

# **CITY OF LAWRENCE, KANSAS**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2006**

**Prepared by:  
Department of Finance**

## **CITY OF LAWRENCE, KANSAS**

### **Mission Statement**

#### **MISSION**

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

#### **VALUES**

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

*We are committed to these basic principles:*

*Integrity  
Courtesy  
Fairness  
Honesty*

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

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

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

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

## CITY OF LAWRENCE, KANSAS

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## **INTRODUCTORY SECTION**

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INTERIM CITY MANAGER

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## CITY COMMISSION

MAYOR  
MIKE AMYX

COMMISSIONERS  
SUE HACK  
DAVID M. SCHAUNER  
MIKE RUNDLE  
DENNIS "BOOG" HIGHBERGER

May 14, 2007

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2006 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal Singleton Webb and Wilson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Lawrence for the fiscal year ended December 31, 2006 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, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Lawrence was part of a broader, federally mandated "Single Audit" designed to meet the special needs for federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements,



but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These Single Audit reports are part of this report.

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

### **Profile of the City**

The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City is located thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 31.3 square miles and had an estimated population in 2006 of 90,335.

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

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

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

### **Factors Affecting Financial Condition**

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



**Local economy.** The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. On February 7, 2006, the City Commission approved Resolution 6627 supporting a Berry Plastics request for Industrial Revenue Bonds and a 90% tax abatement on \$24,500,000 in new construction and \$93,500,000 in machinery and equipment. Most recently, on March 6, 2007, the City Commission approved a request from API Foils, for a 55% tax abatement on \$4 to \$5 million in new construction and \$11 to \$12 million in machinery and equipment.

The average unemployment of the Lawrence MSA in 2006 was 3.7%. The total civilian labor force was 63,082. The average annual unemployment rate for 2002, 2003, 2004, and 2005 was 4.2%, 4.7%, 4.2% and 4.0%, respectively. The number of homes sold in Lawrence during 2006 was 1,367, a decrease of 13.5% compared to 2005. The average selling price for a home was \$199,590 during the year, an increase of 4.7% from the 2005 average.

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

The City Commission recently reviewed a revised ten year capital improvement plan for the water and sanitary sewer utility. The plan includes over \$180 million in projects with the largest cost being \$88 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. That plan called for annual rate increases of 4.0% for water service and 9.0% for sanitary sewer service over the next three years. The projects will be financed with a combination of cash and revenue bonds.

The City of Lawrence prioritizes its capital projects in order to develop a five year capital improvement budget. The projects are reviewed by a committee consisting of management and an elected official. The budget is intended to guide the City's future capital plan. Projects are typically funded through a combination of property taxes, sales taxes, and storm water fees.

The City Commission is provided with a projection of the revenue, expenditures, and fund balances of the property tax supported funds as part of the deliberations over the operating budget. The main purpose is to avoid large fluctuations in the property tax levy and to warn of potential deficits and the need to either enhance revenue sources and/or

reduce the growth of expenditures. The City Commission has adopted a policy to maintain the fund balance in the General Fund at a level equal to 15-30% of expenditures.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, obligations of Federal agencies, and the Kansas Municipal Investment Pool. The maturities of investments varied from three months to four years with an average maturity just over one year. The weighted average yield on investments during the year was 3.5%. The City's cash management policy was certified by the Municipal Treasurer's Association in 2002. In addition, the State's Pooled Money Investment Board has granted the City expanded investment powers.

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

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

The City also contributes 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 and the City has contracted with an actuary to determine our liability.

### **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, 2005. This was the fifteenth 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 2006 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

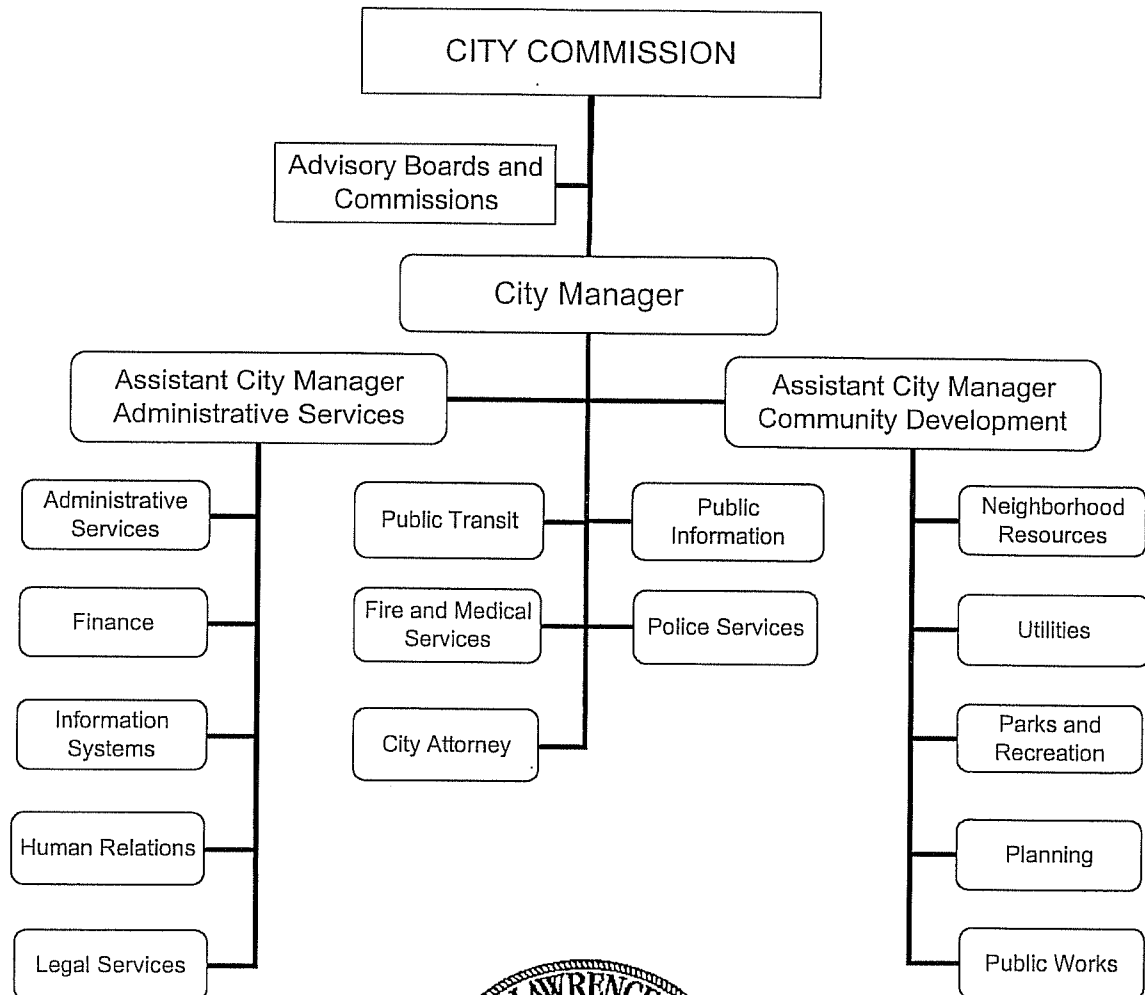
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be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

Respectfully submitted,

A handwritten signature in cursive script that reads "A. Ed Mullins".

A. Ed Mullins  
Finance Director

# City of Lawrence Organizational Chart



## **CITY OF LAWRENCE, KANSAS**

### List of Principal Officials

December 31, 2006

<b>Title</b>	<b>Name</b>
Mayor	Mike Amyx
Vice Mayor	Sue Hack
Commission Member	Mike Rundle
Commission Member	David Schauner
Commission Member	Dennis Highberger
City Manager	David Corliss
Assistant City Manager	Debbie Van Saun
City Clerk	Frank Reeb
Community Development Director	Victor Torres
Finance Director	A. Ed Mullins
Fire Chief	Mark Bradford
Human Relations Director	Ray Samuel
Parks and Recreation Director	Fred DeVactor
Planning Director (Acting)	Sheila Stogsdill
Police Chief	Ron Olin
Public Works Director	Charles Soules
Utilities Director (Acting)	Chris Stewart

# 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, 2005

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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Members of American Institute  
and Kansas Society of  
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, 2006, 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 \$172,705,312 as of December 31, 2006 and total expenses of \$110,342,463 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$16,395,540 as of December 31, 2006 and total expenses of \$6,681,643 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lawrence Memorial Hospital and the Lawrence Public Library were not audited in accordance with "Government Auditing Standards." An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, at December 31, 2006, 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 May 14, 2007, 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 schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the data included in the introductory and statistical sections of this report and therefore, we express no opinion on them.

*Howenthal, Singleton, Webb & Wilson*

Professional Association

May 14, 2007

## 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, 2006. 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 2006 by \$299,528,307. Of this amount, \$79,113,406 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$21.2 million increase in total capital assets.
- As of December 31, 2006, the City's governmental funds reported combined ending fund balances of \$29,530,828, an increase of \$772,599 in comparison with the prior year. Approximately 70% is available for spending at the City's discretion. The increase occurred because of a smaller deficit in the Capital Projects Fund.
- At the end of 2006, the City's unreserved general fund balance was \$11,083,748 or 20.5% of total general fund expenditures.
- The City's total debt increased by \$5 million or 3.2% 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 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

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

## Government-wide Financial Analysis

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

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

	Governmental		Business-type		Total	
	<u>2006</u>	<u>2005</u> (restated)	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other Assets	\$ 87,982	\$ 89,460	\$ 61,795	\$ 69,742	\$ 149,777	\$ 159,202
Capital Assets	<u>185,032</u>	<u>176,281</u>	<u>171,393</u>	<u>158,939</u>	<u>356,425</u>	<u>335,220</u>
Total	<u>\$ 273,014</u>	<u>\$ 265,741</u>	<u>\$ 233,188</u>	<u>\$ 228,681</u>	<u>\$ 506,202</u>	<u>\$ 494,422</u>
Other Liabilities	\$ 43,078	\$ 47,883	\$ 3,600	\$ 3,855	\$ 46,678	\$ 51,738
Long term Liabilities	<u>79,372</u>	<u>70,051</u>	<u>80,624</u>	<u>84,254</u>	<u>159,996</u>	<u>154,305</u>
Total	<u>\$ 122,450</u>	<u>\$ 117,934</u>	<u>\$ 84,224</u>	<u>\$ 88,109</u>	<u>\$ 206,674</u>	<u>\$ 206,043</u>
Net Assets:						
Capital Assets Net of Debt	\$ 93,545	\$ 88,195	\$ 92,039	\$ 74,896	\$ 185,584	\$ 163,091
Restricted	<u>17,954</u>	<u>16,818</u>	<u>16,877</u>	<u>17,733</u>	<u>34,831</u>	<u>34,551</u>
Unrestricted	<u>39,065</u>	<u>42,794</u>	<u>40,048</u>	<u>47,943</u>	<u>79,113</u>	<u>90,737</u>
Total	<u>\$ 150,564</u>	<u>\$ 147,807</u>	<u>\$ 148,964</u>	<u>\$ 140,572</u>	<u>\$ 299,528</u>	<u>\$ 288,379</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 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in large part to the construction of capital assets with temporary note and general obligation bond proceeds. An event reducing current and other assets was the nearly \$3.4 million reduction in General Fund balance. Other liabilities and restricted net assets decreased in 2006 primarily due to a \$6 million reduction in the amount of temporary notes outstanding. However, long term liabilities increased as the result of the issuance of \$17.1 million in general obligation bonds less the retirement of \$9.1 million in general obligation bonds.

There was also an increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund and Storm Water Fund had positive net income for the year, with over \$7.6 million earned by the Water and Sewer Fund. The other business-type activities reported combined net income of slightly more than \$230,000. Capital Assets increased due to the approximately \$7 million in cash financing of water and sewer projects both from operating revenues and the 2005 revenue bond issue. Long term liabilities decreased with \$2.4 million in principal payment of state revolving loan funds and \$1.0 million payment of principal on outstanding revenue bonds.

Overall, the City's net assets increased by \$11,149,603 during 2006 due to positive net income in the business type funds and the continued construction of capital assets. Water and sewer revenues exceeded expenses by over \$7.6 million. The City is using its cash reserves to pay for water and sewer capital projects. The Storm Water Utility experienced positive net income of \$685,096. The Storm Water Utility is responsible for retiring \$7.5 million in general obligation debt. A more complete analysis of the changes in the City's net assets is shown below.

