period of time.
- Funding for street maintenance was reduced by over \$250,000 because of the lack of growth in state gasoline tax distributions.
- Capital outlay items normally budgeted in the General Fund were funded by the Equipment Reserve Fund in 2004.
- The budget for transfers to other funds was reduced by \$250,000 to retain capital in the General Fund.
- The budget for General Fund contingencies was only \$100,000.

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

### Capital Asset and Debt Administration

**Capital assets.** The City's investments in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$322,268,138 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 1.6%.

Major capital asset additions during the year included the following:

- Completion of the 21<sup>st</sup> & Stewart Street storm water improvements
- Completion of the 6<sup>th</sup> & Kasold Road geometric improvements
- Completion of the 31<sup>st</sup> & Nieder Road benefit district
- Continued work on the runway improvements at the airport
- Continued work on the expansion of the waste water treatment plant

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

	Governmental		Business-type		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 13,448	\$ 12,884	\$ 2,625	\$ 2,484	\$ 16,073	\$ 15,368
Buildings	28,598	30,081	10,371	10,840	38,969	40,921
Improvements	14,557	15,355	73,591	72,898	88,148	88,253
Equipment	6,329	7,119	4,450	4,449	10,779	11,568
Infrastructure	88,722	83,219	-	-	88,722	83,219
Construction in Progress	<u>12,636</u>	<u>13,900</u>	<u>66,941</u>	<u>63,909</u>	<u>79,577</u>	<u>77,809</u>
Total	<u>\$ 164,290</u>	<u>\$ 162,558</u>	<u>\$ 157,978</u>	<u>\$ 154,580</u>	<u>\$ 322,268</u>	<u>\$ 317,138</u>

For more detailed information on capital assets, see the notes to the basic financial statements.

**Long-term debt.** At the end of 2004, the City of Lawrence had total bonded debt outstanding of \$83,820,000. Of this amount, \$74,885,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the debt represents bonds secured solely by revenue generated by the Water and Sewer utility (revenue bonds). In addition, the City had \$49,114,320 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects.

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

	Governmental		Business-type		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General Obligation	\$ 68,140	\$ 72,639	\$ 6,745	\$ 5,486	\$ 74,885	\$ 78,125
Revenue	-	-	8,935	9,475	8,935	9,475
SRF	-	-	49,114	49,471	49,114	49,471
Other Notes Payable	<u>59</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>75</u>
Total	<u>\$ 68,199</u>	<u>\$ 72,714</u>	<u>\$ 64,794</u>	<u>\$ 64,432</u>	<u>\$ 132,993</u>	<u>\$ 137,146</u>

The City's total outstanding bonded debt decreased \$4,153,359 during the year. The major component of this decrease was the elimination of \$12,245,000 in general obligation debt through two crossover refundings that occurred in 2004. The continued growth of the City and the need for improving existing infrastructure resulted in the issuance of \$15,720,000 in new general obligation debt.



The City of Lawrence has been given a rating of Aa2 on its general obligation debt by Moody's. The City's outstanding revenue bonds have been rated A1 by Moody's. The City has not issued any revenue bonds since 1997.

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2004 the debt limitation for the City of Lawrence was \$236,701,042, which is significantly in excess of the \$74,885,000 in general obligation debt the City had outstanding as of December 31, 2004.

For more detailed information on debt, see the notes to the basic financial statements.

### **Economic Factors and 2005 Budget**

The unemployment rate for the City of Lawrence was 4.2% as of December 31, 2004. This is below the State average of 5.5%. The City experienced an increase of 7.2% in its assessed valuation in 2004. The increase in assessed value is the basis for the 2005 budget. Several businesses announced significant expansions during the year. This will result in an estimated increase in employees in excess of 100.

During 2004, unreserved fund balance in the general fund increased by \$4,758,341. Because of the uncertainty in economic growth prospects during the time the 2005 budget was being developed, the 2005 budget was conservative in budgeting revenues. However, because of suppressed expenditures in 2003 and 2004, budgeted expenditures were increased significantly. A total of six new employees were added to the 2005 budget and a two percent general wage adjustment was provided.

After lengthy discussion, the City Commission approved a new rate plan for the Water and Sewer Utility. The rates charged for water service were increased an average of 4% and the rates for sanitary sewer service were increased by an average of 9% effective in 2005. The increase in sanitation rates was 2% for 2005. The sewer rate increase was necessitated by the planned construction of a second wastewater treatment plant and other sanitary sewer related capital projects. The sanitation rate increase was implemented to cover increased operating expenses and to avoid a larger rate increase in the future.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

# CITY OF LAWRENCE, KANSAS

## Statement of Net Assets December 31, 2004

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 6,128,306	6,986,567	13,114,873	7,903,211
Investments	45,865,499	39,430,127	85,295,626	39,128,016
Receivables (net of allowance of \$78,311)	30,384,496	2,856,327	33,240,823	15,368,337
Inventories	108,197	586,356	694,553	771,667
Prepaid items	—	173,448	173,448	2,769,720
Deferred costs	—	—	—	690,682
Other assets	—	—	—	443,467
Capital assets (Net)				
Land and construction in progress	26,084,715	69,566,168	95,650,883	2,854,383
Other capital assets, net of depreciation	138,205,910	88,411,345	226,617,255	61,364,692
Total assets	246,777,123	208,010,338	454,787,461	131,294,175
<b>Liabilities</b>				
Accounts payable and accrued expenses	5,351,447	3,611,930	8,963,377	10,898,263
Unearned revenue	17,051	7,290	24,341	621,166
Temporary notes payable	9,881,220	5,863,780	15,745,000	—
Long-term liabilities				
Due within one year	8,121,338	1,366,042	9,487,380	1,755,022
Due in more than one year	61,673,682	63,799,595	125,473,277	32,895,402
Total liabilities	85,044,738	74,648,637	159,693,375	46,169,853
<b>Net Assets</b>				
Invested in capital assets, net of debt	86,269,710	87,319,109	173,588,819	35,075,938
Restricted for:				
Debt service	8,292,587	6,906,197	15,198,784	844,155
Other purposes	339,161	—	339,161	—
Unrestricted	66,830,927	39,136,395	105,967,322	49,204,229
Total net assets	\$ 161,732,385	133,361,701	295,094,086	85,124,322

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

# CITY OF LAWRENCE, KANSAS

## Statement of Activities For the Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 14,403,955	886,557	1,829,911	12,388	(11,675,099)	—	(11,675,099)	—
Public safety	22,024,175	6,403,610	548,164	54,922	(15,017,479)	—	(15,017,479)	—
Public works	12,755,790	51,678	2,609,290	1,771,105	(8,323,717)	—	(8,323,717)	—
Health	888,333	109,639	—	—	(778,694)	—	(778,694)	—
Social services	2,678,321	412,455	2,493,227	—	227,361	—	227,361	—
Culture and recreation	6,211,637	1,408,227	587,803	—	(4,215,607)	—	(4,215,607)	—
Tourism	663,943	—	—	699,771	35,828	—	35,828	—
Airport	192,485	34,252	—	—	(158,233)	—	(158,233)	—
Interest on long-term debt	3,164,980	—	—	1,937,975	(1,227,005)	—	(1,227,005)	—
Total governmental activities	62,983,619	9,306,418	8,068,395	4,476,161	(41,132,645)	—	(41,132,645)	—
Business-type activities:								
Water & sewer	17,079,804	21,980,918	—	—	—	4,901,114	4,901,114	—
Sanitation	7,817,606	8,069,691	33,826	—	—	285,911	285,911	—
Parking	935,905	831,787	—	—	—	(104,118)	(104,118)	—
Stormwater	1,209,570	2,728,541	—	—	—	1,518,971	1,518,971	—
Golf course	1,094,435	912,526	—	—	—	(181,909)	(181,909)	—
Total business-type activities	28,137,320	34,523,463	33,826	—	—	6,419,969	6,419,969	—
Total primary government	\$ 91,120,939	43,829,881	8,102,221	4,476,161	(41,132,645)	6,419,969	(34,712,676)	—
<b>Component units:</b>								
Lawrence Housing Authority	\$ 5,820,944	1,028,744	4,963,287	295,573	—	—	—	466,660
Lawrence Memorial Hospital	93,573,351	99,260,295	—	819,370	—	—	—	6,506,314
Lawrence Public Library	2,671,864	110,316	2,322,973	—	—	—	—	(238,575)
Total component units	\$ 102,066,159	100,399,355	7,286,260	1,114,943	—	—	—	6,734,399
<b>General Revenues</b>								
Taxes								
Property taxes, levied for general purposes					28,998,694	—	28,998,694	—
Property taxes, levied for debt service					5,664,751	—	5,664,751	—
Franchise taxes					3,684,941	—	3,684,941	—
Sales taxes					8,324,320	—	8,324,320	—
Grants and contributions not restricted to specific programs					530,786	—	530,786	—
Unrestricted investment earnings					980,553	531,703	1,512,256	1,209,498
Miscellaneous					(49,408)	363,740	314,332	159,651
Transfers					1,441,718	(1,441,718)	—	—
Total general revenues and transfers					49,576,355	(546,275)	49,030,080	1,369,149
Change in net assets					8,443,710	5,873,694	14,317,404	8,103,548
Net assets-beginning, as restated					153,288,675	127,488,007	280,776,682	77,020,774
Net assets-ending					\$ 161,732,385	133,361,701	295,094,086	85,124,322

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

# CITY OF LAWRENCE, KANSAS

## Balance Sheet Governmental Funds December 31, 2004

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 2,006,639	1,213,199	63,323	2,704,172	5,987,333
Investments	11,486,965	7,437,678	11,809,139	12,673,867	43,407,649
Receivables:					
Taxes	12,152,602	4,689,009	—	3,327,275	20,168,886
Special assessments	—	7,498,898	—	—	7,498,898
Intergovernmental	—	—	—	844,605	844,605
Accounts (net of allowance of \$4,166)	573,948	78,161	49,781	212,778	914,668
Franchise fees	337,030	—	—	—	337,030
Loans	—	—	—	316,161	316,161
Accrued interest	92,614	40,361	—	43,800	176,775
Due from other funds	445,000	—	—	—	445,000
<b>Total assets</b>	<b>\$ 27,094,798</b>	<b>20,957,306</b>	<b>11,922,243</b>	<b>20,122,658</b>	<b>80,097,005</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,093,154	—	369,438	156,452	1,619,044
Accrued payroll	492,150	—	—	76,834	568,984
Due to other funds	—	—	53,000	392,000	445,000
Estimated claims and judgements payable	39,272	—	—	—	39,272
Temporary notes payable	—	—	9,881,220	—	9,881,220
Deferred revenue	11,641,884	12,660,919	—	4,219,606	28,522,409
<b>Total liabilities</b>	<b>13,266,460</b>	<b>12,660,919</b>	<b>10,303,658</b>	<b>4,844,892</b>	<b>41,075,929</b>
Fund balances:					
Reserved for encumbrances	905,414	3,800	—	436,902	1,346,116
Reserved for debt service	—	8,292,587	—	—	8,292,587
Reserved for loans	—	—	—	316,161	316,161
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	12,922,924	—	—	—	12,922,924
Special revenue funds	—	—	—	14,501,703	14,501,703
Capital projects funds	—	—	1,618,585	—	1,618,585
<b>Total fund balances</b>	<b>13,828,338</b>	<b>8,296,387</b>	<b>1,618,585</b>	<b>15,277,766</b>	<b>39,021,076</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,094,798</b>	<b>20,957,306</b>	<b>11,922,243</b>	<b>20,122,658</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	164,231,815
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	28,522,409
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,473,074
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(72,515,989)
<b>Net assets of governmental activities</b>	<b>161,732,385</b>

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

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2004

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 27,891,875	5,301,288	—	3,818,813	37,011,976
Special assessments	—	1,261,948	71,082	—	1,333,030
Licenses and permits	1,121,828	—	—	—	1,121,828
Charges for services	3,362,272	—	—	1,380,851	4,743,123
Fines, forfeitures and penalties	2,321,690	—	—	—	2,321,690
Interest	369,078	116,562	336,277	133,839	955,756
Intergovernmental	9,041,008	353,406	1,222,800	8,527,378	19,144,592
Reimbursements	—	—	397,638	—	397,638
Miscellaneous	299,858	175,901	79,585	804,723	1,360,067
Total revenues	44,407,609	7,209,105	2,107,382	14,665,604	68,389,700
Expenditures:					
Current expenditures:					
General government	9,733,775	—	—	4,979,502	14,713,277
Public safety	19,553,527	—	—	1,067,278	20,620,805
Public works	4,110,178	—	—	2,103,523	6,213,701
Health	814,565	—	—	68,440	883,005
Social services	282,364	—	—	2,117,571	2,399,935
Culture and recreation	2,546,817	—	—	3,322,976	5,869,793
Tourism	—	—	—	660,735	660,735
Airport	76,708	—	—	—	76,708
Capital outlay	105,812	—	7,108,044	1,797,962	9,011,818
Debt service:					
Principal retirement	16,787	5,067,600	11,830,000	1,434,641	18,349,028
Interest and fiscal charges	2,489	2,083,536	335,286	656,147	3,077,458
Total expenditures	37,243,022	7,151,136	19,273,330	18,208,775	81,876,263
Excess (deficiency) of revenues over (under) expenditures	7,164,587	57,969	(17,165,948)	(3,543,171)	(13,486,563)
Other financing sources (uses):					
Transfers in	1,195,000	700,749	—	4,000,018	5,895,767
Transfers out	(3,710,206)	—	(700,749)	(39,812)	(4,450,767)
Issuance of general obligation bonds	—	—	13,833,000	—	13,833,000
Total other financing sources (uses)	(2,515,206)	700,749	13,132,251	3,960,206	15,278,000
Net changes in fund balances	4,649,381	758,718	(4,033,697)	417,035	1,791,437
Fund balance, beginning of year, as restated	9,178,957	7,537,669	5,652,282	14,860,731	37,229,639
Fund balance, end of year	\$ 13,828,338	8,296,387	1,618,585	15,277,766	39,021,076

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

## CITY OF LAWRENCE, KANSAS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended December 31, 2004

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

Net changes in fund balances - total governmental funds	\$ 1,791,437
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,714,022
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,571,108
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,516,028
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,827,219)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>678,334</u>
Change in net assets of governmental activities	\$ <u><u>8,443,710</u></u>