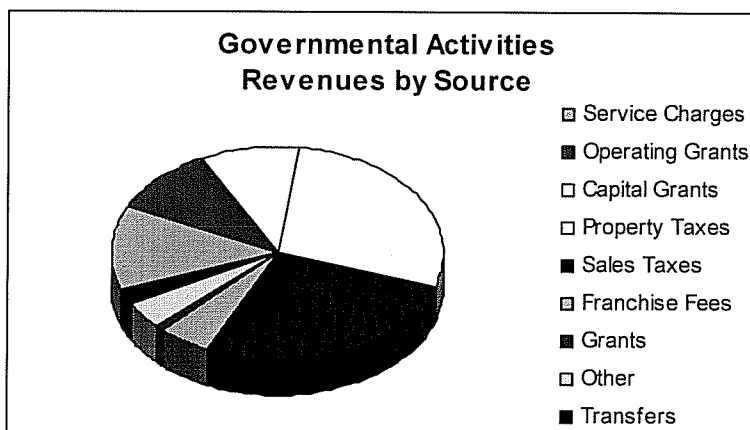
City of Lawrence's Changes in Net Assets  
(000's)

	Governmental		Business-type		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(Restated)</u>					
Revenues:						
Program Revenues:						
Charges for Service	\$ 10,233	\$ 9,841	\$ 41,157	\$ 37,592	\$ 51,390	\$ 47,433
Operating Grants	8,297	8,646	-	-	8,297	8,646
Capital Grants	7,464	4,298	85	61	7,549	4,359
General Revenues:						
Property Taxes	22,525	22,060	-	-	22,525	22,060
Sales Taxes	21,734	21,318	-	-	21,734	21,318
Franchise Fees	3,987	3,754	-	-	3,987	3,754
Unrestricted Grants	543	531	-	-	543	531
Other	<u>3,285</u>	<u>2,011</u>	<u>2,934</u>	<u>1,767</u>	<u>6,219</u>	<u>3,778</u>
Total	78,068	72,459	44,176	39,420	122,244	111,879
Expenses						
General Government	18,526	16,467	-	-	18,526	16,467
Public Safety	26,851	23,959	-	-	26,851	23,959
Public Works	16,810	13,341	-	-	16,810	13,341
Social Services	2,651	3,331	-	-	2,651	3,331
Recreation	8,205	7,146	-	-	8,205	7,146
Health	976	898	-	-	976	898
Interest on Debt	3,393	2,838	-	-	3,393	2,838
Water and Sewer	-	-	20,932	18,439	20,932	18,439
Sanitation	-	-	9,146	8,396	9,146	8,396
Public Parking	-	-	934	962	934	962
Storm Water	-	-	1,710	1,528	1,710	1,528
Golf	-	-	960	993	960	993
Total expenses	<u>77,412</u>	<u>67,980</u>	<u>33,682</u>	<u>30,318</u>	<u>111,094</u>	<u>98,298</u>
Excess [deficiency]	656	4,479	10,494	9,102	11,150	13,581
Transfers	<u>2,102</u>	<u>1,892</u>	<u>[2,102]</u>	<u>[1,892]</u>	-	-
Change in Net Assets	2,758	6,371	8,392	7,210	11,150	13,581
Beginning Net Assets	<u>147,806</u>	<u>141,435</u>	<u>140,572</u>	<u>133,362</u>	<u>288,378</u>	<u>274,797</u>
Ending Net Assets	<u>\$ 150,564</u>	<u>\$ 147,806</u>	<u>\$ 148,964</u>	<u>\$ 140,572</u>	<u>\$ 299,528</u>	<u>\$ 288,378</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$2,757,531 during the year. Key elements of governmental activities during the year are as follows.

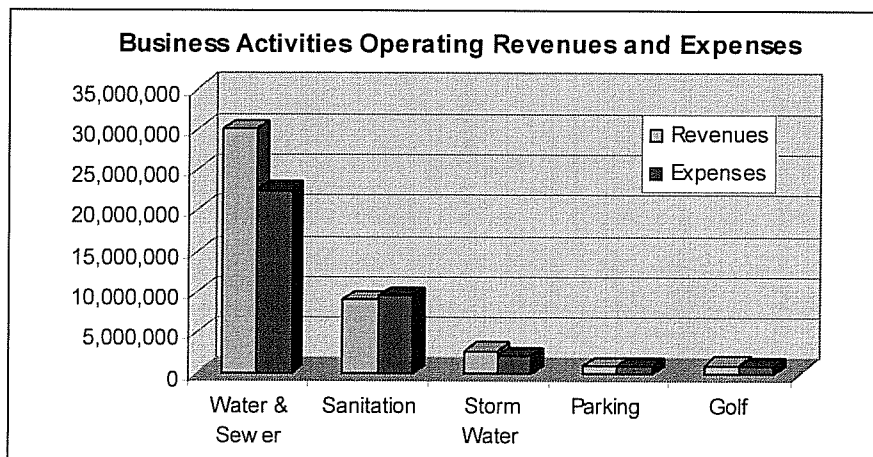
Charges for service increased because of payments paid for ambulance services by Douglas County per an interlocal agreement. Property taxes revenue increased due to a 5.7% increase in assessed valuation and a slight reduction in the total levy. Capital grants and contributions increased due to reimbursements for bus purchases and an increase in special assessments. Sales tax revenue increased by 2.0%. Other revenue rose as the result of unrestricted interest earnings increasing by \$1,231,955 from 2005 due to higher short term interest rates.

Expenses for general government purposes increased 13.7% because of a 3.0% general wage adjustments and health care cost increases. New programs such as the Biosciences Initiative (\$200,000), the Homelessness Program (\$176,000) also increased general government expenditures. A new pay plan was adopted in 2005 that allowed additional employees to receive merit increases. Public safety expenditures increased due to the hiring of 9 firefighters to staff the new station and the funding of ten police officers that were previously funded through a grant. Public Works and Parks and Recreation expenditures increased in order to better maintain our infrastructure and facilities.



**Business-type activities.** Business-type activities increased the City's net assets by \$8,392,072. The Water and Sewer Fund and Storm Water Fund experienced positive net income with the Sanitation, Public Parking and Golf Course Funds showing small loses. The key elements of the increase in net assets are as follows:

- Positive net income in the Water and Sewer equaling \$7.6 million. Water rates were increased 4.0% on average and sewer rates increased 9.0% on average in 2006.
- Positive net income in the Storm Water Fund equaling \$685,096. Storm water fees were not changed in 2006.
- 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 funds 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, 2006, the City of Lawrence's governmental funds reported combined ending fund balances of \$29,530,828, an increase of \$772,599 from the prior year. Approximately 70% 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 2006, unreserved general fund balance totaled \$11,083,748, while total general fund balance was \$11,934,048. Unreserved general fund balance represents 20.5% of total general fund expenditures, within the 15-30% range established by the City Commission's adopted fund balance policy.

Key factors affecting the general fund balance are as follows:

- An increase in both the assessed value with a small decrease in the General Fund levy
- An increase in interest earnings due to higher interest rates
- A significant increase in expenditures from the prior year

The debt service fund has a total fund balance of \$7,289,502, all of which is reserved for debt service. The \$484,503 decrease in fund balance during the year was expected. The amount of debt payments are projected to increase in the near future along with special assessment revenue.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$31,905,205 at the end of 2006. The unrestricted fund equity of the Sanitation Fund amounted to \$3,139,990 at the end of 2006. The net income for the Water and Sewer Fund was \$7,607,508. The Sanitation Fund had a net loss of \$539,360. 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 2006 budget from prior year budgets are listed below:

- A new pay plan was adopted in 2005 that provided higher pay ranges for most employees.
- A 3% cost of living adjustment was included for all employees.
- Funding for street maintenance was increased by \$1,050,000 to address deferred maintenance of the city's infrastructure.
- A total of 22 new positions were authorized with most occurring in the public safety departments.
- An increase in funding for outside agencies including the Biosciences Initiative and the Homeless Program.
- An increase in transfers to reserve funds totaling over \$600,000.



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, 2006, amounts to \$356,424,015 (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 6.3%. (For additional information on the City's Capital Assets, see Note 8 on page 49.)

Major capital asset additions during the year included the following:

- Construction of Fire Station 5
- Funding for Kasold from 15<sup>th</sup> to 23<sup>rd</sup> Street
- Completion of the George Williams Way 6<sup>th</sup> to Harvard Road benefit district
- Completion of the Folks Road 6th to Harvard Road benefit district
- Purchase of a fire truck
- Funding of overlay and traffic signal projects

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

	Governmental		Business-type		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 14,576	\$ 14,201	\$ 5,152	\$ 2,625	\$ 19,728	\$ 16,826
Buildings	31,975	28,069	59,787	61,280	91,762	89,349
Improvements	16,865	17,879	84,643	86,468	101,508	104,347
Equipment	5,911	6,342	4,488	3,873	10,399	10,215
Infrastructure	101,550	91,296	-	-	101,550	91,296
Construction in Progress	<u>14,154</u>	<u>18,494</u>	<u>17,322</u>	<u>4,693</u>	<u>31,476</u>	<u>23,187</u>
Total	<u>\$ 185,031</u>	<u>\$ 176,281</u>	<u>\$ 171,392</u>	<u>\$ 158,939</u>	<u>\$ 356,423</u>	<u>\$ 335,220</u>

**Long-term debt.** At the end of 2006, the City of Lawrence had total bonded debt outstanding of \$109,930,000. Of this amount, \$85,070,000 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 \$44,542,451 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects. (For additional information on the City's outstanding debt see Note 7 on page 43.)

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

	Governmental		Business-type		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation	\$ 75,119	\$ 66,123	\$ 9,951	\$ 10,957	\$ 85,070	\$ 77,080
Revenue	-	-	24,860	25,910	24,860	25,910
SRF	-	-	44,542	46,971	44,542	46,971
Other Notes Payable	<u>23</u>	<u>41</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>41</u>
Total	<u>\$ 75,142</u>	<u>\$ 66,164</u>	<u>\$ 79,353</u>	<u>\$ 83,838</u>	<u>\$ 154,495</u>	<u>\$ 150,002</u>

The City's total outstanding debt increased \$5.5 million during the year. The major component of this increase was the issuance of \$17,130,000 in general obligation debt for street improvements and a new Fire Station. A total of \$9.1 million in general obligation debt was retired. Nearly \$11 million in general obligation debt will be paid with storm water revenue.

The City of Lawrence has been given a rating of Aa2 on its general obligation debt by Moody's. The City's revenue bonds have been rated Aa3 by Moody's. The Aa3 rating on the outstanding revenue bonds represents an upgrade from the previous A1 rating.

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2006 the debt limitation for the City of Lawrence was \$269,319,365, which is significantly in excess of the \$101,415,000 in general obligation debt the City had outstanding as of December 31, 2006.

### **Economic Factors and 2007 Budget**

The unemployment rate for the City of Lawrence was 3.3% as of December 31, 2006. This is below the State average of 4.3%. The City experienced an increase of 6.5% in its assessed valuation in 2005. The City Commission approved a 55% tax abatement to API Foils on \$4-5 million in construction and \$11.5 million in equipment in February 2007. The firm anticipates hiring 31 employees as a result of the expansion.

During 2006, unreserved fund balance in the general fund decreased by \$3,393,695. Because of the economic growth during the time the 2007 budget was being developed, the 2007 budget incorporated an increase in the growth rates for the major revenue sources of 4-5%. In addition, because of the need for more infrastructure maintenance, budgeted expenditures were increased. A total of nineteen new employees were added to the 2007 budget and a three percent general wage adjustment was provided. Six of the new positions were in Public Works to address infrastructure maintenance.

The City Commission approved an increase in the rates charged for water service by an average of 4% and the rates for sanitary sewer service by an average of 9% effective in 2007. The increase in sanitation rates was 2% for 2007. 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**

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# CITY OF LAWRENCE, KANSAS

## Statement of Net Assets December 31, 2006

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 7,461,577	5,810,789	13,272,366	8,693,813
Investments	44,839,568	51,363,997	96,203,565	90,692,218
Receivables (net of allowance of \$82,240)	35,567,427	3,668,193	39,235,620	17,506,547
Inventories	113,917	779,217	893,134	1,315,557
Prepaid items	—	173,448	173,448	2,733,559
Deferred costs	—	—	—	791,013
Other assets	—	—	—	737,331
Capital assets (Net)				
Land and construction in progress	28,729,970	22,473,513	51,203,483	10,199,610
Other capital assets, net of depreciation	156,301,673	148,918,859	305,220,532	60,360,472
<b>Total assets</b>	<b>\$ 273,014,132</b>	<b>233,188,016</b>	<b>506,202,148</b>	<b>193,030,120</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 4,728,702	3,599,749	8,328,451	14,399,550
Unearned revenue	22,004,481	—	22,004,481	480,243
Temporary notes payable	16,345,000	—	16,345,000	—
Long-term liabilities				
Due within one year	10,698,640	3,228,585	13,927,225	2,221,047
Due in more than one year	68,673,373	77,395,311	146,068,684	66,339,514
<b>Total liabilities</b>	<b>\$ 122,450,196</b>	<b>84,223,645</b>	<b>206,673,841</b>	<b>83,440,354</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	\$ 93,544,672	92,038,767	185,583,439	36,036,737
Restricted for:				
Capital acquisitions	—	14,802,011	14,802,011	509,910
Debt service	17,574,457	2,075,060	19,649,517	4,086,520
Other purposes	379,934	—	379,934	—
Unrestricted	39,064,873	40,048,533	79,113,406	68,956,599
<b>Total net assets</b>	<b>\$ 150,563,936</b>	<b>148,964,371</b>	<b>299,528,307</b>	<b>109,589,766</b>

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, 2006

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	\$ 17,850,454	1,151,175	2,129,650	1,348,005	(13,221,624)	—	(13,221,624)	—
Public safety	26,850,570	6,745,201	36,803	—	(20,068,566)	—	(20,068,566)	—
Public works	16,608,613	275,330	2,691,809	2,951,721	(10,689,753)	—	(10,689,753)	—
Health	976,258	180,589	—	—	(795,669)	—	(795,669)	—
Social services	2,651,489	214,415	1,860,976	—	(576,098)	—	(576,098)	—
Culture and recreation	8,205,079	1,642,377	841,631	—	(5,721,071)	—	(5,721,071)	—
Tourism	675,797	—	735,915	—	60,118	—	60,118	—
Airport	201,034	23,593	—	—	(177,441)	—	(177,441)	—
Interest on long-term debt	3,393,239	—	—	3,164,427	(228,812)	—	(228,812)	—
Total governmental activities	77,412,533	10,232,680	8,296,784	7,464,153	(51,418,916)	—	(51,418,916)	—
Business-type activities:								
Water & sewer	20,931,603	27,625,934	—	—	—	6,694,331	6,694,331	—
Sanitation	9,146,491	8,738,585	—	85,000	—	(322,906)	(322,906)	—
Parking	934,309	954,766	—	—	—	20,457	20,457	—
Stormwater	1,710,016	2,794,985	—	160	—	1,085,129	1,085,129	—
Golf course	960,058	1,042,886	—	—	—	82,828	82,828	—
Total business-type activities	33,682,477	41,157,156	—	85,160	—	7,559,839	7,559,839	—
Total primary government	\$ 111,095,010	51,389,836	8,296,784	7,549,313	(51,418,916)	7,559,839	(43,859,077)	—
<b>Component units:</b>								
Lawrence Housing Authority	\$ 6,681,643	1,113,523	5,424,669	185,845	—	—	—	42,394
Lawrence Memorial Hospital	110,342,463	120,639,874	—	697,538	—	—	—	10,994,949
Lawrence Public Library	3,567,765	130,921	2,988,219	—	—	—	—	(448,625)
Total component units	\$ 120,591,871	121,884,318	8,412,888	883,383	—	—	—	10,588,718
General Revenues								
Taxes								
Property taxes, levied for general purposes					16,555,505	—	16,555,505	—
Property taxes, levied for debt service					5,969,902	—	5,969,902	—
Franchise taxes					3,986,982	—	3,986,982	—
Sales taxes					21,733,540	—	21,733,540	—
Grants and contributions not restricted to specific programs					543,415	—	543,415	—
Unrestricted investment earnings					3,144,551	2,666,000	5,810,551	3,722,902
Miscellaneous					140,358	268,427	408,785	179,401
Transfers					2,102,194	(2,102,194)	—	—
Total general revenues and transfers					54,176,447	832,233	55,008,680	3,902,303
Change in net assets					2,757,531	8,392,072	11,149,603	14,491,021
Net assets—beginning, as restated					147,806,405	140,572,299	288,378,704	95,098,745
Net assets—ending					\$ 150,563,936	148,964,371	299,528,307	109,589,766

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

# CITY OF LAWRENCE, KANSAS

## Balance Sheet Governmental Funds December 31, 2006

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 561,733	15,979	1,318,373	5,109,829	7,005,914
Investments	11,096,005	7,665,427	9,901,403	11,821,450	40,484,285
Receivables:					
Taxes	13,045,387	5,325,053	—	3,418,366	21,788,806
Special assessments	—	11,087,885	—	—	11,087,885
Intergovernmental	—	—	—	550,787	550,787
Accounts (net of allowance of \$4,166)	689,711	33,019	—	130,500	853,230
Franchise fees	373,295	—	—	—	373,295
Loans	—	—	—	355,933	355,933
Accrued interest	120,677	67,120	110,524	93,032	391,353
Due from other funds	410,000	—	—	—	410,000
Total assets	<u>\$ 26,296,808</u>	<u>24,194,483</u>	<u>11,330,300</u>	<u>21,479,897</u>	<u>83,301,488</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,110,311	—	1,206,634	197,848	2,514,793
Accrued payroll	619,238	—	—	72,194	691,432
Due to other funds	—	—	—	410,000	410,000
Temporary notes payable	—	—	16,345,000	—	16,345,000
Deferred revenue	12,633,211	16,904,981	—	4,271,243	33,809,435
Total liabilities	<u>14,362,760</u>	<u>16,904,981</u>	<u>17,551,634</u>	<u>4,951,285</u>	<u>53,770,660</u>
Fund balances:					
Reserved for encumbrances	850,300	3,800	—	189,330	1,043,430
Reserved for debt service	—	7,285,702	—	—	7,285,702
Reserved for loans	—	—	—	356,934	356,934
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	11,083,748	—	—	—	11,083,748
Special revenue funds	—	—	—	15,959,348	15,959,348
Capital projects funds	—	—	(6,221,334)	—	(6,221,334)
Total fund balances	<u>11,934,048</u>	<u>7,289,502</u>	<u>(6,221,334)</u>	<u>16,528,612</u>	<u>29,530,828</u>
Total liabilities and fund balances	<u>\$ 26,296,808</u>	<u>24,194,483</u>	<u>11,330,300</u>	<u>21,479,897</u>	

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.	185,031,643
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	11,805,343
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.	4,741,605
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(80,545,483)</u>
Net assets of governmental activities	<u>\$ 150,563,936</u>

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, 2006

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 29,982,938	5,969,902	—	3,706,461	39,659,301
Special assessments	1,510	1,497,275	125,195	—	1,623,980
Licenses and permits	1,128,747	—	—	—	1,128,747
Charges for services	4,410,451	—	—	1,511,789	5,922,240
Fines, forfeitures and penalties	2,455,620	—	—	155,007	2,610,627
Interest	1,554,141	497,986	402,171	510,846	2,965,144
Intergovernmental	9,271,941	179,744	1,505,527	8,839,304	19,796,516
Reimbursements	—	—	1,321,000	—	1,321,000
Miscellaneous	269,967	126,042	—	1,069,369	1,465,378
Total revenues	49,075,315	8,270,949	3,353,893	15,792,776	76,492,933
Expenditures:					
Current expenditures:					
General government	11,799,455	—	—	6,877,427	18,676,882
Public safety	25,505,670	—	—	628,990	26,134,660
Public works	5,883,895	—	—	2,476,967	8,360,862
Health	913,344	—	—	61,446	974,790
Social services	297,235	—	—	1,941,181	2,238,416
Culture and recreation	3,223,446	—	—	4,471,113	7,694,559
Tourism	—	—	—	674,777	674,777
Airport	85,290	—	—	—	85,290
Capital outlay	615,311	—	15,425,202	2,639,769	18,680,282
Debt service:					
Principal retirement	17,993	6,639,044	—	1,285,157	7,942,194
Interest and fiscal charges	1,283	2,119,620	647,940	514,675	3,283,518
Total expenditures	48,342,922	8,758,664	16,073,142	21,571,502	94,746,230
Excess (deficiency) of revenues over (under) expenditures	732,393	(487,715)	(12,719,249)	(5,778,726)	(18,253,297)
Other financing sources (uses):					
Transfers in	1,645,662	3,212	—	6,277,900	7,926,774
Transfers (out)	(5,771,750)	—	(3,212)	(46,150)	(5,821,112)
Issuance of general obligation bonds	—	—	16,920,234	—	16,920,234
Total other financing sources (uses)	(4,126,088)	3,212	16,917,022	6,231,750	19,025,896
Net changes in fund balances	(3,393,695)	(484,503)	4,197,773	453,024	772,599
Fund balance, beginning of year	15,327,743	7,774,005	(10,419,107)	16,075,588	28,758,229
Fund balance, end of year	\$ 11,934,048	7,289,502	(6,221,334)	16,528,612	29,530,828

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, 2006

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

Net changes in fund balances - total governmental funds	\$ 772,599
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.	8,865,710
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,394,240
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.	(8,978,040)
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.	(450,239)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>1,153,261</u>
Change in net assets of governmental activities	\$ <u><u>2,757,531</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, 2006  
(With Comparative Actual Amounts for 2005)

	2006				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2005 Actual</u>
Revenues:					
Taxes	\$ 29,344,857	29,344,857	29,982,938	638,081	29,037,413
Special assessments	—	—	1,510	1,510	—
Licenses and permits	928,000	928,000	1,128,747	200,747	1,082,191
Charges for services	4,101,894	4,101,894	4,410,451	308,557	3,856,099
Fines, forfeitures and penalties	2,175,000	2,175,000	2,455,620	280,620	2,637,520
Interest	400,000	400,000	1,554,141	1,154,141	1,087,618
Intergovernmental	8,747,000	8,747,000	9,271,941	524,941	9,263,344
Miscellaneous	73,000	73,000	269,967	196,967	196,233
Total revenues	<u>45,769,751</u>	<u>45,769,751</u>	<u>49,075,315</u>	<u>3,305,564</u>	<u>47,160,418</u>
Expenditures:					
General government	12,028,088	12,153,588	11,886,176	267,412	10,839,619
Public safety	25,733,025	25,795,670	25,420,467	375,203	22,412,559
Public works	6,109,648	6,114,311	5,877,167	237,144	4,493,988
Health	974,355	974,355	931,208	43,147	847,499
Social services	304,168	304,168	295,365	8,803	247,031
Culture and recreation	3,190,726	3,268,550	3,177,271	91,279	2,846,401
Airport	106,451	106,451	84,464	21,987	72,300
Capital outlay	818,000	697,368	646,965	50,403	653,314
Debt service:					
Principal retirement and interest expense	<u>19,276</u>	<u>19,276</u>	<u>19,276</u>	<u>—</u>	<u>19,276</u>
Total expenditures	<u>49,283,737</u>	<u>49,433,737</u>	<u>48,338,359</u>	<u>1,095,378</u>	<u>42,431,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,513,986)</u>	<u>(3,663,986)</u>	<u>736,956</u>	<u>4,400,942</u>	<u>4,728,431</u>
Other financing sources (uses):					
Transfers in	1,628,662	1,628,662	1,645,662	17,000	1,595,525
Transfers out	<u>(5,921,750)</u>	<u>(5,771,750)</u>	<u>(5,771,750)</u>	<u>—</u>	<u>(4,774,000)</u>
Total other financing sources (uses)	<u>(4,293,088)</u>	<u>(4,143,088)</u>	<u>(4,126,088)</u>	<u>17,000</u>	<u>(3,178,475)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ (7,807,074)</u>	<u>(7,807,074)</u>	<u>(3,389,132)</u>	<u>4,417,942</u>	<u>1,549,956</u>
Fund balance, beginning of year			15,327,743		13,828,338
Net change in reserve for encumbrances			<u>(4,563)</u>		<u>(50,551)</u>
Fund balance, end of year			<u>\$ 11,934,048</u>		<u>15,327,743</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, 2006

Assets	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
Current assets:						
Cash	\$ 489,126	652,287	482,581	507,561	2,131,555	834,519
Investments	29,687,949	2,388,708	1,358,322	318,357	33,753,336	6,292,287
Receivables:						
Accounts (net of allowance of \$82,240)	2,010,687	761,025	203,506	10,791	2,986,009	239,210
Accrued interest	497,484	27,039	17,770	3,558	545,851	63,261
Inventories	647,936	—	—	10,780	658,716	234,418
Prepaid items	173,448	—	—	—	173,448	—
Restricted cash:						
Customer deposits	798,713	4,230	—	—	802,943	—
Current portion of revenue bonds	1,195,000	—	—	—	1,195,000	—
Restricted investments customer deposits	99,021	—	—	—	99,021	—
Total current assets	<u>35,599,364</u>	<u>3,833,289</u>	<u>2,062,179</u>	<u>851,047</u>	<u>42,345,879</u>	<u>7,663,695</u>
Noncurrent assets						
Restricted cash	1,302,435	—	—	—	1,302,435	—
Restricted investments	15,574,636	—	—	—	15,574,636	—
Total restricted assets	<u>16,877,071</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,877,071</u>	<u>—</u>
Capital assets						
Land	2,873,129	—	1,799,729	479,055	5,151,913	—
Buildings and improvements	171,803,396	1,518,252	12,662,359	7,640,112	193,624,119	459,715
Equipment	6,456,184	7,135,134	1,112,780	569,155	15,273,253	271,137
Construction in progress	17,120,375	—	201,225	—	17,321,600	—
Accumulated depreciation	(48,693,671)	(5,594,009)	(1,534,390)	(4,212,458)	(60,034,528)	(622,765)
Total capital assets	<u>149,559,413</u>	<u>3,059,377</u>	<u>14,241,703</u>	<u>4,475,864</u>	<u>171,336,357</u>	<u>108,087</u>
Total noncurrent assets	<u>166,436,484</u>	<u>3,059,377</u>	<u>14,241,703</u>	<u>4,475,864</u>	<u>188,213,428</u>	<u>108,087</u>
Total assets	<u>\$ 202,035,848</u>	<u>6,892,666</u>	<u>16,303,882</u>	<u>5,326,911</u>	<u>230,559,307</u>	<u>7,771,782</u>
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 1,609,906	120,664	8,028	16,783	1,755,381	92,220
Accrued interest payable	449,743	—	92,506	28,245	570,494	—
Claims payable	—	—	—	—	—	327,586
Accrued payroll	122,695	88,324	11,356	15,093	237,468	14,293
Accrued vacation and sick pay	366,389	310,574	36,325	46,676	759,964	52,792
Current portion of general obligation bonds	—	—	1,056,606	190,000	1,246,606	—
Total unrestricted current liabilities	<u>2,548,733</u>	<u>519,562</u>	<u>1,204,821</u>	<u>296,797</u>	<u>4,569,913</u>	<u>486,891</u>
Current liabilities payable from restricted assets:						
Customer deposits	897,734	4,230	—	—	901,964	—
Current portion of revenue bonds	1,195,000	—	—	—	1,195,000	—
Total current liabilities payable from restricted assets	<u>2,092,734</u>	<u>4,230</u>	<u>—</u>	<u>—</u>	<u>2,096,964</u>	<u>—</u>
Total current liabilities	<u>4,641,467</u>	<u>523,792</u>	<u>1,204,821</u>	<u>296,797</u>	<u>6,666,877</u>	<u>486,891</u>
Noncurrent liabilities						
Compensated absences	247,692	169,507	16,357	24,726	458,282	48,992
General obligation bonds payable	—	—	6,534,548	2,170,000	8,704,548	—
Revenue bonds payable	23,665,000	—	—	—	23,665,000	—
Notes payable	44,542,451	—	—	—	44,542,451	—
Total noncurrent liabilities	<u>68,455,143</u>	<u>169,507</u>	<u>6,550,905</u>	<u>2,194,726</u>	<u>77,370,281</u>	<u>48,992</u>
Total liabilities	<u>73,096,610</u>	<u>693,299</u>	<u>7,755,726</u>	<u>2,491,523</u>	<u>84,037,158</u>	<u>535,883</u>
Net assets:						
Invested in capital assets, net of debt	80,156,962	3,059,377	6,650,549	2,115,864	91,982,752	108,087
Restricted for:						
Water and sewer improvements	14,802,011	—	—	—	14,802,011	—
Debt service	2,075,060	—	—	—	2,075,060	—
Unrestricted	31,905,205	3,139,990	1,897,607	719,524	37,662,326	7,127,812
Total net assets	<u>128,939,238</u>	<u>6,199,367</u>	<u>8,548,156</u>	<u>2,835,388</u>	<u>146,522,149</u>	<u>7,235,899</u>
Total liabilities and net assets	<u>\$ 202,035,848</u>	<u>6,892,666</u>	<u>16,303,882</u>	<u>5,326,911</u>	<u>230,559,307</u>	<u>7,771,782</u>
Total net assets					146,522,149	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					2,442,222	
Net assets of business-type activities					<u>\$ 148,964,371</u>	