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

# CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	2004			Variance	2003
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 25,628,466	25,628,466	27,891,875	2,263,409	24,120,940
Licenses and permits	640,000	640,000	1,121,828	481,828	1,024,587
Charges for services	3,119,794	3,119,794	3,362,272	242,478	3,143,534
Fines, forfeitures and penalties	1,500,000	1,500,000	2,321,690	821,690	2,012,187
Interest	500,000	500,000	369,078	(130,922)	387,341
Intergovernmental	7,642,000	7,642,000	9,041,008	1,399,008	8,221,185
Miscellaneous	233,153	233,153	299,858	66,705	398,127
Total revenues	<u>39,263,413</u>	<u>39,263,413</u>	<u>44,407,609</u>	<u>5,144,196</u>	<u>39,307,901</u>
Expenditures:					
General government	10,359,343	10,363,077	9,876,890	486,187	9,042,866
Public safety	20,998,142	20,978,879	19,553,470	1,425,409	19,941,334
Public works	4,247,213	4,183,213	3,894,423	288,790	4,207,757
Health	913,534	899,534	816,644	82,890	813,957
Social services	301,070	301,070	282,364	18,706	301,631
Culture and recreation	2,654,792	2,655,387	2,551,861	103,526	2,688,285
Airport	95,859	95,859	78,435	17,424	76,536
Capital outlay	—	48,728	60,699	(11,971)	394,158
Debt service:					
Principal retirement	—	20,000	19,276	724	19,276
Total expenditures	<u>39,569,953</u>	<u>39,545,747</u>	<u>37,134,062</u>	<u>2,411,685</u>	<u>37,485,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,540)</u>	<u>(282,334)</u>	<u>7,273,547</u>	<u>7,555,881</u>	<u>1,822,101</u>
Other financing sources (uses):					
Transfers in	1,260,000	1,260,000	1,195,000	(65,000)	1,195,000
Transfers out	<u>(3,686,000)</u>	<u>(3,710,206)</u>	<u>(3,710,206)</u>	<u>—</u>	<u>(3,772,000)</u>
Total other financing sources (uses)	<u>(2,426,000)</u>	<u>(2,450,206)</u>	<u>(2,515,206)</u>	<u>(65,000)</u>	<u>(2,577,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (2,732,540)</u>	<u>(2,732,540)</u>	<u>4,758,341</u>	<u>7,490,881</u>	<u>(754,899)</u>
Fund balance, beginning of year			9,178,957		9,647,391
Net change in reserve for encumbrances			<u>(108,960)</u>		<u>286,465</u>
Fund balance, end of year			<u>\$ 13,828,338</u>		<u>9,178,957</u>

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



**CITY OF LAWRENCE, KANSAS**

Balance Sheet  
Proprietary Funds  
December 31, 2004

Assets	Business-type Activities-Enterprise Funds					Governmental Activities-Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Current assets:						
Cash	\$ 3,300,645	317,890	1,609,776	207,456	5,435,767	287,382
Investments	25,363,551	3,396,908	2,862,535	416,482	32,039,476	3,569,192
Receivables:						
Accounts (net of allowance of \$74,145)	1,553,833	600,172	197,815	10,913	2,362,733	225,377
Loans	195,185	—	—	—	195,185	—
Accrued interest	154,874	12,029	12,716	2,630	182,249	18,256
Inventories	460,724	—	—	10,859	471,583	222,970
Prepaid items	173,448	—	—	—	173,448	—
Restricted cash:						
Customer deposits	786,820	2,060	—	—	788,880	—
Current portion of revenue bonds	570,000	—	—	—	570,000	—
Total current assets	<u>32,559,080</u>	<u>4,329,059</u>	<u>4,682,842</u>	<u>648,340</u>	<u>42,219,321</u>	<u>4,323,177</u>
Noncurrent assets						
Restricted cash	45,511	—	—	—	45,511	—
Restricted investments	6,279,309	—	—	—	6,279,309	—
Total restricted assets	<u>6,324,820</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,324,820</u>	<u>—</u>
Capital assets						
Land	492,773	—	1,653,567	479,055	2,625,395	—
Buildings and improvements	108,984,332	1,380,952	5,911,726	7,597,692	123,874,702	421,535
Equipment	5,953,409	6,293,024	667,627	625,884	13,539,944	257,297
Construction in progress	61,757,234	—	5,183,539	—	66,940,773	—
Accumulated depreciation	(40,022,431)	(4,580,829)	(898,494)	(3,564,283)	(49,066,037)	(557,286)
Total capital assets	<u>137,165,317</u>	<u>3,093,147</u>	<u>12,517,965</u>	<u>5,138,348</u>	<u>157,914,777</u>	<u>121,546</u>
Total noncurrent assets	<u>143,490,137</u>	<u>3,093,147</u>	<u>12,517,965</u>	<u>5,138,348</u>	<u>164,239,597</u>	<u>121,546</u>
Total assets	<u>\$ 176,049,217</u>	<u>7,422,206</u>	<u>17,200,807</u>	<u>5,786,688</u>	<u>206,458,918</u>	<u>4,444,723</u>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Current liabilities						
Accounts payable	\$ 688,268	104,347	220,151	9,323	1,022,089	20,934
Accrued interest payable	656,255	—	116,346	49,139	821,740	—
Claims payable	—	—	—	—	—	492,618
Accrued payroll	98,091	74,828	10,445	14,370	197,734	12,107
Accrued vacation and sick pay	285,143	229,670	37,136	42,128	594,077	45,086
Deferred revenue	—	—	—	—	—	24,341
Temporary notes payable	—	—	5,863,780	—	5,863,780	—
Current portion of general obligation bonds	—	—	626,042	170,000	796,042	—
Total current liabilities	<u>1,727,757</u>	<u>408,845</u>	<u>6,873,900</u>	<u>284,960</u>	<u>9,295,462</u>	<u>595,086</u>
Current liabilities payable from restricted assets:						
Customer deposits	786,820	2,060	—	—	788,880	—
Current portion of revenue bonds	570,000	—	—	—	570,000	—
Total current liabilities payable from restricted assets	<u>1,356,820</u>	<u>2,060</u>	<u>—</u>	<u>—</u>	<u>1,358,880</u>	<u>—</u>
Noncurrent liabilities						
Compensated absences	207,011	105,363	6,702	17,352	336,428	40,707
Estimated claims and judgments payable	10,513	3,208	—	—	13,721	—
General obligation bonds payable	—	—	3,389,263	2,560,000	5,949,263	—
Revenue bonds payable	8,365,000	—	—	—	8,365,000	—
Notes payable	49,114,319	—	—	—	49,114,319	—
Total noncurrent liabilities	<u>57,696,843</u>	<u>108,571</u>	<u>3,395,965</u>	<u>2,577,352</u>	<u>63,778,731</u>	<u>40,707</u>
Total liabilities	<u>60,781,420</u>	<u>519,476</u>	<u>10,269,865</u>	<u>2,862,312</u>	<u>74,433,073</u>	<u>635,793</u>
Fund equity:						
Invested in capital assets, net of debt	79,685,998	3,093,147	12,517,965	5,138,348	100,435,458	121,546
Restricted for debt service	6,906,197	—	—	—	6,906,197	—
Unrestricted	28,675,602	3,809,583	(5,587,023)	(2,213,972)	24,684,190	3,687,384
Total fund equity	<u>115,267,797</u>	<u>6,902,730</u>	<u>6,930,942</u>	<u>2,924,376</u>	<u>132,025,845</u>	<u>3,808,930</u>
Total liabilities and fund equity	<u>\$ 176,049,217</u>	<u>7,422,206</u>	<u>17,200,807</u>	<u>5,786,688</u>	<u>206,458,918</u>	<u>4,444,723</u>
Total fund equity					132,025,845	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					1,335,856	
Net assets of business-type activities					<u>\$ 133,361,701</u>	

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

# CITY OF LAWRENCE, KANSAS

## Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Funds

For the Year Ended December 31, 2004

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 21,860,788	7,858,336	2,728,541	1,744,313	34,191,978	8,164,778
Other sales	120,130	211,355	—	—	331,485	—
Total operating revenues	21,980,918	8,069,691	2,728,541	1,744,313	34,523,463	8,164,778
Operating expenses:						
Continuing operations	—	7,243,863	—	1,534,337	8,778,200	2,128,799
Transmission and distribution	9,347,774	—	845,124	—	10,192,898	—
General administration	1,871,792	—	—	—	1,871,792	675,508
Health insurance claims	—	—	—	—	—	4,361,323
Depreciation and amortization	3,711,536	718,723	164,499	368,065	4,962,823	34,965
Total operating expenses	14,931,102	7,962,586	1,009,623	1,902,402	25,805,713	7,200,595
Operating income (loss)	7,049,816	107,105	1,718,918	(158,089)	8,717,750	964,183
Nonoperating revenues (expenses)						
Interest income	436,825	46,244	31,096	5,676	519,841	36,661
Interest expense and fiscal charges	(2,280,861)	—	(212,931)	(152,753)	(2,646,545)	—
Gain (loss) on sale of fixed assets	12,701	(28,801)	—	—	(16,100)	—
Federal and state grant	—	33,826	—	—	33,826	—
Other	214,745	164,683	50	362	379,840	7,572
Total nonoperating revenues (expenses)	(1,616,590)	215,952	(181,785)	(146,715)	(1,729,138)	44,233
Income (loss) before operating transfers	5,433,226	323,057	1,537,133	(304,804)	6,988,612	1,008,416
Operating transfers out	(1,160,500)	(187,500)	(90,000)	—	(1,438,000)	(7,000)
Net income (loss)	4,272,726	135,557	1,447,133	(304,804)	5,550,612	1,001,416
Fund equity (deficit), beginning of year, as restated	110,995,071	6,767,173	5,483,809	3,229,180		2,807,514
Fund equity (deficit), end of year	\$ 115,267,797	6,902,730	6,930,942	2,924,376		3,808,930
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					323,082	
					\$ 5,873,694	

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

# CITY OF LAWRENCE, KANSAS

## Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2004

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 22,321,574	8,214,133	2,701,914	1,756,489	34,994,110	8,162,940
Payments to suppliers	(6,778,622)	(3,956,296)	(159,817)	(554,087)	(11,448,822)	(6,407,042)
Payments to employees	(4,763,057)	(3,473,660)	(473,360)	(967,734)	(9,677,811)	(758,699)
Net cash provided by (used in) operating activities	10,779,895	784,177	2,068,737	234,668	13,867,477	997,199
<b>Cash flows from noncapital financing activities:</b>						
Transfers out	(1,160,500)	(187,500)	(90,000)	—	(1,438,000)	(7,000)
Grant proceeds	—	33,826	—	—	33,826	—
Net cash provided by (used in) noncapital financing activities	(1,160,500)	(153,674)	(90,000)	—	(1,404,174)	(7,000)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(5,152,087)	(810,768)	(2,376,446)	—	(8,339,301)	(56,057)
Proceeds from sales of capital assets	12,701	6,646	—	—	19,347	1,000
Proceeds from notes payable	1,816,202	—	5,863,780	—	7,679,982	—
Proceeds from general obligation bonds	—	—	1,887,000	—	1,887,000	—
Principal payments on debt	(2,907,960)	—	(8,187,045)	(165,000)	(11,260,005)	—
Interest payments on debt	(2,271,506)	—	(181,360)	(155,421)	(2,608,287)	—
Net cash used in capital and related financing activities	(8,502,650)	(804,122)	(2,994,071)	(320,421)	(12,621,264)	(55,057)
<b>Cash flows from investing activities:</b>						
Receipt of interest and dividends	382,648	47,481	24,991	4,619	459,739	26,921
Purchases of investments	(59,093,186)	(6,445,408)	(4,829,747)	(752,413)	(71,120,754)	(6,090,059)
Sales of investments	60,242,369	6,583,926	3,447,386	785,844	71,059,525	5,050,722
Net cash provided by (used in) investing activities	1,531,831	185,999	(1,357,370)	38,050	398,510	(1,012,416)
Net increase (decrease) in cash	2,648,576	12,380	(2,372,704)	(47,703)	240,549	(77,274)
Cash and cash equivalents, beginning of year	2,054,400	307,570	3,982,480	255,159	6,599,609	364,656
Cash and cash equivalents, end of year	\$ 4,702,976	319,950	1,609,776	207,456	6,840,158	287,382
Components of cash and cash equivalents at end of year:						
Cash	\$ 3,300,645	317,890	1,609,776	207,456	5,435,767	287,382
Restricted cash - customer deposits	786,820	2,060	—	—	788,880	—
Restricted cash - revenue bonds	570,000	—	—	—	570,000	—
Restricted cash - noncurrent	45,511	—	—	—	45,511	—
	\$ 4,702,976	319,950	1,609,776	207,456	6,840,158	287,382
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 7,049,816	107,105	1,718,918	(158,089)	8,717,750	964,183
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	3,711,536	718,723	164,499	368,065	4,962,823	34,965
Other income	214,745	164,683	50	362	379,840	6,572
Change in:						
Accounts receivable	125,911	(20,241)	(26,677)	11,814	90,807	(10,730)
Inventories of supplies	(34,351)	—	—	31,381	(2,970)	(25,699)
Accounts payable	(141,303)	(95,888)	217,560	(1,681)	(21,312)	16,171
Claims payable	—	—	—	—	—	29,747
Accrued payroll	(158,020)	(98,684)	(13,376)	(23,228)	(293,308)	(20,241)
Customer deposits	20,270	(335)	(40)	—	19,895	—
Accrued vacation and sick pay	(11,000)	18,354	8,513	6,044	21,911	(89)
Deferred revenue	—	—	—	—	—	2,320
Estimated claims and judgments payable	2,291	(9,540)	(710)	—	(7,959)	—
Total adjustments	3,730,079	677,072	349,819	392,757	5,149,727	33,016
Net cash provided by (used in) operating activities	\$ 10,779,895	784,177	2,068,737	234,668	13,867,477	997,199

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

**CITY OF LAWRENCE, KANSAS**

Statement of Assets and Liabilities  
All Agency Funds

December 31, 2004

Assets		
Cash	\$	303,216
Restricted assets - cash		<u>70,683</u>
Total assets	\$	<u><u>373,899</u></u>
Liabilities		
Accounts payable	\$	303,216
Court bonds payable		<u>70,683</u>
Total liabilities	\$	<u><u>373,899</u></u>

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

# CITY OF LAWRENCE, KANSAS

## Combining Statement of Net Assets - Discretely Presented Component Units December 31, 2004

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 988,088	6,215,133	699,990	7,903,211
Investments	4,575,533	34,552,483	—	39,128,016
Receivables (net)	153,554	15,214,783	—	15,368,337
Inventories	46,457	725,210	—	771,667
Prepaid items	63,668	2,706,052	—	2,769,720
Deferred costs	—	690,682	—	690,682
Other assets	2,189	441,278	—	443,467
Capital assets (net)				
Land and construction in progress	838,744	2,015,639	—	2,854,383
Other capital assets, net of depreciation	9,042,860	48,942,960	3,378,872	61,364,692
Total assets	<u>15,711,093</u>	<u>111,504,220</u>	<u>4,078,862</u>	<u>131,294,175</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	292,914	10,190,265	138,279	10,621,458
Deferred revenue	13,967	607,199	—	621,166
Long-term liabilities				
Due within one year	—	2,031,827	—	2,031,827
Due in more than one year	63,344	32,832,058	—	32,895,402
Total liabilities	<u>370,225</u>	<u>45,661,349</u>	<u>138,279</u>	<u>46,169,853</u>
Net Assets				
Invested in capital assets, net of debt	9,881,604	21,815,462	3,378,872	35,075,938
Restricted for:				
Debt service	—	844,155	—	844,155
Unrestricted	5,459,264	43,183,254	561,711	49,204,229
Total net assets	<u>\$ 15,340,868</u>	<u>65,842,871</u>	<u>3,940,583</u>	<u>85,124,322</u>

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

# **CITY OF LAWRENCE, KANSAS**

## **Combining Statement of Activities - Discretely Presented Component Units**

For the Year Ended December 31, 2004

	<b>Lawrence Housing Authority</b>	<b>Lawrence Memorial Hospital</b>	<b>Lawrence Public Library</b>	<b>Total Component Units</b>
Expenses	\$ 5,820,944	93,573,351	2,671,864	102,066,159
Program revenues:				
Charges for services	1,028,744	99,260,295	110,316	100,399,355
Operating grants and contributions	4,963,287	—	2,322,973	7,286,260
Capital grants and contributions	295,573	819,370	—	1,114,943
Net (expense) revenue	466,660	6,506,314	(238,575)	6,734,399
General Revenues				
Unrestricted investment earnings	68,589	1,131,186	9,723	1,209,498
Miscellaneous	77,089	80,317	2,245	159,651
Total general revenues and transfers	145,678	1,211,503	11,968	1,369,149
Change in net assets	612,338	7,717,817	(226,607)	8,103,548
Net assets-beginning	14,728,530	58,125,054	4,167,190	77,020,774
Net assets-ending	\$ 15,340,868	65,842,871	3,940,583	85,124,322

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

## **City of Lawrence, Kansas**

### **Notes to Basic Financial Statements**

December 31, 2004

#### **(1) Summary of Significant Accounting Policies**

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

##### ***A. Government-wide and Fund Financial Statements***

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

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

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

##### ***B. Measurement Focus, Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

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

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

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:



## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

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

#### C. *Inventories*

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

#### D. *Budgetary Procedures*

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

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

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

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of budget for the succeeding calendar year on or before August 1 of each year.

## **City of Lawrence, Kansas**

### **Notes to Basic Financial Statements**

December 31, 2004

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year.

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

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

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

#### ***E. Pooled Cash and Investments***

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

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

#### ***F. Receivables and Payables***

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

Taxes Receivable. Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2005. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

#### **G. Capital Assets**

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

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

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

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

#### **H. Bond Discounts/Issuance Costs**

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

## **City of Lawrence, Kansas**

### **Notes to Basic Financial Statements**

December 31, 2004

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

#### ***I. Compensated Absences***

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

#### ***J. Capitalization of Interest***

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. There was no interest capitalized during 2004.

#### ***K. Use of Estimates***

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

#### ***L. Deferred Revenue***

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

#### ***M. Comparative Data / Reclassifications***

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

### **(2) Reporting Entity**

The City has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would be misleading or incomplete.

This consideration relied on the underlying concept that elected officials are accountable for the actions of those they appoint to govern other organizations and that the City's financial statements should report this accountability. Although elected officials are accountable for the actions of all

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

appointees, governmental accounting standards establish financial accountability as the threshold for including an organization in the financial statements of the reporting entity. Generally, financial accountability results from one of the following criteria:

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

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

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

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

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

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

Lawrence Housing Authority	Lawrence Public Library	Lawrence Memorial Hospital
1600 Haskell Avenue	707 Vermont	325 Maine
Lawrence, Kansas 66044	Lawrence, Kansas 66044	Lawrence, Kansas 66044

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$72,515,989 difference are as follows:

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

Bonds payable	\$	68,139,695
Notes payable		58,498
Accrued interest payable		994,441
Claims and judgments payable		175,215
Compensated absences		<u>3,148,140</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>72,515,989</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances -total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,714,022 difference are as follows:

Capital outlay	\$	8,249,352
Depreciation expense		<u>(6,535,330)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u>1,714,022</u>

Another element of that reconciliation explains that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$4,516,028 difference are as follows:

#### Debt issued:

Issuance of general obligation bonds	\$	(13,833,000)
Principal repayments:		
General obligation debt		18,332,241
Notes payable		16,787
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u>4,516,028</u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,827,219 difference are as follows:

Compensated absences	\$	(1,822,693)
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**City of Lawrence, Kansas**

**Notes to Basic Financial Statements**

**December 31, 2004**

Claims and judgments	82,996
Accrued interest	<u>(87,522)</u>
Net adjustment to increase net changes in fund balances - total	
governmental funds to arrive at changes in net assets - governmental activities	\$ <u>(1,827,219)</u>

**(4) Budgetary Accounting**

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

**(5) Deposits and Investments**

*Deposits* – At December 31, 2004 cash on hand, deposits, including accrued interest, and bank balances covered by FDIC insurance or collateral, is as follows:

	<b><u>Primary Government</u></b>
Cash and deposits, including certificates of deposit:	
Carrying amount	\$ <u>40,606,664</u>
Bank balance	\$ <u>41,766,027</u>
FDIC insurance	\$ 300,000
Collateral pledged and held at the Federal Reserve in the City's name or at a third-party bank under joint custody	
Agreements	63,218,891
Uncollateralized	<u>-</u>
	\$ <u><u>63,518,891</u></u>

*Investments* – Kansas Statutes authorize the City to invest the U. S. treasury bills and notes, repurchase agreements and the State Treasurer's investment pool. All investments must be insured, registered or held by the City or its agent in the City's name. The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank not in the city's name. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the municipality. The investments of the State Treasurer's investment pool are held in the name of the state in the state's account at the Federal Reserve. These investments are reported to

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

the City at fair value on a monthly basis. State statutes established the Pooled Money Investment Board to oversee the activities of the pool.

<u>Type</u>	<u>Risk Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U. S. government securities	\$ <u>—</u>	<u>58,550,014</u>	<u>—</u>	58,550,014	58,550,014
State Treasurer's investment pool				<u>5,000</u>	<u>5,000</u>
Total				<u>\$ 58,555,014</u>	<u>58,555,014</u>

A summary of deposits, investments and petty cash is as follows:

	<u>Primary Government</u>
Petty cash	\$ 4,745
Total deposits, including accrued interest	13,434,243
Total certificates of deposit, including accrued interest	27,167,676
Total other investments, including accrued interest	<u>58,555,014</u>
Total	<u>\$ 99,161,678</u>

The deposits and investments of the City are shown in the basic financial statements as follows:

	<u>Primary Government</u>
Cash	\$ 13,114,873
Investments	85,295,626
Accrued interest	377,280
Agency funds	<u>373,899</u>
	<u>\$ 99,161,678</u>



**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

**(6) Tax Revenue**

Tax revenue for the year ended December 31, 2004 is as follows:

	<b>Primary Government</b>			
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
Property taxes	\$ 10,734,173	3,440,596	4,779,766	18,954,535
Motor vehicle tax	932,434	363,017	500,063	1,795,514
Payment in lieu of tax	124,342	15,200	21,459	161,001
Utility franchise taxes	3,684,941	-	-	3,684,941
Sales taxes	12,415,985	-	-	12,415,985
Tax revenue	<u>\$ 27,891,875</u>	<u>3,818,813</u>	<u>5,301,288</u>	<u>37,011,976</u>

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2004 were as follows:

<b>Fund</b>	<b>Levy</b>
Primary government:	
General	\$ 15.777
Library	3.256
Public Transportation	1.363
Recreation	.394
Debt Service	<u>7.069</u>
Total primary government	<u>\$ 27.859</u>

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

### (7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2004:

Type of Issue	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 72,638,936	13,833,000	18,332,241	68,139,695	8,103,958
Long term notes payable	75,285	-	16,787	58,498	17,380
Estimated claims and judgements payable	258,211	-	82,996	175,215	-
Accrued vacation and sick pay	1,367,168	54,444		1,421,612	-
Total primary government	\$ 74,339,600	13,887,444	18,432,024	69,795,020	8,121,338
<b>Business-type activities:</b>					
General obligation bonds	\$ 5,486,064	1,887,000	627,759	6,745,305	796,042
Revenue bonds	9,475,000	-	540,000	8,935,000	570,000
Long term notes payable	49,470,892	2,011,387	2,367,959	49,114,320	*
Estimated claims and judgements payable	505,165	-	491,444	13,721	-
Accrued vacation and sick pay	323,533	33,758		357,291	-
Total primary government	\$ 65,260,654	3,932,145	4,027,162	65,165,637	1,366,042

Debt payable, other than claims and judgments and compensated absences, at December 31, 2004 is composed of the following:

Debt Issue	Date Issued	Date Matures	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Revenue bonds:						
Water and sewerage improvement	1996	2011	4.9-6.9	\$ 6,390,000	4,170,000	280,000
Water and sewerage improvement	1997	2011	4.5-6.5	6,900,000	4,765,000	290,000
					8,935,000	570,000
Long term notes payable -						
Kansas Partnership Fund	1998	2008	3.50	290,127	58,498	17,380
					58,498	17,380
Kansas Public Wastewater Loan Fund	2000	2021	3.44	38,356,483	38,016,089	*
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,027,697	5,764,723	*
Kansas Public Water Supply Loan Fund	2002	2023	4.14	626,337	5,333,508	*
					49,114,320	-

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

\*The State Revolving Loan Funds are partial draws. An amortization schedule is not yet available for these notes.

Debt Issue	Date Issued	Date Matures	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Street & internal improvement	1995	2005	4.0-6.25	\$ 2,445,000	295,000	295,000
Internal improvement	1995	2005	4.4-6.2	295,000	30,000	30,000
Internal improvement	1996	2006	4.6-6.5	540,000	130,000	65,000
Internal improvement	1996	2006	4.8-6.8	390,000	95,000	45,000
Internal improvement	1997	2006	4.45-6.45	2,930,000	685,000	335,000
Internal improvement	1997	2007	4.2-4.7	2,900,000	1,020,000	325,000
Internal improvement	1998	2007	3.6-4.4	5,325,000	1,790,000	570,000
Internal improvement	1999	2008	3.15-4.2	4,405,000	2,135,000	500,000
Internal improvement	1999	2009	4.5-6.0	2,110,000	1,450,000	270,000
Internal improvement	2000	2009	4.875-6.25	2,450,000	1,870,000	300,000
Internal improvement	2000	2010	4.25-5.95	2,455,000	1,610,000	235,000
Internal improvement	2000	2010	4.5-5.75	560,000	340,000	55,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,740,000	115,000
Internal improvement	2000	2010	4.625-5	4,990,000	4,990,000	735,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	8,325,000	340,000
Internal improvement	2001	2012	4.375-6.125	2,840,000	1,990,000	150,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	1,130,000	105,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	6,985,000	640,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	2,115,000	125,000
Internal improvement	2002	2014	2.8-3.7	920,000	800,000	65,000
Refunding	2003	2016	2.25-4.2	4,270,000	3,405,000	850,000
Refunding	2003	2016	2.25-4.2	10,190,000	10,190,000	1,150,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	2,430,000	210,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	2,935,000	210,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	3,200,000	265,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	10,600,000	795,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	1,600,000	120,000
					<u>74,885,000</u>	<u>8,900,000</u>
Total primary government				\$	<u>132,992,818</u>	<u>9,487,380</u>

In 2004, the City issued \$15,720,000 of general obligation bonds for paying the costs of certain street, building, sanitary sewer, storm water, traffic signal, and other improvements. The General Obligation Bonds, Series 2004-A, are due in annual installments of \$265,000 to \$30,000 with interest due in semiannual installments at rates of 2.25% to 4.00% through September 1, 2015. Series 2004-B is due in annual installments of \$795,000 to \$1,035,000 with interest due in semiannual installments at rates of 2.5% to 3.75% through September 1, 2016. Series 2004-C is due in annual installments of \$120,000 to \$160,000 with interest in semiannual installments at rates of 3.00% to 4.50% through September 1, 2016. The Series 2004-C was issued to finance improvements at the Lawrence airport and the interest payments are subject to the alternative minimum tax.

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

In 2004, the City issued \$10,115,000 of temporary notes for the purpose of temporarily financing the costs of street improvements, intersection improvements, and benefit district projects in the Northwest part of the City. The Temporary Notes, Series 2004-I, bear interest of 2.25% and matured October 1, 2004.

In 2004, the City issued \$15,745,000 of temporary notes for the purpose of temporarily financing the costs of certain street, traffic signal and storm water improvements. The Temporary Notes, Series 2004-II, bear interest of 3.0% and mature October 1, 2005.

The City intends to redeem all temporary notes outstanding at December 31, 2004 in 2005 from proceeds of general obligation bonds and/or other temporary notes issued to finance the improvements.