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

# CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 27,409,630	8,543,723	2,794,985	1,997,652	40,745,990	9,784,700
Other sales	216,304	194,862	—	—	411,166	—
Total operating revenues	<u>27,625,934</u>	<u>8,738,585</u>	<u>2,794,985</u>	<u>1,997,652</u>	<u>41,157,156</u>	<u>9,784,700</u>
Operating expenses:						
Continuing operations	—	8,576,778	1,045,959	1,502,349	11,125,086	2,810,337
Transmission and distribution	10,959,660	—	—	—	10,959,660	—
General administration	2,771,207	—	—	—	2,771,207	475,054
Health insurance claims	—	—	—	—	—	5,024,472
Depreciation and amortization	4,742,253	771,894	385,442	353,279	6,252,868	43,228
Total operating expenses	<u>18,473,120</u>	<u>9,348,672</u>	<u>1,431,401</u>	<u>1,855,628</u>	<u>31,108,821</u>	<u>8,353,091</u>
Operating income (loss)	<u>9,152,814</u>	<u>(610,087)</u>	<u>1,363,584</u>	<u>142,024</u>	<u>10,048,335</u>	<u>1,431,609</u>
Nonoperating revenues (expenses)						
Interest income	2,346,827	151,408	67,389	14,423	2,580,047	265,359
Interest expense and fiscal charges	(2,673,061)	—	(299,240)	(71,174)	(3,043,475)	—
Gain (loss) on sale of capital assets	6,792	(31,264)	(22,033)	—	(46,505)	2,606
Federal and state grant	—	85,000	160	—	85,160	—
Other	151,798	161,583	236	—	313,617	14,242
Total nonoperating revenues (expenses)	<u>(167,644)</u>	<u>366,727</u>	<u>(253,488)</u>	<u>(56,751)</u>	<u>(111,156)</u>	<u>282,207</u>
Income (loss) before transfers	<u>8,985,170</u>	<u>(243,360)</u>	<u>1,110,096</u>	<u>85,273</u>	<u>9,937,179</u>	<u>1,713,816</u>
Transfers (out)	<u>(1,377,662)</u>	<u>(296,000)</u>	<u>(425,000)</u>	<u>—</u>	<u>(2,098,662)</u>	<u>(7,000)</u>
Change in net assets	<u>7,607,508</u>	<u>(539,360)</u>	<u>685,096</u>	<u>85,273</u>	<u>7,838,517</u>	<u>1,706,816</u>
Net assets (deficit), beginning of year	<u>121,331,730</u>	<u>6,738,727</u>	<u>7,863,060</u>	<u>2,750,115</u>		<u>5,529,083</u>
Net assets (deficit), end of year	<u>\$ 128,939,238</u>	<u>6,199,367</u>	<u>8,548,156</u>	<u>2,835,388</u>		<u>7,235,899</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>553,555</u>	
Change in net assets of business-type activities					<u>\$ 8,392,072</u>	

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, 2006

	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	\$ 27,537,792	8,774,034	2,796,577	1,997,750	41,106,153	9,820,860
Payments to suppliers	(5,755,809)	(3,260,814)	(406,770)	(465,812)	(9,889,205)	(7,508,489)
Payments to employees	(6,917,770)	(5,231,992)	(630,200)	(1,024,579)	(13,804,541)	(827,770)
Net cash provided by (used in) operating activities	14,864,213	281,228	1,759,607	507,359	17,412,407	1,484,601
<b>Cash flows from noncapital financing activities:</b>						
Transfers out	(1,377,662)	(296,000)	(425,000)	—	(2,098,662)	(7,000)
Proceeds from noncapital grant	—	85,000	—	—	85,000	—
Repay loan from general fund	—	—	—	(45,000)	(45,000)	—
Net cash provided by (used in) noncapital financing activities	(1,377,662)	(211,000)	(425,000)	(45,000)	(2,058,662)	(7,000)
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(16,767,253)	(1,149,021)	(706,368)	(40,420)	(18,663,062)	(54,554)
Proceeds from sales of capital assets	6,792	3,341	—	—	10,133	2,606
Proceeds from capital grant	—	—	61,104	—	—	—
Proceeds from notes payable	2,001	—	—	—	2,001	—
Proceeds from general obligation bonds	—	—	209,766	—	209,766	—
Principal payments on debt	(3,480,428)	—	(1,220,734)	(200,000)	(4,901,162)	—
Interest payments on debt	(3,000,730)	—	(310,165)	(89,235)	(3,400,130)	—
Net cash used in capital and related financing activities	(23,239,618)	(1,145,680)	(1,966,397)	(329,655)	(26,681,350)	(51,948)
<b>Cash flows from investing activities:</b>						
Receipt of interest and dividends	2,245,027	150,516	61,726	12,624	2,469,893	233,559
Purchases of investments	(85,577,769)	(5,392,570)	(2,249,846)	(598,580)	(93,818,765)	(12,493,599)
Sales of investments	88,029,374	6,300,513	3,099,969	499,983	97,929,839	10,396,201
Net cash provided by (used in) investing activities	4,696,632	1,058,459	911,849	(85,973)	6,580,967	(1,863,839)
Net increase (decrease) in cash	(5,056,435)	(16,993)	280,059	46,731	(4,746,638)	(438,186)
Cash and cash equivalents, beginning of year	8,841,709	673,510	202,522	460,830	10,178,571	1,272,705
Cash and cash equivalents, end of year	\$ 3,785,274	656,517	482,581	507,561	5,431,933	834,519
Components of cash and cash equivalents at end of year:						
Cash	\$ 489,126	652,287	482,581	507,561	2,131,555	834,519
Restricted cash - customer deposits	798,713	4,230	—	—	802,943	—
Restricted cash - revenue bonds	1,195,000	—	—	—	1,195,000	—
Restricted cash - noncurrent	1,302,435	—	—	—	1,302,435	—
	\$ 3,785,274	656,517	482,581	507,561	5,431,933	834,519
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 9,152,814	(610,087)	1,363,584	142,024	10,048,335	1,431,609
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	4,665,565	754,006	385,442	353,279	6,158,292	43,228
Other income	151,798	161,583	236	—	313,617	14,242
Change in:						
Accounts receivable	(163,252)	(108,246)	1,356	98	(270,044)	21,918
Inventories of supplies	(60,272)	—	—	—	(60,272)	14,554
Accounts payable	967,970	(5,172)	(5,053)	7,765	965,510	(65,810)
Claims payable	—	—	—	—	—	48,324
Accrued payroll	8,949	9,265	2,584	1,406	22,204	692
Customer deposits	63,132	1,165	—	—	64,297	—
Accrued vacation and sick pay	77,509	78,714	11,458	2,787	170,468	4,777
Deferred revenue	—	—	—	—	—	(28,933)
Total adjustments	5,711,399	891,315	396,023	365,335	7,364,072	52,992
Net cash provided by (used in) operating activities	\$ 14,864,213	281,228	1,759,607	507,359	17,412,407	1,484,601

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, 2006

Assets	
Cash	\$ 369,406
Restricted assets - court receivables	<u>70,683</u>
Total assets	\$ <u><u>440,089</u></u>
Liabilities	
Accounts payable	\$ 369,406
Court bonds payable	<u>70,683</u>
Total liabilities	\$ <u><u>440,089</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, 2006

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 1,132,365	6,542,666	1,018,782	8,693,813
Investments	4,240,266	86,451,952	—	90,692,218
Receivables (net)	205,967	17,300,580	—	17,506,547
Inventories	40,267	1,275,290	—	1,315,557
Prepaid items	65,483	2,668,076	—	2,733,559
Deferred costs	—	791,013	—	791,013
Other assets	13,858	723,473	—	737,331
Capital assets (net)				
Land and construction in progress	1,326,880	8,872,730	—	10,199,610
Other capital assets, net of depreciation	9,370,454	48,079,532	2,910,486	60,360,472
Total assets	<u>\$ 16,395,540</u>	<u>172,705,312</u>	<u>3,929,268</u>	<u>193,030,120</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 316,427	13,870,791	212,332	14,399,550
Deferred revenue	34,964	526,239	—	561,203
Long-term liabilities				
Due within one year	—	2,140,087	—	2,140,087
Due in more than one year	86,466	66,253,048	—	66,339,514
Total liabilities	<u>\$ 437,857</u>	<u>82,790,165</u>	<u>212,332</u>	<u>83,440,354</u>
Net Assets				
Invested in capital assets, net of debt	\$ 10,697,334	22,428,917	2,910,486	36,036,737
Restricted for:				
Capital acquisitions	—	509,910	—	509,910
Debt service	—	4,086,520	—	4,086,520
Unrestricted	5,260,349	62,889,800	806,450	68,956,599
Total net assets	<u>\$ 15,957,683</u>	<u>89,915,147</u>	<u>3,716,936</u>	<u>109,589,766</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, 2006

	<b>Lawrence Housing Authority</b>	<b>Lawrence Memorial Hospital</b>	<b>Lawrence Public Library</b>	<b>Total Component Units</b>
Expenses	\$ 6,681,643	110,342,463	3,567,765	120,591,871
Program revenues:				
Charges for services	1,113,523	120,639,874	130,921	121,884,318
Operating grants and contributions	5,424,669	—	2,988,219	8,412,888
Capital grants and contributions	185,845	697,538	—	883,383
Net (expense) revenue	42,394	10,994,949	(448,625)	10,588,718
General Revenues				
Unrestricted investment earnings	224,309	3,447,635	50,958	3,722,902
Miscellaneous	122,861	55,600	940	179,401
Total general revenues and transfers	347,170	3,503,235	51,898	3,902,303
Change in net assets	389,564	14,498,184	(396,727)	14,491,021
Net assets-beginning	15,568,119	75,416,963	4,113,663	95,098,745
Net assets-ending	\$ 15,957,683	89,915,147	3,716,936	109,589,766

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, 2006

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

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

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

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

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

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

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

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

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

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

#### **C. Inventories**

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

#### **D. Budgetary Procedures**

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

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

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

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

- a. Preparation of budget for the succeeding calendar year on or before August 1 of each year.
- b. Publication of proposed budget and notice of public hearing on or before August 5 of each year.

## **City of Lawrence, Kansas**

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

December 31, 2006

- 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 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 2007. It is not practicable to apportion delinquent taxes held by the County Treasurer at the

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

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

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

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

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

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

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

In Governmental Fund Types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for Proprietary Fund Types in the government wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

## **City of Lawrence, Kansas**

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

December 31, 2006

#### ***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 2006.

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

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

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

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

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

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

#### ***N. Fund Equity***

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

#### ***O. Net Assets***

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

#### (2) Reporting Entity

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

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

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

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

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

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

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

Lawrence Housing Authority  
1600 Haskell Avenue  
Lawrence, Kansas 66044

Lawrence Public Library  
707 Vermont  
Lawrence, Kansas 66044

Lawrence Memorial Hospital  
325 Maine  
Lawrence, Kansas 66044

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

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

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

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 \$80,545,483 difference are as follows:

Bonds payable	\$ 75,118,846
Notes payable	23,125
Accrued interest payable	1,223,209
Claims and judgments payable	149,136
Compensated absences	<u>4,031,167</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 80,545,483</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 \$8,865,710 difference are as follows:

Capital outlay	\$ 15,918,495
Depreciation expense	<u>(7,052,785)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 8,865,710</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 \$8,978,040 difference are as follows:

Debt issued:	
Issuance of general obligation bonds	\$ (16,920,234)
Principal repayments:	
General obligation debt	7,924,201
Notes payable	<u>17,993</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (8,978,040)</u>



## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

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 \$450,239 difference are as follows:

Compensated absences	\$ (483,553)
Claims and judgments	143,035
Accrued interest	<u>(109,721)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (450,239)</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, 2006, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>%</u>	<u>Ratings</u>
Certificates of Deposit	\$ 33,200,000	0.62	35	Not applicable
U.S. Government Agencies	44,600,438	0.63	46	Not applicable
State Treasurer's investment pool	<u>18,403,127</u>	0.59	<u>19</u>	S&P AA+/S1+
Total fair value	<u>\$ 96,203,565</u>		100%	
Portfolio weighted average maturity		0.62		

At December 31, 2006, the City had invested \$18,403,127 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

*Interest rate risk* The City of Lawrence manages its exposure to declines in the fair market value of its investments by limiting the weighted average maturity of its investments to less than twelve months.