#### *General obligation bonds to be paid with tax levies:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2005	\$	8,103,958	2,957,641	11,061,599
2006		7,497,066	2,376,431	9,873,497
2007		6,737,492	2,122,191	8,859,683
2008		6,061,579	1,833,626	7,895,205
2009		6,065,201	1,603,154	7,668,355
2010-2014		22,656,766	4,888,967	27,545,733
2015-2019		10,022,633	1,358,899	11,381,532
2020-2024		995,000	53,175	1,048,175
Total	\$	<u>68,139,695</u>	<u>17,194,084</u>	<u>85,333,779</u>

#### *General obligation bonds to be paid with enterprise revenues:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2005	\$	796,042	302,734	1,098,776
2006		827,934	271,252	1,099,186
2007		862,508	235,547	1,098,055
2008		833,421	198,020	1,031,441
2009		469,799	161,409	631,208
2010-2014		2,593,234	566,627	3,159,861
2015-2019		362,367	20,227	382,594
Total	\$	<u>6,745,305</u>	<u>1,755,816</u>	<u>8,501,121</u>

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

*Total general obligation bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2005	\$	8,900,000	3,260,375	12,160,375
2006		8,325,000	2,647,683	10,972,683
2007		7,600,000	2,357,738	9,957,738
2008		6,895,000	2,031,646	8,926,646
2009		6,535,000	1,764,563	8,299,563
2010-2014		25,250,000	5,455,594	30,705,594
2015-2019		10,385,000	1,379,126	11,764,126
2020-2024		995,000	53,175	1,048,175
Total	\$	74,885,000	18,949,900	93,834,900

*Revenue bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2005	\$	570,000	468,958	1,038,958
2006		600,000	441,338	1,041,338
2007		635,000	411,663	1,046,663
2008		665,000	379,768	1,044,768
2009		705,000	345,700	1,050,700
2010-2014		4,220,000	1,118,083	5,338,083
2015-2019		1,540,000	109,653	1,649,653
Total	\$	8,935,000	3,275,163	12,210,163

*Long-term notes payable, Kansas Partnership Fund:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2005	\$	17,380	1,897	19,277
2006		17,993	1,283	19,276
2007		18,629	648	19,277
2008		4,496	79	4,575

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

Total	\$	58,498	3,907	62,405
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*Long-term notes payable, State Revolving Loan Fund:*

Year	Principal Due
Total to maturity	\$ 49,114,320

The 2000 Kansas Wastewater Loan in the amount of \$8,016,089 is a partial draw on a loan commitment of \$46,093,953. The 2001 Kansas Water Supply Loan in the amount of \$5,764,723 is a partial draw on a loan commitment of \$7,000,000. The 2002 Kansas Water Supply Loan in the amount of \$5,333,508 is a partial draw on a loan commitment of \$5,620,015. Amortization of these loans will be determined when the draws are complete.

The Water and Sewage System Revenue Bonds require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due be set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 140% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000. The City is in compliance with all requirements.

**Conduit Debt:** The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2004, total outstanding conduit debt was \$47,400,000.

### Lawrence Memorial Hospital Component Unit Debt:

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

Changes in long term debt transactions:

Type of Issue	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Revenue bonds	\$ 33,196,262	-	909,027	32,287,235	1,355,000
Retirement plan obligation	1,614,514	7,610	269,650	1,352,474	276,805
Capital lease obligations	1,976,120	-	751,944	1,224,176	400,022

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

\$	<u>36,786,896</u>	<u>7,610</u>	<u>1,930,621</u>	<u>34,863,885</u>	<u>2,031,827</u>
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The City has issued Series 1997, Series 1999 and Series 2003 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

<u>Debt Issue</u>	<u>Date Matures</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance At End of Year</u>	<u>Due in One Year</u>
Series 1997	2021	5.00-5.35	\$ 8,000,000	\$ 6,545,000	245,000
Series 1999	2024	5.00-6.00	10,380,000	9,260,000	270,000
Series 2003	2019	2.50-5.38	17,450,000	16,960,000	840,000
Unamortized loss on refunding				(477,765)	-
				<u>\$ 32,287,235</u>	<u>1,355,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2004 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
	\$	1,652,294	3,007,294
2005	1,355,000	1,594,959	3,004,959
2006	1,410,000		
2007	1,455,000	1,545,218	3,000,218
2008	1,505,000	1,489,861	2,994,861
2009	1,585,000	1,423,651	3,008,651
2010-2014	9,150,000	5,876,062	15,026,062
2015-2019	10,295,000	3,097,923	13,392,923
2020-2024	6,010,000	631,964	6,641,964
Total	<u>\$ 32,765,000</u>	<u>17,311,932</u>	<u>50,076,932</u>

**Arbitrage** – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2004.

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

**(8) Capital Assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

		Beginning Balance Restated	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
	Land	\$ 12,884,157	564,186	-	13,448,343
	Construction in progress	13,900,544	6,603,710	(7,867,882)	12,636,372
	Total capital assets, not being depreciated	26,784,701	7,167,896	(7,867,882)	26,084,715
Capital assets, being depreciated:					
	Buildings	46,088,859	17,262	-	46,106,121
	Improvements other than buildings	19,238,194	31,082	-	19,269,276
	Machinery and equipment	21,974,263	1,108,389	(539,508)	22,543,144
	Infrastructure	120,866,290	7,867,882	-	128,734,172
	Total capital assets being depreciated	208,167,606	9,024,615	(539,508)	216,652,713
Less accumulated depreciation for:					
	Buildings	16,009,827	1,498,558	-	17,508,385
	Improvements other than buildings	3,880,868	831,348	-	4,712,216
	Machinery and equipment	14,855,478	1,857,089	(498,742)	16,213,825
	Infrastructure	37,647,649	2,364,728	-	40,012,377
	Total accumulated depreciation	72,393,822	6,551,723	(498,742)	78,446,803
	Total capital assets, being depreciated, net	135,773,784	2,472,892	(40,766)	138,205,910
Governmental activities capital assets, net	\$		9,640,788		164,290,625



# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2004

	162,558,485		(7,908,648)	
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,484,122	141,273	-	2,625,396
Construction in progress	63,908,489	7,416,089	(4,383,805)	66,940,773
Total capital assets, not being depreciated	<u>62,404,998</u>	<u>7,557,362</u>	<u>(4,383,805)</u>	<u>69,566,168</u>
Capital assets, being depreciated:				
Buildings	18,075,204	3,129	-	18,078,333
Improvements other than buildings	102,151,802	3,860,917	-	106,012,719
Machinery and equipment	12,830,086	1,251,474	(408,893)	13,672,667
Total capital assets being depreciated	<u>133,057,092</u>	<u>5,115,520</u>	<u>(408,893)</u>	<u>137,763,719</u>
Less accumulated depreciation for:				
Buildings	7,232,586	474,452	-	7,707,038
Improvements other than buildings	29,255,715	3,166,244	-	32,421,959
Machinery and equipment	8,381,356	1,215,467	(373,446)	9,223,377
Total accumulated depreciation	<u>44,869,657</u>	<u>4,856,163</u>	<u>(373,446)</u>	<u>49,352,374</u>
Total capital assets, being depreciated, net	<u>88,187,435</u>	<u>259,357</u>	<u>(35,447)</u>	<u>88,411,345</u>
Businee-type activities capital assets, net	<u>\$ 154,580,046</u>	<u>7,816,719</u>	<u>(4,419,252)</u>	<u>157,977,513</u>

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

Governmental activities:	
General government	\$ 124,888
Public safety	350,068
Public works	5,217,543
Health	800
Social services	492,041
Culture and recreation	231,005
Tourism	3,208
Airport	115,777
Total governmental funds	6,535,330
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>16,393</u>
Total depreciation expense - governmental activities	<u>\$ 6,551,723</u>
Business-type activities:	
Water & sewer	\$ 3,606,264
Sanitation	702,133
Parking	182,835
Storm water	161,130
Golf course	<u>185,230</u>
Total proprietary funds	4,837,592
Capital assets held by the government's internal service funds are	<u>18,571</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

charged to the various functions based on their usage of the assets

Total depreciation expense – business-type activities	\$	<u>4,856,163</u>
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#### (9) Defined Benefit Pension Plan

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

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2004 was 3.22% from January 1 to June 30 and 3.82% from July 1 to December 31. The City's employer contributions to KPERS for the years ending December 31, 2004, 2003, and 2002 were \$690,461, \$585,964, and \$491,007, respectively, equal to the required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2004 is 10.02%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City contributions to KP&F for the years ending December 31, 2004, 2003, and 2002 were \$1,552,905, \$1,032,780, and \$1,028,854, respectively, equal to the required contributions for each year.

#### (10) Interfund Transactions

##### *Interfund Transfers*

A summary of transfers for the year ended December 31, 2004 follows:

Receiving Fund	Transfers In	Transfers Out
General	\$ <u>1,195,000</u>	<u>3,710,206</u>
Special Revenue Funds:		
Guest Tax	-	39,812
Recreation	1,200,000	-
Capital Improvement Reserve	278,000	-
Equipment Reserve	200,000	-
Guest Tax Reserve	39,812	-
Liability Reserve	50,000	-
Sales Tax Reserve	1,972,206	-
Workers Comp Reserve	250,000	-
Housing Trust Fund	<u>10,000</u>	<u>-</u>

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

	<u>4,000,018</u>	<u>39,812</u>
Bond & Interest Fund	<u>700,749</u>	<u>-</u>
Capital Project Fund	<u>-</u>	<u>700,749</u>
Enterprise Funds:		
Water and Sewer System	-	1,160,500
Sanitation	-	187,500
Storm Water Utility	<u>-</u>	<u>90,000</u>
	<u>-</u>	<u>1,438,000</u>
Internal Service – Central Maintenance	-	7,000
	<u>\$ 5,895,767</u>	<u>5,895,767</u>

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

***Interfund Receivables and Payables***

At December 31, 2004, the following funds had interfund receivables and payables to the following funds:

Due From	General Fund
Special Revenue Funds:	
Library Fund	\$ 32,000
Guest Tax Reserve	28,000
Law Enforcement Grant Fund	12,000
Constant Park Trust Fund	2,000
Outside Agency Fund	100,000
Fair Housing Grant Fund	30,000
Community Development	82,000
Home Program	69,000
Transportation Planning	<u>37,000</u>
	<u>392,000</u>
Capital Projects Fund	<u>53,000</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

Totals \$ 445,000

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

#### (11) Commitments and Contingencies

##### A. Contract Commitments

At December 31, 2004, the City had construction contract commitments totaling approximately \$5,108,708. The City expects to receive the contracted services during fiscal year 2005.

##### B. Insurance

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,369,231 at December 31, 2004. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2004 was \$188,936. The liability reported in the financial statements at December 31, 2004 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated.

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

	<u>2004</u>	<u>2003</u>
Unpaid claims, January 1	\$ 462,871	594,674
Incurred claims (including IBNRs)	4,391,070	3,312,157
Claim payments	<u>4,361,323</u>	<u>3,443,960</u>
Unpaid claims, December 31	\$ <u>492,618</u>	<u>462,871</u>

#### (12) Fund Deficit

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2004

At December 31, 2004, the Transportation Planning Fund had a deficit of \$37,078. The deficit is a result of program expenditures for which reimbursements have not yet been requested. Also, the Golf Course Fund had a deficit of \$283,917 due to an excess of expenses not covered by revenues.

#### (13) Other Postemployment Benefits (OPEB)

The City of Lawrence provides for the extension of the benefits of the City's group health care program to retirees of the City. The extension of health care benefits is a requirement of Section 18 of Chapter 302, 1988 Session Laws of Kansas. To be considered a retiree under this program, the individual must:

- a. Have retired after December, 31, 1988, and
- b. Be receiving a retirement or disability benefit for service with the City, and
- c. Be under age 65, and
- d. Have filed a written application with Personnel for coverage under this plan, and
- e. Have agreed to promptly pay the required monthly contribution.

The amount of the monthly contribution is determined actuarially on an annual basis. The City may contribute toward the contribution for retired former employees and their dependents. However, the majority of the contribution shall be paid by the retiree and at a level approved by the City Commission. These provisions will not subordinate the rights of a former employee under the federal Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA).

#### (14) Prior Year Restatements

Cash from a crossover debt refunding held by the escrow agent was not recorded in 2003. In 2004, the cash was used to call the debt. The effect on net assets is as follows:

Governmental Activities Net Assets at		
December 31, 2003, as reported	\$	151,233,675
Cash with escrow agent		<u>2,055,000</u>
Governmental Activities Net Assets at		
December 31, 2003, as restated	\$	<u>153,288,675</u>

Temporary note debt and the related assets were transferred from the Capital Projects Fund to the Storm Water Fund. As capital assets are not recorded in governmental funds, this required a restatement in the fund balance of the Capital Projects Fund as follows:

Fund Balance, Capital Projects Fund,		
December 31, 2003 as reported	\$	(390,330)
Cash with escrow agent not reported		<u>2,055,000</u>
Debt & related assets transferred to		

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2004

Storm Water Fund	<u>3,987,612</u>
Fund Balance, Capital Projects Fund, December 31, 2003 as restated	\$ <u>5,652,282</u>

The effect on capital assets is as noted below:

	Governmental Activities	Business-type Activities
Capital Assets, December 31, 2003 as reported	\$ 166,595,093	150,592,433
Construction in progress	<u>(4,036,608)</u>	<u>3,987,613</u>
Capital Assets, December 31, 2003 as restated	\$ <u>162,558,485</u>	<u>154,580,046</u>

## **Nonmajor Governmental Funds**

### **Special Revenue Funds** **Fund Descriptions**

#### **BUDGETED FUNDS**

*Guest Tax Fund* – This fund is used to account for the 4% guest tax received on the occupancy of hotels and motels in the City.

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

*Transportation Fund* – This fund is used to account for revenues and expenditures associated with the fixed route bus system and para-transit services of the City beginning in the year 2000.

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

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

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

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

#### **NONBUDGETED FUNDS**

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

*Capital Improvement Reserve Fund* – This fund is used to account for major capital improvements which are not funded by long-term debt. Transfers from the General Fund provide the resources for these expenditures (K.S.A. 12-1118).

*Equipment Reserve Fund* – This fund is used to account for major equipment purchases which are not budgeted in the operating funds of the Governmental Fund Types or financed with general obligation bonds. Transfers from the General Fund provide the resources for these expenditures (K.S.A. 12-1117).

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

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

*Sales Tax Reserve Fund* – This fund is used to account for the City's share of a .01 cents sales tax levied by the county designated for recreational and cultural capital projects and a health facility project (K.S.A. 12-1118).

**Special Revenue Funds**  
**Fund Descriptions, Continued**

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

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

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

*Constant Park Trust Fund* – This fund is used to account for donations received from the Estate of Frances Constant for development of Constant Park (K.S.A. 79-2925).

*Cemetery Perpetual Care Fund* – This fund is used to provide monies for the maintenance of the City Cemetery (K.S.A. 79-2925).

*Cemetery Mausoleum Fund* – This fund is used to provide monies for the City Mausoleum (K.S.A. 79-2925).

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

*Outside Agency Fund* - This fund is used to account for grants passed through the outside agencies and Project Freedom which is staffed by City employees (K.S.A. 12-1663).

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

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

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

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

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

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

*Law Enforcement Trust Fund* – This fund is used to account for proceeds from the sale of assets forfeited in a legal proceeding. Receipts in the fund are used to defray the cost of complex investigations, purchase technical equipment or provide matching funds for federal grants (K.S.A. 65-4173).

*City Band Fund* – This fund is used to account for donations received from the public to fund the summer band concert series (K.S.A. 79-2925).



# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

Assets	Special Revenue															
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve	City Parks Memorial
Cash	\$ 145,880	257,122	213,553	150,720	129,849	91,451	70,331	61,461	124,813	125,528	404	39,547	687,666	25,155	53,685	8,797
Investments	74,486	85,147	1,702,931	533,345	248,585	450,341	197,300	—	3,068,000	1,840,434	33,727	#####	1,551,353	—	985,236	31,021
Receivables:																
Taxes	—	2,154,839	901,768	270,668	—	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	8	2,926	—	—	—	569	1,272	205,878	—	—	—	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	12,886	10,756	241	7,781	2,266	—	5,576	156
Total assets	\$ <u>220,366</u>	<u>2,497,108</u>	<u>2,818,260</u>	<u>957,659</u>	<u>378,434</u>	<u>541,792</u>	<u>267,631</u>	<u>62,030</u>	<u>3,206,971</u>	<u>2,182,596</u>	<u>34,372</u>	<u>#####</u>	<u>2,241,285</u>	<u>25,155</u>	<u>1,044,497</u>	<u>39,974</u>
<b>Liabilities and Fund Balances</b>																
Liabilities:																
Accounts payable	\$ —	—	345	29,451	87,279	819	163	—	—	12,874	—	—	1,465	—	—	397
Accrued payroll	—	—	1,051	31,868	—	23,896	26	—	—	—	—	—	—	—	—	—
Due to other funds	—	32,000	—	—	—	—	—	—	—	—	28,000	—	—	12,000	—	—
Deferred revenue	—	2,341,638	980,246	286,279	—	—	—	569	1,272	1,166	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>2,373,638</u>	<u>981,642</u>	<u>347,598</u>	<u>87,279</u>	<u>24,715</u>	<u>189</u>	<u>569</u>	<u>1,272</u>	<u>14,040</u>	<u>28,000</u>	<u>—</u>	<u>1,465</u>	<u>12,000</u>	<u>—</u>	<u>397</u>
Fund balances:																
Reserved for encumbrances	—	—	117,298	72,879	—	144,155	102,570	—	—	—	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:																
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	#####	—	—	1,044,497	—
Undesignated	<u>220,366</u>	<u>123,470</u>	<u>1,719,320</u>	<u>537,182</u>	<u>291,155</u>	<u>372,922</u>	<u>164,872</u>	<u>61,461</u>	<u>3,205,699</u>	<u>2,168,556</u>	<u>6,372</u>	<u>—</u>	<u>2,239,820</u>	<u>13,155</u>	<u>—</u>	<u>39,577</u>
Total fund balances	<u>220,366</u>	<u>123,470</u>	<u>1,836,618</u>	<u>610,061</u>	<u>291,155</u>	<u>517,077</u>	<u>267,442</u>	<u>61,461</u>	<u>3,205,699</u>	<u>2,168,556</u>	<u>6,372</u>	<u>#####</u>	<u>2,239,820</u>	<u>13,155</u>	<u>1,044,497</u>	<u>39,577</u>
Total liabilities and fund balances	\$ <u>220,366</u>	<u>2,497,108</u>	<u>2,818,260</u>	<u>957,659</u>	<u>378,434</u>	<u>541,792</u>	<u>267,631</u>	<u>62,030</u>	<u>3,206,971</u>	<u>2,182,596</u>	<u>34,372</u>	<u>#####</u>	<u>2,241,285</u>	<u>25,155</u>	<u>1,044,497</u>	<u>39,974</u>

(Continued)

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2004

Assets	Special Revenue													Total Nonmajor Governmental Funds
	Constant Park Trust	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	City Band	
Cash	\$ 18	5,085	60	148,167	200,627	6,646	41,681	4,945	1,355	34,063	1,108	67,022	7,433	2,704,172
Investments	4,000	41,366	4,000	406,099	—	44,596	84,603	—	—	—	—	—	9,891	12,673,867
Receivables:														
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	3,327,275
Intergovernmental	—	—	—	—	132,416	—	—	673,062	—	39,127	—	—	—	844,605
Accounts	—	—	—	—	—	—	—	2,125	—	—	—	—	—	212,778
Loans	—	—	—	—	—	—	—	316,161	—	—	—	—	—	316,161
Accrued interest	13	360	13	2,908	—	332	427	—	—	—	—	—	85	43,800
Total assets	<u>\$ 4,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>333,043</u>	<u>51,574</u>	<u>126,711</u>	<u>996,293</u>	<u>1,355</u>	<u>73,190</u>	<u>1,108</u>	<u>67,022</u>	<u>17,409</u>	<u>20,122,658</u>
<b>Liabilities and Fund Balances</b>														
Liabilities:														
Accounts payable	\$ —	—	—	—	10,811	—	209	8,299	1,355	2,985	—	—	—	156,452
Accrued payroll	—	—	—	—	12,990	—	942	3,919	—	956	1,186	—	—	76,834
Due to other funds	2,000	—	—	—	100,000	—	30,000	82,000	—	69,000	37,000	—	—	392,000
Deferred revenue	—	—	—	—	—	—	—	608,436	—	—	—	—	—	4,219,606
Total liabilities	<u>2,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,801</u>	<u>—</u>	<u>31,151</u>	<u>702,654</u>	<u>1,355</u>	<u>72,941</u>	<u>38,186</u>	<u>—</u>	<u>—</u>	<u>4,844,892</u>
Fund balances:														
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	—	436,902
Reserved for loans	—	—	—	—	—	—	—	316,161	—	—	—	—	—	316,161
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	—	23,000
Unreserved:														
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	2,369,231
Undesignated	2,031	24,811	3,073	557,174	209,242	51,574	95,560	(22,522)	—	249	(37,078)	67,022	17,409	12,132,472
Total fund balances	<u>2,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>209,242</u>	<u>51,574</u>	<u>95,560</u>	<u>293,639</u>	<u>—</u>	<u>249</u>	<u>(37,078)</u>	<u>67,022</u>	<u>17,409</u>	<u>15,277,766</u>
Total liabilities and fund balances	<u>\$ 4,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>333,043</u>	<u>51,574</u>	<u>126,711</u>	<u>996,293</u>	<u>1,355</u>	<u>73,190</u>	<u>1,108</u>	<u>67,022</u>	<u>17,409</u>	<u>20,122,658</u>

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

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2004

Assets	Special Revenue													Total Nonmajor Governmental Funds
	Constant Park Trust	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	City Band	
Cash	\$ 18	5,085	60	148,167	200,627	6,646	41,681	4,945	1,355	34,063	1,108	67,022	7,433	2,704,172
Investments	4,000	41,366	4,000	406,099	—	44,596	84,603	—	—	—	—	—	9,891	12,673,867
Receivables:														
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	3,327,275
Intergovernmental	—	—	—	—	132,416	—	—	673,062	—	39,127	—	—	—	844,605
Accounts	—	—	—	—	—	—	—	2,125	—	—	—	—	—	212,778
Loans	—	—	—	—	—	—	—	316,161	—	—	—	—	—	316,161
Accrued interest	13	360	13	2,908	—	332	427	—	—	—	—	—	85	43,800
Total assets	<u>\$ 4,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>333,043</u>	<u>51,574</u>	<u>126,711</u>	<u>996,293</u>	<u>1,355</u>	<u>73,190</u>	<u>1,108</u>	<u>67,022</u>	<u>17,409</u>	<u>20,122,658</u>
<b>Liabilities and Fund Balances</b>														
Liabilities:														
Accounts payable	\$ —	—	—	—	10,811	—	209	8,299	1,355	2,985	—	—	—	156,452
Accrued payroll	—	—	—	—	12,990	—	942	3,919	—	956	1,186	—	—	76,834
Due to other funds	2,000	—	—	—	100,000	—	30,000	82,000	—	69,000	37,000	—	—	392,000
Deferred revenue	—	—	—	—	—	—	—	608,436	—	—	—	—	—	4,219,606
Total liabilities	<u>2,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,801</u>	<u>—</u>	<u>31,151</u>	<u>702,654</u>	<u>1,355</u>	<u>72,941</u>	<u>38,186</u>	<u>—</u>	<u>—</u>	<u>4,844,892</u>
Fund balances:														
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	—	436,902
Reserved for loans	—	—	—	—	—	—	—	316,161	—	—	—	—	—	316,161
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	—	23,000
Unreserved:														
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	2,369,231
Undesignated	2,031	24,811	3,073	557,174	209,242	51,574	95,560	(22,522)	—	249	(37,078)	67,022	17,409	12,132,472
Total fund balances	<u>2,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>209,242</u>	<u>51,574</u>	<u>95,560</u>	<u>293,639</u>	<u>—</u>	<u>249</u>	<u>(37,078)</u>	<u>67,022</u>	<u>17,409</u>	<u>15,277,766</u>
Total liabilities and fund balances	<u>\$ 4,031</u>	<u>46,811</u>	<u>4,073</u>	<u>557,174</u>	<u>333,043</u>	<u>51,574</u>	<u>126,711</u>	<u>996,293</u>	<u>1,355</u>	<u>73,190</u>	<u>1,108</u>	<u>67,022</u>	<u>17,409</u>	<u>20,122,658</u>

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

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2004

	Special Revenue															
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve	City Parks Memorial
Revenues:																
Taxes	\$ —	2,143,165	1,284,831	390,817	—	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	148,907	1,218,077	—	—	—	13,867	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	43,328	24,539	83	16,813	28,501	—	9,416	502
Intergovernmental	699,771	—	—	—	530,786	2,467,292	530,786	—	—	54,922	—	—	—	—	—	—
Miscellaneous	—	—	19,089	87,474	—	3,366	—	19,815	16,119	79,938	—	15,987	(500)	—	46,236	30,667
Total revenues	699,771	2,143,165	1,452,827	1,696,368	530,786	2,470,658	530,786	33,682	59,447	159,399	83	32,800	28,001	—	55,652	31,169
Expenditures:																
General government	—	2,067,000	1,238,068	—	—	—	—	—	—	—	—	50,516	—	—	127,385	25,562
Public safety	—	—	—	—	514,362	—	—	—	—	—	—	—	—	3,047	—	—
Public works	—	—	—	—	—	2,103,508	—	15	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	2,778,244	—	—	477,291	—	—	—	—	—	59,086	—	—	—
Tourism	572,688	—	—	—	—	—	—	—	—	—	88,047	—	—	—	—	—
Capital outlay	—	—	—	6,000	—	244,632	75,453	—	391,404	505,212	—	—	355,081	—	—	—
Debt service:																
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,434,641	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	656,147	—	—	—
Total expenditures	572,688	2,067,000	1,238,068	2,784,244	514,362	2,348,140	552,744	15	391,404	505,212	88,047	50,516	2,504,955	3,047	127,385	25,562
Excess (deficiency) of revenues over (under) expenditures	127,083	76,165	214,759	(1,087,876)	16,424	122,518	(21,958)	33,667	(331,957)	(345,813)	(87,964)	(17,716)	(2,476,954)	(3,047)	(71,733)	5,607
Other financing sources (uses):																
Transfers in	—	—	—	1,200,000	—	—	—	—	278,000	200,000	39,812	50,000	1,972,206	—	250,000	—
Transfers out	(39,812)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	(39,812)	—	—	1,200,000	—	—	—	—	278,000	200,000	39,812	50,000	1,972,206	—	250,000	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	87,271	76,165	214,759	112,124	16,424	122,518	(21,958)	33,667	(53,957)	(145,813)	(48,152)	32,284	(504,748)	(3,047)	178,267	5,607
Fund balance, beginning of year	133,095	47,305	1,621,859	497,937	274,731	394,559	289,400	27,794	3,259,656	2,314,369	54,524	1,292,450	2,744,568	16,202	866,230	33,970
Fund balance, end of year	\$ 220,366	123,470	1,836,618	610,061	291,155	517,077	267,442	61,461	3,205,699	2,168,556	6,372	1,324,734	2,239,820	13,155	1,044,497	39,577

(Continued)

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2004

	Special Revenue													Total
	Constant Park Trust	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	City Band	Nonmajor Governmental Funds
Revenues:														
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	3,818,813
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	—	1,380,851
Interest	35	552	45	6,790	—	470	445	—	—	—	—	2,196	124	133,839
Intergovernmental	—	—	—	—	2,178,480	—	177,127	975,350	—	795,988	116,876	—	—	8,527,378
Miscellaneous	—	—	—	—	16,750	26,350	—	289,393	—	123,062	—	30,977	—	804,723
Total revenues	35	552	45	6,790	2,195,230	26,820	177,572	1,264,743	—	919,050	116,876	33,173	124	14,665,604
Expenditures:														
General government	—	—	—	—	1,341,441	—	—	—	—	—	129,530	—	—	4,979,502
Public safety	—	—	—	—	545,590	—	—	—	—	—	—	4,279	—	1,067,278
Public works	—	—	—	—	—	—	—	—	—	—	—	—	—	2,103,523
Health	—	—	—	—	68,440	—	—	—	—	—	—	—	—	68,440
Social services	—	—	—	—	—	—	153,687	1,044,555	597	918,732	—	—	—	2,117,571
Culture and recreation	—	—	—	—	—	8,355	—	—	—	—	—	—	—	3,322,976
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	—	660,735
Capital outlay	—	—	—	—	205,185	—	—	—	—	—	—	14,995	—	1,797,962
Debt service:														
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—	1,434,641
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—	656,147
Total expenditures	—	—	—	—	2,160,656	8,355	153,687	1,044,555	597	918,732	129,530	19,274	—	18,208,775
Excess (deficiency) of revenues over (under) expenditures	35	552	45	6,790	34,574	18,465	23,885	220,188	(597)	318	(12,654)	13,899	124	(3,543,171)
Other financing sources (uses):														
Transfers in	—	—	—	10,000	—	—	—	—	—	—	—	—	—	4,000,018
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—	(39,812)
Total other financing sources (uses)	—	—	—	10,000	—	—	—	—	—	—	—	—	—	3,960,206
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	35	552	45	16,790	34,574	18,465	23,885	220,188	(597)	318	(12,654)	13,899	124	417,035
Fund balance, beginning of year	1,996	46,259	4,028	540,384	174,668	33,109	71,675	73,451	597	(69)	(24,424)	53,123	17,285	14,860,731
Fund balance, end of year	\$ 2,031	46,811	4,073	557,174	209,242	51,574	95,560	293,639	—	249	(37,078)	67,022	17,409	15,277,766

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>				
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>	<b><u>2003 Actual</u></b>
Revenues:					
Taxes	\$ 5,174,975	5,174,975	5,301,288	126,313	4,902,828
Special assessments	1,050,000	1,050,000	1,261,948	211,948	1,369,411
Interest	100,000	100,000	116,562	16,562	141,182
Intergovernmental	—	—	353,406	353,406	—
Miscellaneous	53,000	53,000	175,901	122,901	911,205
Total revenues	<u>6,377,975</u>	<u>6,377,975</u>	<u>7,209,105</u>	<u>831,130</u>	<u>7,324,626</u>
Expenditures:					
Principal retirement	6,600,000	6,600,000	5,067,600	1,532,400	4,961,017
Interest and fiscal charges	<u>3,324,856</u>	<u>3,324,856</u>	<u>2,074,786</u>	<u>1,250,070</u>	<u>2,246,284</u>
Total expenditures	<u>9,924,856</u>	<u>9,924,856</u>	<u>7,142,386</u>	<u>2,782,470</u>	<u>7,207,301</u>
Excess (deficiency) of revenues over (under) expenditures	(3,546,881)	(3,546,881)	66,719	3,613,600	117,325
Other financing sources – transfers in	<u>—</u>	<u>—</u>	<u>700,749</u>	<u>700,749</u>	<u>401,189</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (3,546,881)</u>	<u>(3,546,881)</u>	767,468	<u>4,314,349</u>	518,514
Fund balance, beginning of year			7,537,669		7,006,605
Net change in reserve for encumbrances			<u>(8,750)</u>		<u>12,550</u>
Fund balance, end of year			<u>\$ 8,296,387</u>		<u>7,537,669</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			<b>Variance</b>	<b>2003</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Positive (Negative)</u></b>	<b><u>Actual</u></b>
Revenues – intergovernmental	\$ <u>612,500</u>	<u>612,500</u>	<u>699,771</u>	<u>87,271</u>	<u>560,410</u>
Expenditures:					
Tourism – contractual services	<u>572,688</u>	<u>572,688</u>	<u>572,688</u>	<u>—</u>	<u>448,800</u>
Excess (deficiency) of revenues over (under) expenditures	39,812	39,812	127,083	87,271	111,610
Other financing (uses) – transfers out	<u>(39,812)</u>	<u>(39,812)</u>	<u>(39,812)</u>	<u>—</u>	<u>(31,200)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>—</u>	<u>—</u>	87,271	<u>87,271</u>	80,410
Fund balance, beginning of year			<u>133,095</u>		<u>52,685</u>
Fund balance, end of year			\$ <u>220,366</u>		<u>133,095</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			<b>Variance Positive (Negative)</b>	<b>2003 Actual</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>		
Revenues – taxes	\$ <u>2,052,244</u>	<u>2,052,244</u>	<u>2,143,165</u>	<u>90,921</u>	<u>2,044,569</u>
Expenditures:					
General government - contractual services	<u>2,067,000</u>	<u>2,067,000</u>	<u>2,067,000</u>	<u>—</u>	<u>2,039,923</u>
Total expenditures	<u>2,067,000</u>	<u>2,067,000</u>	<u>2,067,000</u>	<u>—</u>	<u>2,039,923</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u><u>(14,756)</u></u>	<u><u>(14,756)</u></u>	76,165	<u><u>90,921</u></u>	4,646
Fund balance, beginning of year			<u>47,305</u>		<u>42,659</u>
Fund balance, end of year			\$ <u><u>123,470</u></u>		<u><u>47,305</u></u>

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



**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	
Revenues:				
Taxes	\$ 1,248,750	1,248,750	1,284,831	36,081
Charges for services	95,000	95,000	148,907	53,907
Miscellaneous	—	—	19,089	19,089
Total revenues	<u>1,343,750</u>	<u>1,343,750</u>	<u>1,452,827</u>	<u>109,077</u>
Expenditures:				
General government				
Personal services	59,300	59,910	54,605	5,305
Contractual service	1,947,866	1,946,008	1,206,214	739,794
Commodities	4,400	5,648	2,774	2,874
Capital outlay	5,000	5,000	—	5,000
Total expenditures	<u>2,016,566</u>	<u>2,016,566</u>	<u>1,263,593</u>	<u>752,973</u>
Excess (deficiency) of revenues over (under) expenditures	(672,816)	(672,816)	189,234	862,050
Other financing uses – transfers out	—	—	—	—
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ (672,816)</u>	<u>(672,816)</u>	189,234	<u>862,050</u>
Fund balance, beginning of year			1,621,859	
Net change in reserve for encumbrances			<u>25,525</u>	
Fund balance, end of year			<u>\$ 1,836,618</u>	

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:				
Taxes	\$ 370,500	370,500	390,817	20,317
Charges for services	1,343,505	1,343,505	1,218,077	(125,428)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>87,474</u>	<u>81,474</u>
Total revenues	<u>1,720,005</u>	<u>1,720,005</u>	<u>1,696,368</u>	<u>(23,637)</u>
Expenditures:				
Culture and recreation:				
Personal services	2,454,094	2,392,018	2,145,720	246,298
Contractual service	369,349	410,820	375,681	35,139
Commodities	208,540	252,561	238,579	13,982
Capital outlay	66,500	43,084	42,835	249
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>3,098,483</u>	<u>3,098,483</u>	<u>2,802,815</u>	<u>295,668</u>
Excess (deficiency) of revenues over (under) expenditures	(1,378,478)	(1,378,478)	(1,106,447)	272,031
Other financing sources – transfers in	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u><u>(178,478)</u></u>	<u><u>(178,478)</u></u>	93,553	<u><u>272,031</u></u>
Fund balance, beginning of year			497,937	
Net change in reserve for encumbrances			<u>18,571</u>	
Fund balance, end of year			\$ <u><u>610,061</u></u>	

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			<b>Variance</b>	<b>2003</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>	<b><u>Positive (Negative)</u></b>	<b><u>Actual</u></b>
Revenues – intergovernmental	\$ <u>500,000</u>	<u>500,000</u>	<u>530,786</u>	<u>30,786</u>	<u>518,024</u>
Expenditures:					
Health:					
Contractual service	576,000	576,000	511,047	64,953	459,076
Commodities	—	—	2,815	(2,815)	1,090
Other	<u>20,000</u>	<u>20,000</u>	<u>500</u>	<u>19,500</u>	<u>1,000</u>
Total expenditures	<u>596,000</u>	<u>596,000</u>	<u>514,362</u>	<u>81,638</u>	<u>461,166</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u><u>(96,000)</u></u>	<u><u>(96,000)</u></u>	16,424	<u><u>112,424</u></u>	56,858
Fund balance, beginning of year			<u>274,731</u>		<u>217,873</u>
Fund balance, end of year			\$ <u><u>291,155</u></u>		<u><u>274,731</u></u>

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

# **CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>			<b>Variance Positive (Negative)</b>	<b>2003 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues					
Intergovernmental	\$ 2,590,000	2,590,000	2,467,292	(122,708)	2,391,833
Miscellaneous	—	—	3,366	3,366	—
Total revenues	<u>2,590,000</u>	<u>2,590,000</u>	<u>2,470,658</u>	<u>(119,342)</u>	<u>2,391,833</u>
Expenditures:					
Public works:					
Personal services	1,377,968	1,377,968	1,303,508	74,460	1,288,400
Contractual service	1,500	1,500	1,150	350	560
Commodities	1,250,200	1,253,454	856,358	397,096	1,155,783
Capital outlay	<u>274,000</u>	<u>270,746</u>	<u>232,935</u>	<u>37,811</u>	<u>235,839</u>
Total expenditures	<u>2,903,668</u>	<u>2,903,668</u>	<u>2,393,951</u>	<u>509,717</u>	<u>2,680,582</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(313,668)</u>	<u>(313,668)</u>	76,707	<u>390,375</u>	(288,749)
Fund balance, beginning of year			394,559		765,234
Net change in reserve for encumbrances			<u>45,811</u>		<u>(81,926)</u>
Fund balance, end of year			\$ <u>517,077</u>		<u>394,559</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2004  
(With Comparative Actual Amounts for 2003)

	<b>2004</b>				
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2003 Actual</b>
Revenues – intergovernmental	\$ 500,000	500,000	530,786	30,786	518,024
Expenditures:					
Culture and recreation:					
Personal services	37,700	35,218	34,232	986	40,600
Contractual service	261,300	306,568	307,971	(1,403)	383,927
Commodities	53,000	115,288	122,074	(6,786)	131,585
Capital outlay	249,000	173,926	127,025	46,901	78,495
Other	30,000	—	—	—	550
Total expenditures	<u>631,000</u>	<u>631,000</u>	<u>591,302</u>	<u>39,698</u>	<u>635,157</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(131,000)</u>	<u>(131,000)</u>	(60,516)	<u>70,484</u>	(117,133)
Fund balance, beginning of year			289,400		430,644
Net change in reserve for encumbrances			<u>38,558</u>		<u>(24,111)</u>
Fund balance, end of year			\$ <u>267,442</u>		<u>289,400</u>

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

## **NONMAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

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

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

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

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Proprietary Funds December 31, 2004

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 191,108	16,348	207,456
Investments	416,482	—	416,482
Receivables:			
Accounts	10,816	97	10,913
Accrued interest	2,630	—	2,630
Inventories	—	10,859	10,859
Total current assets	<u>621,036</u>	<u>27,304</u>	<u>648,340</u>
Capital assets			
Land	479,055	—	479,055
Buildings and improvements	3,981,567	3,616,125	7,597,692
Equipment	388,064	237,820	625,884
Accumulated depreciation	<u>(2,202,150)</u>	<u>(1,362,133)</u>	<u>(3,564,283)</u>
Total capital assets	<u>2,646,536</u>	<u>2,491,812</u>	<u>5,138,348</u>
Total assets	<u>\$ 3,267,572</u>	<u>2,519,116</u>	<u>5,786,688</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Current liabilities			
Accounts payable	\$ 6,679	2,644	9,323
Accrued interest payable	—	49,139	49,139
Accrued payroll	9,527	4,843	14,370
Accrued vacation and sick pay	27,969	14,159	42,128
Current portion of general obligation bonds	—	170,000	170,000
Total current liabilities	<u>44,175</u>	<u>240,785</u>	<u>284,960</u>
Noncurrent liabilities			
Compensated absences	15,104	2,248	17,352
General obligation bonds payable	—	2,560,000	2,560,000
Total noncurrent liabilities	<u>15,104</u>	<u>2,562,248</u>	<u>2,577,352</u>
Total liabilities	<u>59,279</u>	<u>2,803,033</u>	<u>2,862,312</u>
Fund equity:			
Invested in capital assets, net of debt	2,646,536	2,491,812	5,138,348
Unrestricted	<u>561,757</u>	<u>(2,775,729)</u>	<u>(2,213,972)</u>
Total fund equity	<u>3,208,293</u>	<u>(283,917)</u>	<u>2,924,376</u>
Total liabilities and fund equity	<u>\$ 3,267,572</u>	<u>2,519,116</u>	<u>5,786,688</u>

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

# CITY OF LAWRENCE, KANSAS

## Combining Statement of Revenues, Expenses and Changes in Fund Equity - Nonmajor Proprietary Funds

For the Year Ended December 31, 2004

	<b>Public Parking</b>	<b>Golf Course</b>	<b>Total Nonmajor Enterprise Funds</b>
Operating revenues - charges for services	\$ 831,787	912,526	1,744,313
Operating expenses:			
Continuing operations	770,401	763,936	1,534,337
Depreciation and amortization	182,835	185,230	368,065
Total operating expenses	953,236	949,166	1,902,402
Operating income (loss)	(121,449)	(36,640)	(158,089)
Nonoperating revenues (expenses)			
Interest income	5,651	25	5,676
Interest expense and fiscal charges	—	(152,753)	(152,753)
Other	—	362	362
Total nonoperating revenues (expenses)	5,651	(152,366)	(146,715)
Net income (loss)	(115,798)	(189,006)	(304,804)
Fund equity (deficit), beginning of year, as restated	3,324,091	(94,911)	3,229,180
Fund equity (deficit), end of year	\$ 3,208,293	(283,917)	2,924,376

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



# CITY OF LAWRENCE, KANSAS

## Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Year Ended December 31, 2004

	<b>Public Parking</b>	<b>Golf Course</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 843,619	912,870	1,756,489
Payments to suppliers	(179,209)	(374,878)	(554,087)
Payments to employees	(602,082)	(365,652)	(967,734)
	<u>62,328</u>	<u>172,340</u>	<u>234,668</u>
Net cash provided by (used in) operating activities			
<b>Cash flows from capital and related financing activities:</b>			
Principal payments on debt	—	(165,000)	(165,000)
Interest payments on debt	—	(155,421)	(155,421)
	<u>—</u>	<u>(320,421)</u>	<u>(320,421)</u>
Net cash used in capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Receipt of interest and dividends	4,566	53	4,619
Purchases of investments	(509,703)	(242,710)	(752,413)
Sales of investments	523,134	262,710	785,844
	<u>17,997</u>	<u>20,053</u>	<u>38,050</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash	80,325	(128,028)	(47,703)
Cash and cash equivalents, beginning of year	110,783	144,376	255,159
Cash and cash equivalents, end of year	<u>\$ 191,108</u>	<u>16,348</u>	<u>207,456</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (121,449)	(36,640)	(158,089)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	182,835	185,230	368,065
Other income	—	362	362
Change in:			
Accounts receivable	11,832	(18)	11,814
Inventories of supplies	—	31,381	31,381
Accounts payable	11	(1,692)	(1,681)
Accrued payroll	(14,457)	(8,771)	(23,228)
Accrued vacation and sick pay	3,556	2,488	6,044
	<u>183,777</u>	<u>208,980</u>	<u>392,757</u>
Total adjustments			
Net cash provided by (used in) operating activities	<u>\$ 62,328</u>	<u>172,340</u>	<u>234,668</u>

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

### **INTERNAL SERVICE FUNDS**

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

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

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

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

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Internal Service Funds December 31, 2004

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 255,443	26,983	4,956	287,382
Investments	177,759	—	3,391,433	3,569,192
Receivables:				
Accounts	201,036	—	24,341	225,377
Accrued interest	305	—	17,951	18,256
Inventories	208,940	14,030	—	222,970
Total current assets	<u>843,483</u>	<u>41,013</u>	<u>3,438,681</u>	<u>4,323,177</u>
Capital assets				
Buildings and improvements	421,535	—	—	421,535
Equipment	257,297	—	—	257,297
Accumulated depreciation	(557,286)	—	—	(557,286)
Total capital assets	<u>121,546</u>	<u>—</u>	<u>—</u>	<u>121,546</u>
Total assets	<u>\$ 965,029</u>	<u>41,013</u>	<u>3,438,681</u>	<u>4,444,723</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Current liabilities				
Accounts payable	\$ 20,934	—	—	20,934
Claims payable	—	—	492,618	492,618
Accrued payroll	12,107	—	—	12,107
Accrued vacation and sick pay	45,086	—	—	45,086
Deferred revenue	—	—	24,341	24,341
Total current liabilities	<u>78,127</u>	<u>—</u>	<u>516,959</u>	<u>595,086</u>
Noncurrent liabilities-accrued vacation and sick pay	<u>40,707</u>	<u>—</u>	<u>—</u>	<u>40,707</u>
Total liabilities	<u>118,834</u>	<u>—</u>	<u>516,959</u>	<u>635,793</u>
Fund equity:				
Unreserved retained earnings	<u>846,195</u>	<u>41,013</u>	<u>2,921,722</u>	<u>3,808,930</u>
Total liabilities and fund equity	<u>\$ 965,029</u>	<u>41,013</u>	<u>3,438,681</u>	<u>4,444,723</u>