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

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2006

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

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

### (6) Tax Revenue

Tax revenue for the year ended December 31, 2006 is as follows:

	Primary Government			Total
	General Fund	Special Revenue Funds	Debt Service Funds	
Property taxes	\$ 11,579,036	3,328,993	5,434,025	20,342,054
Motor vehicle tax	1,149,144	364,780	515,093	2,029,017
Payment in lieu of tax	120,862	12,688	20,784	154,334
Utility franchise taxes	3,986,982	-	-	3,986,982
Sales taxes	13,146,914	-	-	13,146,914
Tax revenue	\$ 29,982,938	3,706,461	5,969,902	39,659,301

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2006 were as follows:

Fund	Levy
Primary government:	
General	\$ 15.018
Library	3.263
Public Transportation	0.631
Recreation	0.405
Debt Service	7.044
Total primary government	\$ 26.361

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

**(7) Debt**

The following is a summary of long-term debt transactions for the year ended December 31, 2006:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 66,122,813	16,920,234	7,924,201	75,118,846	8,393,394
Long term notes payable	41,118	-	17,993	23,125	18,629
Estimated claims and judgements payable	292,171	-	143,035	149,136	146,086
Accrued vacation and sick pay	3,594,986	2,267,967	1,782,047	4,080,906	2,140,531
Total primary government	<u>\$ 70,051,088</u>	<u>19,188,201</u>	<u>9,867,276</u>	<u>79,372,013</u>	<u>10,698,640</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 10,957,187	209,766	1,215,799	9,951,154	1,246,606
Revenue bonds	25,910,000	-	1,050,000	24,860,000	1,195,000
Long term notes payable	46,970,878	2,001	2,430,428	44,542,451	-
Accrued vacation and sick pay	1,097,413	756,420	583,542	1,270,291	786,979
Total primary government	<u>\$ 84,935,478</u>	<u>968,187</u>	<u>5,279,769</u>	<u>80,623,896</u>	<u>3,228,585</u>

The following is a summary of temporary note transactions for the year ended December 31, 2006:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities	\$ 21,923,065	16,345,000	21,923,065	16,345,000
Business-type Activities	204,935	-	204,935	-
Total primary government	<u>\$ 22,128,000</u>	<u>16,345,000</u>	<u>22,128,000</u>	<u>16,345,000</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements

December 31, 2006

Debt payable, other than claims and judgments and compensated absences, at December 31, 2006 is composed of the following:

<u>Debt Issue</u>	<u>Date Issued</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>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	\$ 25,910,000	\$ 24,860,000	1,195,000
					<u>24,860,000</u>	<u>1,195,000</u>
Long term notes payable -						
Kansas Partnership Fund	1998	2008	3.50	290,127	23,125	18,629
					<u>23,125</u>	<u>18,629</u>
Kansas Public Wastewater Loan Fund	2000	2021	3.44	38,358,346	34,381,804	*
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,277,720	5,226,908	*
Kansas Public Water Supply Loan Fund	2002	2023	4.14	626,337	4,933,739	*
					<u>44,542,451</u>	<u>-</u>
General obligation bonds:						
Internal improvement	1997	2007	4.2-4.7	2,900,000	355,000	355,000
Internal improvement	1998	2007	3.6-4.4	5,325,000	625,000	625,000
Internal improvement	1999	2008	3.15-4.2	4,405,000	1,115,000	545,000
Internal improvement	1999	2009	4.5-6.0	2,110,000	900,000	290,000
Internal improvement	2000	2009	4.875-6.25	2,450,000	1,220,000	375,000
Internal improvement	2000	2010	4.25-5.95	2,455,000	1,125,000	260,000
Internal improvement	2000	2010	4.5-5.75	560,000	230,000	55,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,505,000	125,000
Internal improvement	2000	2010	4.625-5	4,990,000	3,485,000	810,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	7,620,000	385,000
Internal improvement	2001	2012	4.375-6.125	2,840,000	1,590,000	250,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	915,000	115,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	5,675,000	700,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,860,000	130,000
Internal improvement	2002	2014	2.8-3.7	920,000	670,000	70,000
Refunding	2003	2016	2.25-4.2	4,270,000	2,355,000	205,000
Refunding	2003	2016	2.25-4.2	10,190,000	7,865,000	660,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	2,005,000	220,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	2,505,000	230,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	2,670,000	270,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	9,010,000	805,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	1,360,000	120,000
Internal improvement	2005	2017	3.2-4.0	1,600,000	10,280,000	820,000
Internal improvement	2006	2018	4.00	17,130,000	17,130,000	1,220,000
					<u>85,070,000</u>	<u>9,640,000</u>
Total primary government					\$ <u>154,495,576</u>	<u>10,853,629</u>

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

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2006

In 2006, the City issued \$17,130,000 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 2006-A, are due in annual installments of \$1,220,000 to \$1,710,000 with interest due in semiannual installments at a rate of 4.00% through September 1, 2018.

In 2006, the City issued \$16,345,000 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 2006-I, bear interest of 4.35% and mature October 1, 2007.

The City intends to redeem all temporary notes outstanding at December 31, 2006 in 2007 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>
2007	\$	8,393,394	2,971,059	11,364,453
2008		7,735,152	2,644,031	10,379,183
2009		7,784,166	2,348,905	10,133,071
2010		7,438,114	2,051,608	9,489,722
2011		6,354,010	1,766,544	8,120,554
2012-2016		29,360,026	5,209,385	34,569,411
2017-2021		8,053,984	770,622	8,824,606
Total	\$	<u>75,118,846</u>	<u>17,762,154</u>	<u>92,881,000</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>
2007	\$	1,246,606	407,434	1,654,040
2008		1,224,848	355,468	1,580,316
2009		870,834	305,085	1,175,919
2010		781,886	268,923	1,050,809
2011		805,990	237,833	1,043,823
2012-2016		4,509,974	664,929	5,174,903
2017-2021		511,016	19,226	530,242
Total	\$	<u>9,951,154</u>	<u>2,258,898</u>	<u>12,210,052</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

*Total general obligation bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2007	\$	9,640,000	3,378,493	13,018,493
2008		8,960,000	2,999,499	11,959,499
2009		8,655,000	2,653,990	11,308,990
2010		8,220,000	2,320,531	10,540,531
2011		7,160,000	2,004,377	9,164,377
2012-2016		33,870,000	5,874,314	39,744,314
2017-2021		8,565,000	789,848	9,354,848
Total	\$	<u>85,070,000</u>	<u>20,021,052</u>	<u>105,091,052</u>

*Revenue bonds:*

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2007	\$	1,195,000	1,021,650	2,216,650
2008		1,340,000	973,850	2,313,850
2009		1,435,000	920,250	2,355,250
2010		1,550,000	862,850	2,412,850
2011		1,575,000	800,850	2,375,850
2012-2016		8,260,000	3,015,650	11,275,650
2017-2021		4,865,000	1,622,225	6,487,225
2022-2025		4,640,000	502,988	5,142,988
Total	\$	<u>24,860,000</u>	<u>9,720,313</u>	<u>34,580,313</u>

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

<b>Year</b>		<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2007	\$	18,629	648	19,277
2008		4,496	79	4,575
Total		<u>23,125</u>	<u>727</u>	<u>23,852</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

*Long-term notes payable, State Revolving Loan Fund:*

<u>Year</u>	<u>Principal Due</u>
Total to maturity	\$ <u>44,542,451</u>

The 2000 Kansas Wastewater Loan in the amount of \$34,381,804 is a partial draw on a loan commitment of \$46,093,953. The 2001 Kansas Water Supply Loan in the amount of \$5,226,908 is a partial draw on a loan commitment of \$7,000,000. The 2002 Kansas Water Supply Loan in the amount of \$4,933,739 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 refunding of the Series 1997 Bonds constituted an advance refunding. The outstanding bonds were called at par on November 1, 2006 in the amount of \$4,765,000. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$340,646 and resulted in an economic gain of \$276,217.

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

**Conduit Debt:** The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2006, total outstanding conduit debt was \$36,400,000.

# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2006

### 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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 30,985,607	52,073,365	16,018,062	67,040,910	1,535,000
Retirement plan obligation	1,164,678	17,519	224,801	957,396	210,258
Capital lease obligations	784,297	-	389,468	394,829	394,829
	<u>\$ 32,934,582</u>	<u>52,090,884</u>	<u>16,632,331</u>	<u>68,393,135</u>	<u>2,140,087</u>

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

Debt Issue	Date Matures	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Series 2003	2019	2.50-5.38	\$ 17,450,000	\$ 15,260,000	\$ 890,000
Series 2006	2036	5.00-5.25	51,845,000	51,845,000	645,000
Unamortized loss on refunding				(64,090)	-
				<u>\$ 67,040,910</u>	<u>1,535,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2006 are as follows:

Year	Principal Due	Interest Due	Total Due
2007	\$ 1,535,000	3,072,963	4,607,963
2008	1,505,000	3,336,212	4,841,212
2009	1,570,000	3,270,112	4,840,112
2010	1,630,000	3,206,002	4,836,002
2011	1,715,000	3,121,912	4,836,912
2012-2016	10,020,000	14,182,563	24,202,563
2017-2021	10,480,000	11,371,540	21,851,540
2022-2026	9,720,000	8,928,942	18,648,942
2027-2031	12,680,000	6,148,445	18,828,445
2032-2036	16,250,000	2,569,959	18,819,959
Total	<u>\$ 67,105,000</u>	<u>59,208,650</u>	<u>126,313,650</u>



# City of Lawrence, Kansas

## Notes to Basic Financial Statements

December 31, 2006

**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, 2006.

### (8) Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,200,674	375,596	-	14,576,270
Construction in progress	18,493,653	13,878,253	(18,218,206)	14,153,700
Total capital assets, not being depreciated	32,694,327	14,253,849	(18,218,206)	28,729,970
Capital assets, being depreciated:				
Buildings	47,084,592	5,559,825	-	52,644,417
Improvements other than buildings	23,435,857	13,485	-	23,449,342
Machinery and equipment	23,757,344	1,383,462	(708,705)	24,432,101
Infrastructure	133,668,368	12,953,104	-	146,621,472
Total capital assets being depreciated	227,946,161	19,909,876	(708,705)	247,147,332
Less accumulated depreciation for:				
Buildings	19,016,097	1,653,024	-	20,669,122
Improvements other than buildings	5,556,972	1,027,291	-	6,584,262
Machinery and equipment	17,414,537	1,694,267	(587,687)	18,521,118
Infrastructure	42,371,540	2,699,618	-	45,071,157
Total accumulated depreciation	84,359,146	7,074,200	(587,687)	90,845,659
Total capital assets, being depreciated, net	143,587,015	12,835,676	(121,018)	156,301,673
Governmental activities capital assets, net	\$ 176,281,342	27,089,525	(18,339,224)	185,031,643

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,625,396	2,526,517	-	5,151,913
Construction in progress	4,693,479	14,112,979	(1,484,858)	17,321,600
Total capital assets, not being depreciated	<u>7,318,875</u>	<u>16,639,496</u>	<u>(1,484,858)</u>	<u>22,473,513</u>
Capital assets, being depreciated:				
Buildings	69,980,789	19,266	-	70,000,055
Improvements other than buildings	122,263,125	1,596,551	-	123,859,676
Machinery and equipment	14,174,559	1,920,134	(681,726)	15,412,967
Total capital assets being depreciated	<u>206,418,473</u>	<u>3,535,951</u>	<u>(681,726)</u>	<u>209,272,698</u>
Less accumulated depreciation for:				
Buildings	8,700,731	1,512,342	-	10,213,073
Improvements other than buildings	35,795,704	3,420,463	-	39,216,167
Machinery and equipment	10,302,386	1,247,301	(625,088)	10,924,599
Total accumulated depreciation	<u>54,798,821</u>	<u>6,180,106</u>	<u>(625,088)</u>	<u>60,353,839</u>
Total capital assets, being depreciated, net	<u>151,619,652</u>	<u>(2,644,155)</u>	<u>(56,638)</u>	<u>148,918,859</u>
Business-type activities capital assets, net	<u>\$ 158,938,527</u>	<u>13,995,341</u>	<u>(1,541,496)</u>	<u>171,392,372</u>

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

Governmental activities:	
General government	\$ 128,677
Public safety	359,357
Public works	5,525,430
Health	800
Social services	411,628
Culture and recreation	510,096
Tourism	1,020
Airport	115,777
Total governmental funds	<u>7,052,785</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>21,415</u>
Total depreciation expense - governmental activities	<u>\$ 7,074,200</u>
Business-type activities:	
Water & sewer	\$ 4,665,565
Sanitation	754,006
Parking	172,614
Storm water	385,442
Golf course	180,666
Total proprietary funds	<u>6,158,293</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>21,813</u>
Total depreciation expense - business-type activities	<u>\$ 6,180,106</u>

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

**(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 2006 was 4.61% from January 1 to June 30 and 4.81% from July 1 to December 31. The City's employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004 were \$1,022,060, \$828,720, and \$690,461, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2006 is 12.86%. 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, 2006, 2005, and 2004 were \$2,264,361, \$1,970,161, and \$1,552,905, respectively, equal to the required contributions for each year.

**(10) Interfund Transactions**

*Interfund Receivables and Payables*

At December 31, 2006, the following funds had interfund receivables and payables to the following funds

<u>Due From</u>	<u>General Fund</u>
Special Revenue Funds:	
Community Development	\$ 130,000
Home Program	220,000
Transportation Planning	<u>60,000</u>
	<u>410,000</u>

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

**City of Lawrence, Kansas**  
Notes to Basic Financial Statements  
December 31, 2006

***Interfund Transfers***

A summary of transfers for the year ended December 31, 2006 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,645,662	5,771,750
Special Revenue Funds:		
Guest Tax	-	46,150
Recreation	1,400,000	-
Capital Improvement Reserve	480,875	-
Equipment Reserve	480,875	-
Guest Tax Reserve	46,150	-
Liability Reserve	250,000	-
Sales Tax Reserve	2,700,000	-
Workers Comp Reserve	910,000	-
Housing Trust Fund	10,000	-
	<u>6,277,900</u>	<u>46,150</u>
Bond & Interest Fund	<u>3,212</u>	<u>-</u>
Capital Project Fund	<u>-</u>	<u>3,212</u>
Enterprise Funds:		
Water and Sewer System	-	1,377,662
Sanitation	-	296,000
Storm Water Utility	-	425,000
	<u>-</u>	<u>2,098,662</u>
Internal Service – Central Maintenance	<u>-</u>	<u>7,000</u>
	<u>\$ 7,926,774</u>	<u>7,926,774</u>

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2006

#### (11) Commitments and Contingencies

##### A. Contract Commitments

At December 31, 2006, the City had construction contract commitments totaling approximately \$14,434,336. The City expects to receive the contracted services during fiscal year 2007.

##### B. Insurance

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$3,091,479 at December 31, 2006. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2006 was \$149,136. The liability reported in the financial statements at December 31, 2006 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>2006</u>	<u>2005</u>
Unpaid claims, January 1	\$ 279,262	492,618
Incurred claims (including IBNRs)	4,130,427	5,287,932
Claim payments	<u>4,082,103</u>	<u>5,501,288</u>
Unpaid claims, December 31	\$ <u>327,586</u>	<u>279,262</u>

#### (12) Fund Deficit

At December 31, 2006, the Home Program Fund and the Transportation Planning Fund had respectively, fund deficits of \$810 and \$32,913. These deficits are a result of program expenditures for which reimbursements have not yet been requested. The Capital Project Fund had a deficit of \$6,221,334 due to projects for which permanent financing has not yet been obtained. Also, the Golf Course Fund had a deficit of \$277,108 due to an excess of expenses not covered by revenues.

## **City of Lawrence, Kansas**

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

December 31, 2006

#### **(13) Cost Sharing Arrangements**

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

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

In 1996, the County emergency medical services and the City fire department were combined with the City paying 74.36% and the County paying 25.64% of the operating costs of the combined operations. The County pays all the cost of buildings and equipment of the ambulance service and the City pays all the cost of buildings and equipment of the fire department except as provided for in the construction of Fire Station #5 discussed below. As of the effective date of the 1996 agreement all buildings, equipment and furniture were to be transferred to the ownership of the City. This agreement was later modified in 1997, 1998 and 2005.

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

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

#### **(14) 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).

## **City of Lawrence, Kansas**

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

December 31, 2006

#### **(15) New Governmental Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement 43 – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” which establishes new reporting standards for Other Post Employment Benefit Plans (OPEB). This statement would impact the City in the event that it should decide to fund its OPEB liability as reported under Statement 45. See below.

Statement 45 – “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” which requires that the cost of providing Other Post Employment Benefits (OPEB) be accounted for in basically the same way as pension benefits including the use of actuarial valuation methods. The liability reported under this standard may be funded as provided for by Statement 43 above.

The City implemented GASB Statement 44 for the year ended December 31, 2006.

#### **(16) Related Party Transactions**

The City paid \$34,737 during the year ended December 31, 2006 as an appropriation, to a nonprofit organization. A member of City management is on the board of directors of this nonprofit organization.

The spouse of a member of City management is a partial owner of an architectural firm that the City uses for services. The city paid the firm \$46,021 for the year ended December 31, 2006.

#### **(17) Restatement**

The unrestricted net assets and unearned revenue accounts as of December 31, 2005 for governmental activities were restated for an error in the recording of property tax receivables. The correction of this error resulted in a decrease to unrestricted net assets and an increase to unearned revenue of \$20,734,102.

## **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.

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

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

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

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

#### **NONBUDGETED FUNDS**

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

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

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

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

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

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



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

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

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

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

*Cemetery Perpetual Care Fund* – This fund is used to provide monies for the maintenance of the City Cemetery (K.S.A. 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. 60-4117).

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

Special Revenue															
Assets	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Cash	\$ 88,249	371,862	345,216	334,663	185,388	157,952	153,507	114,723	549,560	329,671	42,557	409,228	797,856	12,845	364,097
Investments	199,970	—	599,029	197,184	—	399,998	—	—	2,732,301	2,848,296	—	1,098,953	2,048,771	—	1,309,382
Receivables:															
Taxes	—	2,476,125	577,398	364,843	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	234	2,784	—	—	—	438	—	125,084	—	—	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	25,956	31,124	—	8,265	16,194	—	10,836
Total assets	\$ 288,219	2,847,987	1,521,877	899,474	185,388	557,950	153,507	115,161	3,307,817	3,334,175	42,557	1,516,446	2,862,821	12,845	1,684,315
Liabilities and Fund Balances															
Liabilities:															
Accounts payable	\$ —	—	585	36,855	607	—	20,106	—	—	—	—	7,193	310	—	102,089
Accrued payroll	—	—	540	36,341	—	25,591	17	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deferred revenue	—	2,690,153	616,211	400,772	—	—	—	438	—	525	—	—	—	—	—
Total liabilities	—	2,690,153	617,336	473,968	607	25,591	20,123	438	—	525	—	7,193	310	—	102,089
Fund balances:															
Reserved for encumbrances	—	—	29,056	73,579	—	22,981	63,714	—	—	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:															
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,509,253	—	—	1,582,226
Undesignated	288,219	157,834	875,485	351,927	184,781	509,378	69,670	114,723	3,307,817	3,333,650	42,557	—	2,862,511	12,845	—
Total fund balances	288,219	157,834	904,541	425,506	184,781	532,359	133,384	114,723	3,307,817	3,333,650	42,557	1,509,253	2,862,511	12,845	1,582,226
Total liabilities and fund balances	\$ 288,219	2,847,987	1,521,877	899,474	185,388	557,950	153,507	115,161	3,307,817	3,334,175	42,557	1,516,446	2,862,821	12,845	1,684,315

(Continued)

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2006

Assets	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Cash	\$ 237,533	22,532	4,203	71,165	228,093	2,582	153,168	3,823	506	37	1,988	126,825	5,109,829
Investments	—	9,859	—	49,511	—	88,733	9,902	—	—	229,561	—	—	11,821,450
Receivables:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	3,418,366
Intergovernmental	—	—	—	—	42,550	—	—	482,895	—	—	25,342	—	550,787
Accounts	—	—	—	—	—	—	—	1,960	—	—	—	—	130,500
Loans	—	—	—	—	—	—	—	355,933	—	—	—	—	355,933
Accrued interest	—	14	—	429	—	128	86	—	—	—	—	—	93,032
Total assets	\$ 237,533	32,405	4,203	121,105	270,643	91,443	163,156	844,611	506	229,598	27,330	126,825	21,479,897
<b>Liabilities and Fund Balances</b>													
Liabilities:													
Accounts payable	\$ —	—	—	1,010	13,014	—	2,087	4,076	506	9,410	—	—	197,848
Accrued payroll	—	—	—	—	3,076	—	562	4,826	—	998	243	—	72,194
Due to other funds	—	—	—	—	—	—	—	130,000	—	220,000	60,000	—	410,000
Deferred revenue	—	—	—	—	—	—	—	563,144	—	—	—	—	4,271,243
Total liabilities	—	—	—	1,010	16,090	—	2,649	702,046	506	230,408	60,243	—	4,951,285
Fund balances:													
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	189,330
Reserved for loans	—	—	—	—	—	—	—	356,934	—	—	—	—	356,934
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	23,000
Unreserved:													
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	3,091,479
Undesignated	237,533	10,405	3,203	120,095	254,553	91,443	160,507	(214,369)	—	(810)	(32,913)	126,825	12,867,869
Total fund balances	237,533	32,405	4,203	120,095	254,553	91,443	160,507	142,565	—	(810)	(32,913)	126,825	16,528,612
Total liabilities and fund balances	\$ 237,533	32,405	4,203	121,105	270,643	91,443	163,156	844,611	506	229,598	27,330	126,825	21,479,897

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2006

Special Revenue															
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Revenues:															
Taxes	\$	—	2,760,860	600,972	344,629	—	—	—	—	—	—	—	—	—	—
Charges for services		—	181,641	1,318,652	—	—	—	11,496	—	—	—	—	—	—	—
Fines, forfeitures and penalties		—	—	—	—	—	—	—	—	155,007	—	—	—	—	—
Interest		—	—	—	—	—	—	—	155,913	122,968	—	58,103	87,479	—	64,791
Intergovernmental		735,915	—	—	543,415	2,532,556	543,415	—	—	1,000,000	—	—	—	—	—
Miscellaneous		—	42,983	97,630	—	17,353	—	12,510	—	348,005	—	—	38,000	—	—
Total revenues		735,915	2,760,860	825,596	1,760,911	2,549,909	543,415	24,006	155,913	1,625,980	—	58,103	125,479	—	64,791
Expenditures:															
General government		—	2,759,000	1,573,347	—	—	—	—	—	—	—	124,688	—	—	678,487
Public safety		—	—	—	611,360	—	—	—	—	—	—	—	—	—	—
Public works		—	—	—	—	2,476,967	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation		—	—	3,249,369	—	—	538,141	—	—	—	—	—	672,833	—	—
Tourism		625,673	—	—	—	—	—	—	—	—	49,104	—	—	—	—
Capital outlay		—	—	—	13,511	105,870	48,500	—	657,004	1,634,284	—	—	157,358	—	—
Debt service:		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Principal retirement		—	—	—	—	—	—	—	—	—	—	—	1,285,157	—	—
Interest and fiscal charges		—	—	—	—	—	—	—	—	—	—	—	514,675	—	—
Total expenditures		625,673	2,759,000	1,573,347	3,262,880	2,582,837	586,641	—	657,004	1,634,284	49,104	124,688	2,630,023	—	678,487
Excess (deficiency) of revenues over (under) expenditures		110,242	1,860	(747,751)	(1,501,969)	(32,928)	(43,226)	24,006	(501,091)	(8,304)	(49,104)	(66,585)	(2,504,544)	—	(613,696)
Other financing sources (uses):															
Transfers in		—	—	—	1,400,000	—	—	—	480,875	480,875	46,150	250,000	2,700,000	—	910,000
Transfers out		(46,150)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)		(46,150)	—	—	1,400,000	—	—	—	480,875	480,875	46,150	250,000	2,700,000	—	910,000
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses		64,092	1,860	(747,751)	(101,969)	(67,945)	(43,226)	24,006	(20,216)	472,571	(2,954)	183,415	195,456	—	296,304
Fund balance, beginning of year		224,127	155,974	1,652,292	527,475	252,726	565,287	176,610	90,717	2,861,079	45,511	1,325,838	2,667,055	12,845	1,285,922
Fund balance, end of year	\$	288,219	157,834	904,541	425,506	184,781	532,359	133,384	114,723	3,333,650	42,557	1,509,253	2,862,511	12,845	1,582,226

# CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2006

	Special Revenue												Total
	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Weo Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	
Revenues:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	3,706,461
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	1,511,789
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	155,007
Interest	1,128	1,169	13	11,728	—	1,798	258	—	—	—	—	5,498	510,846
Intergovernmental	—	—	—	—	1,924,204	—	198,941	605,840	—	661,471	93,547	—	8,839,304
Miscellaneous	233,614	—	—	—	—	26,602	—	136,933	—	77,483	—	38,256	1,069,369
Total revenues	234,742	1,169	13	11,728	1,924,204	28,400	199,199	742,773	—	738,954	93,547	43,754	15,792,776
Expenditures:													
General government	28,957	—	—	—	1,614,247	—	—	—	—	—	98,701	—	6,877,427
Public safety	—	—	—	—	17,558	—	—	—	—	—	—	72	628,990
Public works	—	—	—	—	—	—	—	—	—	—	—	—	2,476,967
Health	—	—	—	—	61,446	—	—	—	—	—	—	—	61,446
Social services	—	—	—	387,047	—	—	83,216	763,933	—	706,985	—	—	1,941,181
Culture and recreation	—	5,434	—	—	—	5,336	—	—	—	—	—	—	4,471,113
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	674,777
Capital outlay	17,260	—	—	—	5,982	—	—	—	—	—	—	—	2,639,769
Debt service:													
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,285,157
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	514,675
Total expenditures	46,217	5,434	—	387,047	1,699,233	5,336	83,216	763,933	—	706,985	98,701	72	21,571,502
Excess (deficiency) of revenues over (under) expenditures	188,525	(4,265)	13	(375,319)	224,971	23,064	115,983	(21,160)	—	31,969	(5,154)	43,682	(3,778,726)
Other financing sources (uses):													
Transfers in	—	—	—	10,000	—	—	—	—	—	—	—	—	6,277,900
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	(46,150)
Total other financing sources (uses)	—	—	—	10,000	—	—	—	—	—	—	—	—	6,231,750
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	188,525	(4,265)	13	(365,319)	224,971	23,064	115,983	(21,160)	—	31,969	(5,154)	43,682	453,024
Fund balance, beginning of year	49,008	36,670	4,190	485,414	29,582	68,379	44,524	163,725	—	(32,779)	(27,759)	83,143	16,075,588
Fund balance, end of year	237,533	32,405	4,203	120,095	254,553	91,443	160,507	142,565	—	(810)	(32,913)	126,825	16,528,612

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
Revenues:					
Taxes	\$ 5,886,903	5,886,903	5,969,902	82,999	5,580,998
Special assessments	1,445,000	1,445,000	1,497,275	52,275	1,283,187
Interest	125,000	125,000	497,986	372,986	180,508
Intergovernmental	—	—	179,744	179,744	—
Miscellaneous	85,000	85,000	126,042	41,042	243,512
Total revenues	<u>7,541,903</u>	<u>7,541,903</u>	<u>8,270,949</u>	<u>729,046</u>	<u>7,288,205</u>
Expenditures:					
Principal retirement	7,800,000	7,800,000	6,639,044	1,160,956	6,596,111
Interest and fiscal charges	<u>3,510,000</u>	<u>3,510,000</u>	<u>2,119,620</u>	<u>1,390,380</u>	<u>2,069,984</u>
Total expenditures	<u>11,310,000</u>	<u>11,310,000</u>	<u>8,758,664</u>	<u>2,551,336</u>	<u>8,666,095</u>
Excess (deficiency) of revenues over (under) expenditures	(3,768,097)	(3,768,097)	(487,715)	3,280,382	(1,377,890)
Other financing sources – transfers in	<u>—</u>	<u>—</u>	<u>3,212</u>	<u>3,212</u>	<u>855,508</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ <u>(3,768,097)</u>	<u>(3,768,097)</u>	(484,503)	<u>3,283,594</u>	(522,382)
Fund balance, beginning of year			7,774,005		8,296,387
Net change in reserve for encumbrances			<u>—</u>		<u>—</u>
Fund balance, end of year			\$ <u>7,289,502</u>		<u>7,774,005</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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>			<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>		
Revenues – intergovernmental	\$ <u>710,000</u>	<u>710,000</u>	<u>735,915</u>	<u>25,915</u>	<u>719,356</u>
Expenditures:					
Tourism – contractual services	<u>753,850</u>	<u>753,850</u>	<u>625,673</u>	<u>128,177</u>	<u>675,782</u>
Excess (deficiency) of revenues over (under) expenditures	(43,850)	(43,850)	110,242	154,092	43,574
Other financing (uses) – transfers out	<u>(46,150)</u>	<u>(46,150)</u>	<u>(46,150)</u>	<u>—</u>	<u>(39,813)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(90,000)</u>	<u>(90,000)</u>	64,092	<u>154,092</u>	3,761
Fund balance, beginning of year			<u>224,127</u>		<u>220,366</u>
Fund balance, end of year			\$ <u>288,219</u>		<u>224,127</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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>			<b>Variance</b>	<b>2005</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>	<b>Actual</b>
Revenues – taxes	\$ <u>2,699,455</u>	<u>2,699,455</u>	<u>2,760,860</u>	<u>61,405</u>	<u>2,534,504</u>
Expenditures:					
General government - contractual services	<u>2,759,000</u>	<u>2,759,000</u>	<u>2,759,000</u>	<u>—</u>	<u>2,502,000</u>
Total expenditures	<u>2,759,000</u>	<u>2,759,000</u>	<u>2,759,000</u>	<u>—</u>	<u>2,502,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u><u>(59,545)</u></u>	<u><u>(59,545)</u></u>	1,860	<u><u>61,405</u></u>	32,504
Fund balance, beginning of year			<u>155,974</u>		<u>123,470</u>
Fund balance, end of year			\$ <u><u>157,834</u></u>		<u><u>155,974</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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>				
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
Revenues:					
Taxes	\$ 604,946	604,946	600,972	(3,974)	1,108,497
Charges for services	150,000	150,000	181,641	31,641	164,486
Miscellaneous	20,000	20,000	42,983	22,983	235
Total revenues	<u>774,946</u>	<u>774,946</u>	<u>825,596</u>	<u>50,650</u>	<u>1,273,218</u>
Expenditures:					
General government					
Personal services	82,955	82,955	39,321	43,634	58,271
Contractual service	1,554,100	1,551,650	1,311,747	239,903	1,121,523
Commodities	5,000	7,450	3,717	3,733	7,059
Capital outlay	—	—	—	—	1,012
Total expenditures	<u>1,642,055</u>	<u>1,642,055</u>	<u>1,354,785</u>	<u>287,270</u>	<u>1,187,865</u>
Excess (deficiency) of revenues over (under) expenditures	(867,109)	(867,109)	(529,189)	337,920	85,353
Other financing uses – transfers out	—	—	—	—	(400,000)
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(867,109)</u>	<u>(867,109)</u>	(529,189)	<u>337,920</u>	(314,647)
Fund balance, beginning of year			1,652,292		1,836,618
Net change in reserve for encumbrances			<u>(218,562)</u>		<u>130,321</u>
Fund balance, end of year			\$ <u>904,541</u>		<u>1,652,292</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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>			<b>Variance</b>	
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>	<b>2005 Actual</b>
Revenues:					
Taxes	\$ 348,432	348,432	344,629	(3,803)	318,183
Charges for services	1,270,350	1,270,350	1,318,652	48,302	1,315,059
Miscellaneous	75,000	75,000	97,630	22,630	99,038
Total revenues	<u>1,693,782</u>	<u>1,693,782</u>	<u>1,760,911</u>	<u>67,129</u>	<u>1,732,280</u>
Expenditures:					
Culture and recreation:					
Personal services	2,669,453	2,623,846	2,582,630	41,216	2,403,034
Contractual service	438,457	424,628	394,944	29,684	389,028
Commodities	234,882	292,978	282,630	10,348	292,840
Capital outlay	36,000	37,340	37,340	—	—
Total expenditures	<u>3,378,792</u>	<u>3,378,792</u>	<u>3,297,544</u>	<u>81,248</u>	<u>3,084,902</u>
Excess (deficiency) of revenues over (under) expenditures	(1,685,010)	(1,685,010)	(1,536,633)	148,377	(1,352,622)
Other financing sources – transfers in	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>—</u>	<u>1,304,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u><u>\$ (285,010)</u></u>	<u><u>(285,010)</u></u>	<u>(136,633)</u>	<u><u>148,377</u></u>	<u>(48,622)</u>
Fund balance, beginning of year			527,475		610,061
Net change in reserve for encumbrances			<u>34,664</u>		<u>(33,964)</u>
Fund balance, end of year			<u><u>\$ 425,506</u></u>		<u><u>527,475</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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>			<b>Variance</b>	
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>	<b>2005 Actual</b>
Revenues – intergovernmental	\$ 525,000	525,000	543,415	18,415	530,707
Expenditures:					
Health:					
Contractual service	600,000	600,000	608,019	(8,019)	564,711
Commodities	—		3,341	(3,341)	3,425
Other	45,000	45,000	—	45,000	1,000
Total expenditures	645,000	645,000	611,360	33,640	569,136
Excess (deficiency) of revenues over (under) expenditures	\$ (120,000)	(120,000)	(67,945)	52,055	(38,429)
Fund balance, beginning of year			252,726		291,155
Fund balance, end of year			\$ 184,781		252,726

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, 2006  
(With Comparative Actual Amounts for 2005)

	<b>2006</b>			<b>Variance Positive (Negative)</b>	<b>2005 Actual</b>
	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Actual</u></b>		
Revenues					
Intergovernmental	\$ 2,624,300	2,624,300	2,532,556	(91,744)	2,561,489
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>17,353</u>	<u>7,353</u>	<u>—</u>
Total revenues	<u>2,634,300</u>	<u>2,634,300</u>	<u>2,549,909</u>	<u>(84,391)</u>	<u>2,561,489</u>
Expenditures:					
Public works:					
Personal services	1,565,891	1,565,891	1,538,892	26,999	1,433,039
Contractual service	480	480	37,707	(37,227)	—
Commodities	1,148,000	1,143,015	901,204	241,811	865,865
Capital outlay	<u>152,000</u>	<u>156,985</u>	<u>110,585</u>	<u>46,400</u>	<u>87,650</u>
Total expenditures	<u>2,866,371</u>	<u>2,866,371</u>	<u>2,588,388</u>	<u>277,983</u>	<u>2,386,554</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(232,071)</u>	<u>(232,071)</u>	(38,479)	<u>193,592</u>	174,935
Fund balance, beginning of year			565,287		517,077
Net change in reserve for encumbrances			<u>5,551</u>		<u>(126,725)</u>
Fund balance, end of year			\$ <u>532,359</u>		<u>565,287</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, 2006  
(With Comparative Actual Amounts for 2005)

	2006			Variance	2005
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues – intergovernmental	\$ 525,000	525,000	543,415	18,415	530,707
Expenditures:					
Culture and recreation:					
Personal services	42,800	38,552	38,403	149	36,674
Contractual service	281,700	287,540	345,383	(57,843)	381,012
Commodities	82,500	120,438	119,454	984	128,854
Capital outlay	169,000	140,718	85,399	55,319	25,005
Other	30,000	18,752	7,000	11,752	2,140
Total expenditures	606,000	606,000	595,639	10,361	573,685
Excess (deficiency) of revenues over (under) expenditures	\$ (81,000)	(81,000)	(52,224)	28,776	(42,978)
Fund balance, beginning of year			176,610		267,442
Net change in reserve for encumbrances			8,998		(47,854)
Fund balance, end of year			\$ 133,384		176,610

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

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## **NONMAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

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

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

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

# CITY OF LAWRENCE, KANSAS

## Combining Balance Sheet Nonmajor Enterprise Funds December 31, 2006

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 505,662	1,899	507,561
Investments	318,357	—	318,357
Receivables:			
Accounts	10,768	23	10,791
Accrued interest	3,558	—	3,558
Inventories	—	10,780	10,780
Total current assets	<u>838,345</u>	<u>12,702</u>	<u>851,047</u>
Capital assets			
Land	479,055	—	479,055
Buildings and improvements	4,023,987	3,616,125	7,640,112
Equipment	387,703	181,452	569,155
Accumulated depreciation	<u>(2,545,362)</u>	<u>(1,667,096)</u>	<u>(4,212,458)</u>
Total capital assets	<u>2,345,383</u>	<u>2,130,481</u>	<u>4,475,864</u>
Total assets	<u>\$ 3,183,728</u>	<u>2,143,183</u>	<u>5,326,911</u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Current liabilities			
Accounts payable	\$ 11,001	5,782	16,783
Accrued interest payable	—	28,245	28,245
Accrued payroll	9,864	5,229	15,093
Accrued vacation and sick pay	31,471	15,205	46,676
Current portion of general obligation bonds	—	190,000	190,000
Total current liabilities	<u>52,336</u>	<u>244,461</u>	<u>296,797</u>
Noncurrent liabilities			
Compensated absences	18,896	5,830	24,726
General obligation bonds payable	—	2,170,000	2,170,000
Total noncurrent liabilities	<u>18,896</u>	<u>2,175,830</u>	<u>2,194,726</u>
Total liabilities	<u>71,232</u>	<u>2,420,291</u>	<u>2,491,523</u>
Net assets:			
Invested in capital assets, net of debt	2,345,383	(229,519)	2,115,864
Unrestricted	<u>767,113</u>	<u>(47,589)</u>	<u>719,524</u>
Total net assets	<u>3,112,496</u>	<u>(277,108)</u>	<u>2,835,388</u>
Total liabilities and net assets	<u>\$ 3,183,728</u>	<u>2,143,183</u>	<u>5,326,911</u>

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



# CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2006

	<u>Public Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues - charges for services	\$ 954,766	1,042,886	1,997,652
Operating expenses:			
Continuing operations	785,134	717,215	1,502,349
Depreciation and amortization	172,614	180,665	353,279
Total operating expenses	957,748	897,880	1,855,628
Operating income (loss)	(2,982)	145,006	142,024
Nonoperating revenues (expenses)			
Interest income	14,423	—	14,423
Interest expense and fiscal charges	—	(71,174)	(71,174)
Total nonoperating revenues (expenses)	14,423	(71,174)	(56,751)
Change in net assets	11,441	73,832	85,273
Net assets (deficit), beginning of year	3,101,055	(350,940)	2,750,115
Net assets (deficit), end of year	\$ 3,112,496	(277,108)	2,835,388

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

# CITY OF LAWRENCE, KANSAS

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 954,766	1,042,984	1,997,750
Payments to suppliers	(155,938)	(309,874)	(465,812)
Payments to employees	(624,125)	(400,454)	(1,024,579)
Net cash provided by (used in) operating activities	<u>174,703</u>	<u>332,656</u>	<u>507,359</u>
<b>Cash flows from noncapital financing activities:</b>			
Repay loan from general fund	<u>—</u>	<u>(45,000)</u>	<u>(45,000)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(40,420)	—	(40,420)
Principal payments on debt	—	(200,000)	(200,000)
Interest payments on debt	<u>—</u>	<u>(89,235)</u>	<u>(89,235)</u>
Net cash (used in) capital and related financing activities	<u>(40,420)</u>	<u>(289,235)</u>	<u>(329,655)</u>
<b>Cash flows from investing activities:</b>			
Receipt of interest and dividends	12,624	—	12,624
Purchases of investments	(598,580)	—	(598,580)
Sales of investments	<u>499,983</u>	<u>—</u>	<u>499,983</u>
Net cash provided by (used in) investing activities	<u>(85,973)</u>	<u>—</u>	<u>(85,973)</u>
Net increase (decrease) in cash	48,310	(1,579)	46,731
Cash and cash equivalents, beginning of year	<u>457,352</u>	<u>3,478</u>	<u>460,830</u>
Cash and cash equivalents, end of year	<u>\$ 505,662</u>	<u>1,899</u>	<u>507,561</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (2,982)	145,006	142,024
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	172,614	180,665	353,279
Change in:			
Accounts receivable	—	98	98
Accounts payable	4,935	2,830	7,765
Accrued payroll	372	1,034	1,406
Accrued vacation and sick pay	<u>(236)</u>	<u>3,023</u>	<u>2,787</u>
Total adjustments	<u>177,685</u>	<u>187,650</u>	<u>365,335</u>
Net cash provided by (used in) operating activities	<u>\$ 174,703</u>	<u>332,656</u>	<u>507,359</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, 2006

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 570,657	30,200	233,662	834,519
Investments	—	—	6,292,287	6,292,287
Receivables:				
Accounts	210,322	—	28,888	239,210
Accrued interest	—	—	63,261	63,261
Inventories	228,055	6,363	—	234,418
Total current assets	<u>1,009,034</u>	<u>36,563</u>	<u>6,618,098</u>	<u>7,663,695</u>
Capital assets				
Buildings and improvements	459,715	—	—	459,715
Equipment	271,137	—	—	271,137
Accumulated depreciation	(622,765)	—	—	(622,765)
Total capital assets	<u>108,087</u>	<u>—</u>	<u>—</u>	<u>108,087</u>
Total assets	<u>\$ 1,117,121</u>	<u>36,563</u>	<u>6,618,098</u>	<u>7,771,782</u>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Current liabilities				
Accounts payable	\$ 16,137	—	76,083	92,220
Claims payable	—	—	327,586	327,586
Accrued payroll	14,293	—	—	14,293
Accrued vacation and sick pay	52,792	—	—	52,792
Total current liabilities	<u>83,222</u>	<u>—</u>	<u>403,669</u>	<u>486,891</u>
Noncurrent liabilities-accrued vacation and sick pay	<u>48,992</u>	<u>—</u>	<u>—</u>	<u>48,992</u>
Total liabilities	<u>132,214</u>	<u>—</u>	<u>403,669</u>	<u>535,883</u>
Net assets:				
Invested in capital assets, net of debt	108,087	—	—	108,087
Unrestricted	<u>876,820</u>	<u>36,563</u>	<u>6,214,429</u>	<u>7,127,812</u>
Total net assets	<u>984,907</u>	<u>36,563</u>	<u>6,214,429</u>	<u>7,235,899</u>
Total liabilities and net assets	<u>\$ 1,117,121</u>	<u>36,563</u>	<u>6,618,098</u>	<u>7,771,782</u>

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

# CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2006

	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues - charges for services	\$ 2,903,602	8,120	6,872,978	9,784,700
Operating expenses:				
Continuing operations	2,801,197	9,140	—	2,810,337
General administration	—	—	475,054	475,054
Health insurance claims	—	—	5,024,472	5,024,472
Depreciation and amortization	43,228	—	—	43,228
Total operating expenses	2,844,425	9,140	5,499,526	8,353,091
Operating income (loss)	59,177	(1,020)	1,373,452	1,431,609
Nonoperating revenues (expenses)				
Interest income	11,806	—	253,553	265,359
Gain (loss) on sale of capital assets	2,606	—	—	2,606
Other	14,242	—	—	14,242
Total nonoperating revenues (expenses)	28,654	—	253,553	282,207
Income (loss) before transfers	87,831	(1,020)	1,627,005	1,713,816
Transfers out	(7,000)	—	—	(7,000)
Change in net assets	80,831	(1,020)	1,627,005	1,706,816
Net assets (deficit), beginning of year	904,076	37,583	4,587,424	5,529,083
Net assets (deficit), end of year	\$ 984,907	36,563	6,214,429	7,235,899

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, 2006

	<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	\$ 2,939,717	8,120	6,873,023	9,820,860
Payments to suppliers	(1,979,897)	(5,975)	(5,522,617)	(7,508,489)
Payments to employees	(827,770)	—	—	(827,770)
Net cash provided by (used in) operating activities	132,050	2,145	1,350,406	1,484,601
<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	(54,554)	—	—	(54,554)
Proceeds from sales of capital assets	2,606	—	—	2,606
Net cash used in capital and related financing activities	(51,948)	—	—	(51,948)
<b>Cash flows from investing activities:</b>				
Receipt of interest and dividends	12,094	—	221,465	233,559
Purchases of investments	(400,043)	—	(12,093,556)	(12,493,599)
Sales of investments	500,004	—	9,896,197	10,396,201
Net cash provided by (used in) investing activities	112,055	—	(1,975,894)	(1,863,839)
Net increase (decrease) in cash	185,157	2,145	(625,488)	(438,186)
Cash and cash equivalents, beginning of year	385,500	28,055	859,150	1,272,705
Cash and cash equivalents, end of year	\$ 570,657	30,200	233,662	834,519
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 59,177	(1,020)	1,373,452	1,431,609
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	43,228	—	—	43,228
Other income	14,242	—	—	14,242
Change in:				
Accounts receivable	21,873	—	45	21,918
Inventories of supplies	11,389	3,165	—	14,554
Accounts payable	(23,328)	—	(42,482)	(65,810)
Claims payable	—	—	48,324	48,324
Accrued payroll	692	—	—	692
Accrued vacation and sick pay	4,777	—	—	4,777
Deferred revenue	—	—	(28,933)	(28,933)
Total adjustments	72,873	3,165	(23,046)	52,992
Net cash provided by (used in) operating activities	\$ 132,050	2,145	1,350,406	1,484,601

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, 2006

		<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2006</b>
<b>Payroll Clearing</b>					
Assets:					
Cash	\$	90,295	17,537,667	17,525,283	102,679
Liabilities:					
Accounts payable	\$	90,295	17,537,667	17,525,283	102,679
<b>Municipal Court</b>					
Assets:					
Cash	\$	237,698	843,094	814,356	266,436
Restricted assets - court receivables		70,683	—	—	70,683
	\$	308,381	843,094	814,356	337,119
Liabilities:					
Accounts payable	\$	237,698	843,094	814,356	266,436
Payable from restricted assets		70,683	—	—	70,683
	\$	308,381	843,094	814,356	337,119
<b>KPRF</b>					
Assets:					
Restricted assets - cash	\$	291	20,063	20,063	291
Liabilities:					
Accounts payable	\$	291	20,063	20,063	291

(Continued)



# CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2006

Fire Insurance Proceeds Fund	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Assets:				
Cash	\$ —	51,899	51,899	—
Liabilities:				
Accounts payable	\$ —	51,899	51,899	—
<b>Totals - All Agency Funds</b>				
Assets:				
Cash	\$ 328,284	18,452,723	18,411,601	369,406
Restricted assets - court receivables	70,683	—	—	70,683
Total assets	\$ 398,967	18,452,723	18,411,601	440,089
Liabilities:				
Accounts payable	\$ 328,284	18,452,723	18,411,601	369,406
Court bonds payable	70,683	—	—	70,683
Total liabilities	\$ 398,967	18,452,723	18,411,601	440,089

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

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## **STATISTICAL SECTION**

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# CITY OF LAWRENCE, KANSAS

**Table 1**

## Net Assets by Component

Last Four Fiscal Years  
(accrual basis of accounting)

Unaudited

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt \$	95,935,872	96,092,432	88,194,346	93,544,672
Restricted	14,384,175	15,400,474	16,818,165	17,954,391
Unrestricted	24,008,558	29,943,001	42,793,894	39,064,873
Total governmental activities net assets \$	<u>134,328,605</u>	<u>141,435,907</u>	<u>147,806,405</u>	<u>150,563,936</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt \$	86,789,171	87,319,109	74,895,527	92,038,767
Restricted	5,909,170	6,906,197	17,732,915	16,877,071
Unrestricted	34,789,666	39,136,395	47,943,857	40,048,533
Total business-type activities net assets \$	<u>127,488,007</u>	<u>133,361,701</u>	<u>140,572,299</u>	<u>148,964,371</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt \$	182,725,043	183,411,541	163,089,873	185,583,439
Restricted	20,293,345	22,306,671	34,551,080	34,831,462
Unrestricted	58,798,224	69,079,396	90,737,751	79,113,406
Total primary government net assets \$	<u>261,816,612</u>	<u>274,797,608</u>	<u>288,378,704</u>	<u>299,528,307</u>

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

Table 2

## CITY OF LAWRENCE, KANSAS

## Changes in Net Assets

Last Four Fiscal Years  
(accrual basis of accounting)

Unaudited

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities				
General government	\$ 13,529,468	14,403,955	15,787,385	17,850,454
Public safety	21,444,143	22,024,175	23,958,869	26,850,570
Public works	10,389,739	12,755,790	13,152,884	16,608,613
Health	1,382,529	888,333	897,509	976,258
Social services	2,882,748	2,678,321	3,330,734	2,651,489
Culture and recreation	6,543,285	6,211,637	7,145,971	8,205,079
Tourism	490,053	663,943	680,490	675,797
Airport	191,661	192,485	188,284	201,034
Interest on long-term debt	3,842,917	3,164,980	2,838,234	3,393,239
Total governmental activities expenses	<u>60,696,543</u>	<u>62,983,619</u>	<u>67,980,360</u>	<u>77,412,533</u>
Business-type activities:				
Water & sewer	16,561,112	17,079,804	18,439,977	20,931,603
Sanitation	7,218,375	7,817,606	8,395,807	9,146,491
Parking	912,248	935,905	962,303	934,309
Stormwater	1,121,598	1,209,570	1,527,637	1,710,016
Golf course	1,049,496	1,094,435	992,548	960,058
Total business-type activities expenses	<u>26,862,829</u>	<u>28,137,320</u>	<u>30,318,272</u>	<u>33,682,477</u>
Total primary government expenses	<u>\$ 87,559,372</u>	<u>91,120,939</u>	<u>98,298,632</u>	<u>111,095,010</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 719,087	886,557	1,164,158	1,151,175
Public safety	5,597,535	6,403,610	6,523,480	6,745,201
Culture and recreation	1,563,897	1,408,227	1,554,583	1,642,377
Other activities	530,016	608,024	598,888	693,927
Operating grants and contributions	8,690,675	8,068,395	8,645,939	8,296,784
Capital grants and contributions	4,703,593	4,476,161	4,298,427	7,464,153
Total governmental activities program revenues	<u>21,804,803</u>	<u>21,850,974</u>	<u>22,785,475</u>	<u>25,993,617</u>
Business-type activities:				
Charges for services:				
Water & sewer	22,731,523	21,980,918	24,666,589	27,625,934
Sanitation	7,859,391	8,069,691	8,350,141	8,738,585
Parking	896,694	831,787	871,504	954,766
Stormwater	2,677,414	2,728,541	2,767,975	2,794,985
Golf course	896,158	912,526	935,964	1,042,886
Operating grants and contributions	27,173	33,826	-	-
Capital grants and contributions	-	-	60,944	85,160
Total business-type activities program revenues	<u>35,088,353</u>	<u>34,557,289</u>	<u>37,653,117</u>	<u>41,242,316</u>
Total primary government program revenues	<u>\$ 56,893,156</u>	<u>56,408,263</u>	<u>60,438,592</u>	<u>67,235,933</u>
Net (expense)/revenue				
Governmental activities	\$ (38,891,740)	(41,132,645)	(45,194,885)	(51,418,916)
Business-type activities	<u>8,225,524</u>	<u>6,419,969</u>	<u>7,334,845</u>	<u>7,559,839</u>
Total primary government net expense	<u>\$ (30,666,216)</u>	<u>(34,712,676)</u>	<u>(37,860,040)</u>	<u>(43,859,077)</u>

(continued)

Table 2, cont.

## CITY OF LAWRENCE, KANSAS

## Changes in Net Assets, Continued

Last Four Fiscal Years  
(accrual basis of accounting)

	Unaudited			
	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 17,604,825	20,911,051	22,059,715	22,525,407
Franchise taxes	3,660,489	3,684,941	3,754,184	3,986,982
Sales taxes	18,893,835	20,740,306	21,318,108	21,733,540
Unrestricted grants and contributions	518,024	530,786	530,707	543,415
Investment earnings	1,107,797	980,553	1,912,596	3,144,551
Miscellaneous	86,437	(49,408)	98,035	140,358
Transfers	1,288,000	1,441,718	1,892,038	2,102,194
Total governmental activities	<u>43,159,407</u>	<u>48,239,947</u>	<u>51,565,383</u>	<u>54,176,447</u>
Business-type activities:				
Investment earnings	657,587	531,703	1,449,433	2,666,000
Miscellaneous	-	363,740	318,358	268,427
Transfers	(1,288,000)	(1,441,718)	(1,892,038)	(2,102,194)
Total business-type activities	<u>(630,413)</u>	<u>(546,275)</u>	<u>(124,247)</u>	<u>832,233</u>
Total primary government	<u>\$ 42,528,994</u>	<u>47,693,672</u>	<u>51,441,136</u>	<u>55,008,680</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 4,267,667	7,107,302	6,370,498	2,757,531
Business-type activities	7,595,111	5,873,694	7,210,598	8,392,072
Total primary government	<u>\$ 11,862,778</u>	<u>12,980,996</u>	<u>13,581,096</u>	<u>11,149,603</u>

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

## CITY OF LAWRENCE, KANSAS

## General Government Tax Revenues by Source

Last Ten Fiscal Years  
(modified accrual basis of accounting)

Unaudited

Year	Property Tax	Sales Tax (1)	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
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
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301

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



## CITY OF LAWRENCE, KANSAS

## Fund Balances of Governmental Funds

Last Ten Fiscal Years  
(modified accrual basis of accounting)

Unaudited

	1997	1998 (1)	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 728,028	700,994	1,126,996	1,458,930	787,810	727,909	1,014,374	905,414	854,863	850,300
Unreserved	6,886,664	7,516,183	8,169,127	9,577,868	10,374,335	8,919,482	8,164,583	12,922,924	14,472,880	11,083,748
Total General Fund	\$ 7,614,692	8,217,177	9,296,123	11,036,798	11,162,145	9,647,391	9,178,957	13,828,338	15,327,743	11,934,048
All other governmental funds										
Reserved	\$ 5,871,521	6,907,339	8,532,342	9,401,662	8,300,491	7,720,844	8,098,465	9,072,450	8,596,569	7,858,766
Unreserved, reported in:										
Special revenue funds	15,401,957	15,587,857	14,447,575	13,656,156	15,186,930	14,759,541	14,299,935	14,501,703	15,253,024	15,959,348
Capital projects funds	8,779,201	8,194,255	3,112,736	6,863,034	(9,556,787)	(7,091,096)	5,652,282	1,618,585	(10,