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

# CITY OF LAWRENCE, KANSAS

## Combining Statement of Revenues, Expenses and Changes in Fund Equity - Internal Service Funds

For the Year Ended December 31, 2004

	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues - charges for services	\$ 2,225,058	7,560	5,932,160	8,164,778
Operating expenses:				
Continuing operations	2,119,698	9,101	—	2,128,799
General administration	—	—	675,508	675,508
Health insurance claims	—	—	4,361,323	4,361,323
Depreciation and amortization	34,965	—	—	34,965
Total operating expenses	2,154,663	9,101	5,036,831	7,200,595
Operating income (loss)	70,395	(1,541)	895,329	964,183
Nonoperating revenues (expenses)				
Interest income	2,802	—	33,859	36,661
Other	7,572	—	—	7,572
Total nonoperating revenues (expenses)	10,374	—	33,859	44,233
Income (loss) before transfers	80,769	(1,541)	929,188	1,008,416
Transfers out	(7,000)	—	—	(7,000)
Net income (loss)	73,769	(1,541)	929,188	1,001,416
Fund equity (deficit), beginning of year	772,426	42,554	1,992,534	2,807,514
Fund equity (deficit), end of year	\$ 846,195	41,013	2,921,722	3,808,930

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

# CITY OF LAWRENCE, KANSAS

## Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2004

	<b>Central Maintenance</b>	<b>Stores</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 2,223,220	7,560	5,932,160	8,162,940
Payments to suppliers	(1,396,645)	(3,313)	(5,007,084)	(6,407,042)
Payments to employees	(758,699)	—	—	(758,699)
	<u>67,876</u>	<u>4,247</u>	<u>925,076</u>	<u>997,199</u>
Net cash provided by (used in) operating activities				
<b>Cash flows from noncapital financing activities:</b>				
Transfers out	(7,000)	—	—	(7,000)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(56,057)	—	—	(56,057)
Proceeds from sales of capital assets	1,000	—	—	1,000
	<u>(55,057)</u>	<u>—</u>	<u>—</u>	<u>(55,057)</u>
Net cash used in capital and related financing activities				
<b>Cash flows from investing activities:</b>				
Receipt of interest and dividends	3,276	—	23,645	26,921
Purchases of investments	(599,219)	—	(5,490,840)	(6,090,059)
Sales of investments	686,457	—	4,364,265	5,050,722
	<u>90,514</u>	<u>—</u>	<u>(1,102,930)</u>	<u>(1,012,416)</u>
Net cash provided by (used in) investing activities				
Net increase (decrease) in cash	96,333	4,247	(177,854)	(77,274)
Cash and cash equivalents, beginning of year	159,110	22,736	182,810	364,656
Cash and cash equivalents, end of year	<u>\$ 255,443</u>	<u>26,983</u>	<u>4,956</u>	<u>287,382</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 70,395	(1,541)	895,329	964,183
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	34,965	—	—	34,965
Other income	6,572	—	—	6,572
Change in:				
Accounts receivable	(8,410)	—	(2,320)	(10,730)
Inventories of supplies	(31,487)	5,788	—	(25,699)
Accounts payable	16,171	—	—	16,171
Claims payable	—	—	29,747	29,747
Accrued payroll	(20,241)	—	—	(20,241)
Accrued vacation and sick pay	(89)	—	—	(89)
Deferred revenue	—	—	2,320	2,320
	<u>(2,519)</u>	<u>5,788</u>	<u>29,747</u>	<u>33,016</u>
Total adjustments				
Net cash provided by (used in) operating activities	<u>\$ 67,876</u>	<u>4,247</u>	<u>925,076</u>	<u>997,199</u>

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

## **AGENCY FUNDS**

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

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

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

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

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

# CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2004

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2004</b>
<b>Payroll Clearing</b>				
Assets:				
Cash	\$ 59,425	14,605,024	14,588,887	75,562
Accounts receivable	410	2	412	—
	<u>\$ 59,835</u>	<u>14,605,026</u>	<u>14,589,299</u>	<u>75,562</u>
Liabilities:				
Accounts payable	\$ 59,835	14,605,026	14,589,299	75,562
	<u>\$ 59,835</u>	<u>14,605,026</u>	<u>14,589,299</u>	<u>75,562</u>
<b>Municipal Court</b>				
Assets:				
Cash	\$ 189,205	564,541	526,399	227,347
Restricted assets - cash	70,683	—	—	70,683
	<u>\$ 259,888</u>	<u>564,541</u>	<u>526,399</u>	<u>298,030</u>
Liabilities:				
Accounts payable	\$ 189,205	564,541	526,399	227,347
Payable from restricted assets	70,683	—	—	70,683
	<u>\$ 259,888</u>	<u>564,541</u>	<u>526,399</u>	<u>298,030</u>
<b>KPRF</b>				
Assets:				
Restricted assets - cash	\$ 307	9,879	9,879	307
Liabilities:				
Accounts payable	\$ 307	9,879	9,879	307

(Continued)

# CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2004

<b>Fire Insurance Proceeds Fund</b>	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2004</b>
Assets:				
Cash	\$ —	6,750	6,750	—
Liabilities:				
Accounts payable	\$ —	6,750	6,750	—
<b>Totals - All Agency Funds</b>				
Assets:				
Cash	\$ 248,937	15,186,194	15,131,915	303,216
Accounts receivable	410	2	412	—
Restricted assets - cash	70,683	—	—	70,683
Total assets	\$ 320,030	15,186,196	15,132,327	373,899
Liabilities:				
Accounts payable	\$ 249,347	15,186,196	15,132,327	303,216
Court bonds payable	70,683	—	—	70,683
Total liabilities	\$ 320,030	15,186,196	15,132,327	373,899

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



**STATISTICAL SECTION**

**Table 1****CITY OF LAWRENCE, KANSAS**

## General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health</b>	<b>Social Services (2)</b>	<b>Culture and Recreation</b>	<b>Tourism</b>	<b>Airport</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total</b>
1995	\$4,085,600	\$ 10,870,141	\$ 4,072,699	\$ 983,610	\$3,949,855	\$2,868,026	\$ 348,592	\$ 60,699	\$ 4,960,200	\$ 4,120,208	\$ 36,319,630
1996	4,320,031	11,721,579	4,282,564	1,064,986	5,691,592	3,085,206	353,455	57,406	3,756,090	4,948,837	39,281,746
1997	5,619,976	13,822,621	4,738,153	893,561	4,926,671	3,307,316	428,369	62,995	4,300,420	6,701,911	44,801,993
1998	6,250,441	14,658,202	4,607,114	1,302,686	5,617,675	3,710,518	431,557	45,959	4,325,993	7,506,654	48,456,799
1999	6,940,177	14,931,935	4,768,079	1,469,277	1,847,584	4,036,175	485,027	52,107	4,120,125	6,832,829	45,483,315
2000	8,054,696	16,002,552	5,286,767	1,110,069	2,195,975	4,248,389	460,605	81,876	4,842,928	7,295,206	49,579,063
2001	13,373,484	17,360,889	5,715,798	1,200,890	2,055,147	5,141,485	443,181	79,691	3,913,454	7,964,760	57,248,779
2002	11,280,445	19,413,366	6,409,537	1,271,162	2,222,232	5,389,152	463,622	94,373	3,312,946	8,354,107	58,210,942
2003	12,286,275	20,760,197	6,554,869	1,369,492	2,881,262	5,993,346	486,845	75,885	1,690,388	9,308,568	61,407,127
2004	14,713,277	20,620,805	6,213,701	883,005	2,399,935	5,869,793	660,735	76,708	1,903,774	9,261,200	62,602,933

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Includes Lawrence Housing Authority from 1995-1998, excludes it in other years..

**Table 2****CITY OF LAWRENCE, KANSAS****General Governmental Revenues by Source (1)**

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter- govern- mental (2)</b>	<b>Special Assessments</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Interest</b>	<b>Miscellaneous Revenues</b>	<b>Total</b>
1995	\$21,382,979	\$496,153	\$14,654,866	\$1,043,432	\$1,626,418	\$707,562	\$1,318,666	\$946,177	\$42,176,253
1996	21,298,624	671,309	16,053,548	983,359	1,703,456	857,320	1,345,896	545,758	43,459,270
1997	22,269,525	535,278	17,169,515	943,073	3,819,842	971,397	1,672,692	556,052	47,937,374
1998	23,616,905	614,569	17,389,127	1,077,723	3,986,051	1,053,438	1,885,404	1,154,721	50,777,938
1999	24,812,688	660,835	14,053,307	815,907	3,062,775	1,346,049	1,760,503	1,116,488	47,628,552
2000	27,184,160	593,385	15,474,675	767,942	3,306,559	1,366,765	2,470,106	1,032,534	52,196,126
2001	28,871,331	675,677	19,453,270	703,422	4,132,558	1,437,216	1,783,799	1,176,540	58,233,813
2002	30,544,548	785,543	16,115,603	640,943	4,508,000	1,776,155	1,188,509	928,431	56,487,732
2003	32,657,686	1,024,587	17,248,387	1,369,411	4,534,620	2,012,187	718,147	1,905,211	61,470,236
2004	37,011,976	1,121,828	17,921,792	1,261,948	4,743,123	2,321,690	619,479	1,280,482	66,282,318

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Includes Lawrence Housing Authority from 1995-1998

**Table 3****CITY OF LAWRENCE, KANSAS**

## General Governmental Tax Revenues by Source (1)

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Motor Vehicle Tax</b>	<b>Payment- in-lieu</b>	<b>Total</b>
1995	\$8,654,079	\$8,596,944	\$2,448,127	\$1,548,682	\$135,147	\$21,382,979
1996	8,130,026	8,635,425	2,819,752	1,595,138	118,283	21,298,624
1997	8,732,520	9,126,141	2,921,599	1,369,012	120,253	22,269,525
1998	9,476,465	9,781,233	2,922,099	1,341,665	95,443	23,616,905
1999	10,228,830	10,190,751	2,852,957	1,449,320	90,830	24,812,688
2000	11,844,455	10,660,961	3,247,604	1,364,778	66,362	27,184,160
2001	12,773,484	10,997,729	3,466,443	1,528,257	105,418	28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548
2003	15,814,366	11,392,376	3,660,488	1,665,149	125,307	32,657,686
2004	18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976

(1) Includes General, Special Revenue and Debt Service Funds.

**Table 4****CITY OF LAWRENCE, KANSAS**

## Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
1995	\$8,749,132	\$8,511,302	97.28%	\$142,777	\$8,654,079	98.91%	\$134,016	1.53%
1996	8,160,690	7,939,468	97.29	190,558	8,130,026	99.62	164,680	2.02
1997	8,807,831	8,602,435	97.67	130,085	8,732,520	99.14	239,991	2.72
1998	9,557,471	9,337,045	97.69	139,420	9,476,465	99.15	320,997	3.36
1999	10,377,742	10,111,307	97.43	256,943	10,228,830	98.57	469,909	4.53
2000	12,143,963	11,688,149	96.25	156,306	11,844,455	97.53	769,417	6.34
2001	13,038,707	12,545,282	96.22	228,202	12,773,484	97.97	1,034,640	7.94
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11
2003	16,086,484	15,512,068	96.43	302,298	15,814,366	98.31	1,761,930	10.95
2004	18,960,069	18,537,307	97.77	417,228	18,954,535	99.97	1,767,464	9.32

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

Table 5

## CITY OF LAWRENCE, KANSAS

## Assessed and Estimated Actual Value of Property

## Last Ten Fiscal Years

## Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Fair Market Value
	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	
1995	\$306,634,405	\$2,200,816,704	\$31,905,265	\$131,052,435	\$17,755,345	\$53,804,076	\$356,295,015	\$2,385,673,215	14.9 %
1996	331,776,560	2,375,848,803	37,404,345	153,208,295	18,670,148	55,889,424	387,851,053	2,584,946,522	15.0 %
1997	360,067,050	2,581,012,295	41,742,335	171,013,733	19,709,636	59,128,908	421,519,021	2,811,154,936	15.0 %
1998	396,254,275	2,844,811,518	44,139,690	180,835,431	18,855,954	56,567,862	459,249,919	3,082,214,811	15.0 %
1999	430,724,410	3,093,617,130	49,302,310	197,209,240	18,637,210	55,911,630	498,663,930	3,346,738,000	15.0 %
2000	469,852,465	3,374,649,282	56,523,350	226,093,400	19,076,106	57,228,318	545,451,921	3,657,971,000	14.9 %
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9 %
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9 %
2003	598,234,485	4,296,734,542	54,874,350	219,497,400	21,244,347	63,733,041	674,353,182	4,579,964,983	14.9 %
2004	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	64,783,923	718,149,570	4,908,004,044	14.9 %

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

**Table 6****CITY OF LAWRENCE, KANSAS**

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>City of Lawrence</u>			<u>Douglas County</u>			<u>School District</u>			<u>State of Kansas</u>	<u>Total</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
1995	14.34	8.44	22.78	23.83	1.69	25.52	56.81	13.29	70.10	1.50	119.88
1996	14.18	8.49	22.67	21.62	3.57	25.19	56.08	11.51	67.59	1.50	116.95
1997	14.76	7.91	22.67	22.02	2.64	24.66	52.27	10.09	62.36	1.50	111.19
1998	15.87	6.73	22.60	22.82	3.02	25.84	39.33	9.17	48.50	1.50	98.43
1999	17.69	6.67	24.35	22.24	2.38	24.62	43.47	11.05	54.52	1.50	104.99
2000	17.15	6.75	23.90	24.32	0.00	24.32	39.61	12.17	51.78	1.50	101.51
2001	17.65	7.12	24.77	24.51	3.38	27.89	45.70	9.64	55.34	1.50	109.50
2002	18.43	7.13	25.56	27.82	0.00	27.82	39.03	10.81	49.84	1.50	104.71
2003	20.99	7.11	28.10	28.65	1.21	29.86	36.71	10.94	47.65	1.50	107.10
2004	20.79	7.07	27.86	29.19	0.67	29.86	39.95	6.76	46.71	1.50	105.93

Source: Douglas County Budget Office

Table 7

## CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2004

Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Western Resources	Electric Utility	\$ 10,436,875	1.45 %
Southwestern Bell	Telephone Utility	7,994,900	1.11
Hallmark Cards	Card Manufacturer	5,257,905	0.73
Lawrence Paper Co.	Paper Manufacturer	4,017,100	0.56
Packer Ware	Plastics Manufacturer	3,773,400	0.52
World Company	Media	3,705,300	0.52
K-Mart	Retail Center	3,468,750	0.48
NCS Pearson	Computer Services	3,386,440	0.47
Kresge	District Warehouse	2,897,300	0.40
Delmonte	Dog Food Manufacturer	2,852,645	0.40
Total		\$ <u>47,790,615</u>	<u>6.64</u> %

Source: Douglas County Clerk.



**Table 8**

**CITY OF LAWRENCE, KANSAS**

Special Assessment Billings and Collections

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Special Assessments Due</u>	<u>Special Assessments Collected (1)</u>
1995	\$665,300	\$1,043,432
1996	849,271	983,359
1997	807,215	943,073
1998	748,125	1,077,723
1999	520,620	815,907
2000	594,530	767,942
2001	583,177	703,422
2002	568,576	640,943
2003	1,216,907	1,369,411
2004	1,237,588	1,261,948

(1) Includes prepayments and foreclosures.

**CITY OF LAWRENCE, KANSAS**

**Table 9**

Computation of Legal Debt Margin

December 31, 2004

Unaudited

Assessed value – January 1, 2004	\$ <u>789,003,475</u>
Debt limitation (1)	\$ <u>236,701,042</u>
Total bonded debt (including notes)	99,565,000
Less revenue bonds	<u>8,935,000</u>
Total debt applicable to limitation	<u>90,630,000</u>
Legal debt margin	\$ <u>146,071,042</u>

(1) Debt limitation is 30% of assessed value

Table 10

## CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Debt Payable From Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
1995	74,784	356,295	\$28,270,000	\$3,114,847	\$6,840,000	\$18,315,153	5.14	\$244.91
1996	77,325	387,851	56,305,000	3,969,175	11,585,000	40,750,825	11.53	578.34
1997	79,190	421,519	63,250,000	5,078,420	16,620,000	41,551,580	9.86	524.71
1998	80,843	459,250	62,770,000	6,135,157	15,515,000	41,119,843	8.95	508.64
1999	81,560	498,664	65,605,000	7,993,327	14,360,000	43,251,673	8.67	682.40
2000	80,098	545,452	77,340,000	7,947,026	13,140,000	56,252,974	10.31	702.30
2001	83,495	595,971	74,470,000	7,638,070	11,855,000	54,976,930	9.22	658.44
2002	85,282	629,033	79,230,000	7,006,605	10,510,000	61,713,395	9.80	723.64
2003	86,040	674,353	87,600,000	7,537,669	9,475,000	70,587,331	10.47	820.40
2004	88,541	718,150	83,820,000	8,296,387	8,935,000	66,588,613	9.27	752.06

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

(2) Amounts expressed in thousands.

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

Table 11

## CITY OF LAWRENCE, KANSAS

Ratio of Annual Debt Service Expenditures for General  
Obligation Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1995	\$2,800,000	\$978,677	\$3,778,677	\$36,419,630	10.38 %
1996	3,345,000	1,260,859	4,605,859	39,281,746	11.73
1997	3,920,000	2,422,431	6,342,431	44,801,993	14.16
1998	4,700,000	2,487,997	7,187,997	48,456,799	14.83
1999	5,030,000	2,639,541	7,669,541	45,483,315	16.86
2000	10,530,000	2,681,114	13,211,114	49,579,063	26.65
2001	5,845,000	3,127,268	8,972,268	57,248,779	15.67
2002	6,000,000	3,222,847	9,222,847	58,210,942	15.84
2003	6,930,000	3,249,373	10,179,373	61,407,127	16.59
2004	7,130,000	3,096,415	10,226,415	62,602,933	16.34

(1) Includes Principal and Interest payments made from Enterprise Funds

(2) Includes General, Special Revenue and Debt Service Funds.

Table 12

## CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –  
General Obligation Bonds

December 31, 2004

Unaudited

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Amount Available in Debt Service Fund</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct – City of Lawrence	\$ 74,885,000	\$ 8,296,387	\$ 66,588,613	100 %	\$ 66,588,613
Overlapping:					
Douglas County	27,372,000	772,920	26,599,080	75	19,816,315
Unified School District No. 497	<u>51,135,000</u>	<u>1,957,284</u>	<u>49,177,716</u>	87	<u>42,784,613</u>
	<u>\$ 153,392,000</u>	<u>11,026,591</u>	<u>142,365,409</u>		<u>\$ 129,189,541</u>

**Table 13****CITY OF LAWRENCE, KANSAS**

## Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1995	\$13,498,613	\$8,803,717	\$4,694,896	\$1,520,000	\$420,654	\$1,940,654	2.42
1996	14,349,648	8,910,558	5,439,090	1,645,000	464,733	2,109,733	3.88
1997	15,456,466	9,618,109	5,838,357	1,290,000	806,524	2,096,524	2.78
1998	17,564,406	10,222,628	7,341,778	1,105,000	874,335	1,979,335	3.71
1999	19,420,407	10,937,931	8,482,476	1,155,000	878,794	2,033,794	4.17
2000	20,886,254	11,564,734	9,321,520	1,220,000	901,286	2,121,286	4.39
2001	21,312,400	12,512,695	8,799,705	1,285,000	874,322	2,159,322	4.08
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.51
2003	22,726,952	14,344,670	8,382,282	1,035,000	545,970	1,580,970	5.30
2004	21,980,918	14,931,102	7,049,816	540,000	494,720	1,034,720	6.81

Table 14

## CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1995	74,784	\$11,760	24.70	9,710	4.7 %
1996	77,325	11,760	24.70	9,957	4.9
1997	79,190	11,760	24.70	10,136	4.2
1998	80,843	11,760	24.70	10,253	4.4
1999	81,560	11,760	24.70	10,371	3.2
2000	80,098	19,952	25.30	10,329	4.0
2001	83,495	19,952	25.30	10,273	4.4
2002	85,282	19,952	25.30	10,154	4.2
2003	86,040	19,952	25.30	9,919	4.7
2004	88,541	19,952	25.30	10,228	4.2

## Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 1995-1999 Per Capita Income Estimates for Counties and Incorporated Places from 1990 census, 2000-2004 data from 2000 census.
- (3) 1990 Census of Population General Population Characteristics, except 2000-2004 which are from U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

Table 15

**CITY OF LAWRENCE, KANSAS**

## Property Value and Construction

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>State Assessed Property</b>	<b>Total Property Value</b>	<b>New Construction-Number of Units</b>				<b>Valuation Building Permits</b>
					<b>Commercial</b>	<b>Multi- family</b>	<b>Duplex</b>	<b>Single Family</b>	
1995	\$306,634,405	\$31,905,265	\$17,755,345	\$356,295,015	33	184	55	356	\$96,513,808
1996	331,776,560	37,404,345	18,670,148	387,851,053	52	972	122	338	167,505,304
1997	360,067,050	41,742,335	19,709,636	421,519,021	46	89	37	346	127,422,684
1998	396,254,275	44,139,690	18,855,954	459,249,919	26	33	75	360	141,064,963
1999	430,724,410	49,302,310	18,637,210	498,663,930	38	195	62	392	149,742,874
2000	469,852,465	56,523,350	19,076,106	545,451,921	37	236	46	305	175,039,978
2001	516,933,790	58,430,000	20,607,464	595,971,254	48	302	168	308	152,209,259
2002	553,933,830	54,197,260	20,902,337	629,033,427	37	359	119	304	141,596,618
2003	598,234,485	54,874,350	21,244,347	674,353,182	30	253	157	317	150,516,323
2004	646,375,889	50,179,040	21,594,641	718,149,570	21	105	110	313	117,706,909



**Table 16**

**CITY OF LAWRENCE, KANSAS**

Miscellaneous Statistics

December 31, 2004

Unaudited

Date Chartered	1858	<b>Sewerage System</b>	
		Mile of Sanitary Sewers	475
Form of Government	Commission - Manager	Number of Treatment Plants	1
		Number of Service Connections	29,515
Number of Employees	725	Actual Daily Average of Treatment	12.5 MGD
		Number of Lift Stations	39
Area in Square Miles	31.30		*(MGD= Million Gallons Daily)
<b>City of Lawrence Facilities and Services:</b>		<b>Water System</b>	
Miles of Streets	300	Number of Water Plants	2
		Miles of Water Mains	400
<b>Culture and Recreation</b>		Number of Service Connections	29,770
Recreation Centers	5	Number of City Owned Fire Hydrants	2,944
Parks	52	Daily Average Consumption in Million Gallons	13.0
Park Acreage	3,275	Maximum Daily Capacity of Plant in Million Gallons	32.5
Tennis Courts	20		
		<b>Libraries</b>	
<b>Fire Protection</b>		Public Libraries	1
Number of Stations	5	Number of volumes (approximately)	267,134
Number of Firefighters and Officers	137		
Number of Fire Calls Answered	1,953	<b>Facilities and Services Not Included in the Reporting Entity:</b>	
Number of Medical Calls Answered	6,700		
Number of Medical Transports	3,924	<b>Education</b>	
Number of Inspections Conducted	5,240	Number of Public Elementary Schools	16
		Number of Public Elementary School Instructors	445
<b>Police Protection</b>		Number of Public Secondary Schools	7
Number of Stations	2	Number of Public Secondary School Instructors	433
Number of Commissioned Police Officers	138	Number of Universities	2
Number of Full Time Civilians	33		
Number of Patrol Units	25	<b>Hospitals</b>	
Number of Calls for Service	110,192	Number of Hospitals	1
Arrests Processed through County Jail	2,834	Number of Patient Beds	186
Officer Issued Traffic Violations	24,008		
Officer Issued Parking Violations	14,421		

**SINGLE AUDIT SECTION**

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

CERTIFIED PUBLIC ACCOUNTANTS

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Members of American Institute  
and Kansas Society of  
Certified Public Accountants

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

Mayor and City Commission  
City of Lawrence, Kansas

We have audited the financial statements of the City of Lawrence, Kansas as of and for the year ended December 31, 2004, and have issued our report thereon dated April 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standard," issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

This report is intended for the information and use of the Mayor and City Commission and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Lowenthal, Singleton, Webb & Wilson*

Professional Association

April 15, 2005

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

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

Mayor and City Commission  
City of Lawrence, Kansas

Compliance

We have audited the compliance of the City of Lawrence, Kansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Lawrence, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the City of Lawrence, Kansas is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor and City Commission, management and awarding agencies and should not be used by anyone other than these specified parties.

*Howenthal, Singleton, Webb & Wilson*

Professional Association

April 15, 2005

**CITY OF LAWRENCE, KANSAS**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2004**

Federal Grantor Agency Pass-Through Grantor / Program Name	Federal CFDA Number	Grant Program Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct Assistance</b>			
Community Development Block Grant/ Entitlement Gra	14.218	B-03-MC-20-0006	\$ 489,628
Community Development Block Grant/ Entitlement Gra	14.218	B-04-MC-20-0006	356,689
			<u>846,317</u>
Home - Investment Partnerships Program	14.239	M-03-MC-20-0205	715,364
Home - Investment Partnerships Program	14.239	M-04-MC-20-0205	76,364
			<u>791,728</u>
Fair Housing Assistance - State & Local (03)	14.401	FF207K037011	153,687
			<u>153,687</u>
<b>KS Department of Commerce and Housing</b>			
Emergency Shelter Grant (03)	14.231	S-02-DC-20-0001-2003-15	35,436
Emergency Shelter Grant (04)	14.231	S-03-DC-20-0001-2004-15	33,005
			<u>68,441</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>1,860,172</b></u>
<b>U. S. Department of Transportation</b>			
<b>Federal Transporation Administration</b>			
Federal Transit Formula Grant	20.507	KS-90-X100-08	16,890
Federal Transit Formula Grant	20.507	KS-90-X100-04	721,225
Federal Transit Formula Grant	20.507	KS-90-X100-00	168,158
Federal Transit Formula Grant	20.507	KS-90-X094-08	19,897
Federal Transit Formula Grant	20.507	KS-90-X094-04	91,715
Federal Transit Formula Grant	20.507	KS-90-X094-00	91,452
Federal Transit Formula 5309 Grant	20.507	KS-03-0022-00	55,889
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004710	145,748
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004711	1,000,919
			<u>2,311,893</u>
<b>KS Department of Transportation</b>			
Comprehensive Transportation Planning Grant (03)	20.205	03 P.L. and Sect. 5303 Funds	132,222
Bicycle Work Program Grant (2000)	20.205	23 TE-0178-01/TEA-T017 (801)	12,388
Lawrence Police Department Traffic Safety Project	20.600	PT 03/05-03-05-02	423,520
			<u>568,130</u>
<b>Total Department of Transportation</b>			<u><b>2,880,024</b></u>
<b>U.S. Department of Justice</b>			
<b>Direct Assistance</b>			
Local Law Enforcement Block Grant (03)	16.592	03-LBVX-1007	2,791
COPS in Schools	16.710	KS02301-2002-SHWX0166	196,895
			<u>199,686</u>
<b>KS Office of the Governor</b>			
Edward Byrne Memorial Law Enforcement Grant (04)	16.579	04Bryne-37	18,297
			<u>18,297</u>
<b>Total Department of Justice</b>			<u><b>217,983</b></u>
<b>Federal Emergency Management Agency (FEMA)</b>			
<b>Direct Assistance</b>			
Assistance to Firefighters Grant (03)	83.554	EMW-2003-FG-18124	55,152
<b>Total FEMA</b>			<u><b>55,152</b></u>
<b>U.S. Department of the Interior</b>			
<b>KS Historical Society</b>			
Historic Presevation Fund	16.904	20-02-17546-00	6,000
<b>Total Department of the Interior</b>			<u><b>6,000</b></u>
<b>Total Federal Financial Awards Expenditures</b>			<u><b>\$ 5,019,331</b></u>

Lawrence.

All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance

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

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None reported

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

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218  
14.239

Community Development Entitlement Grants  
Home Investment Partnerships Program

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

Auditee qualified as low-risk auditee?   X   Yes        No

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted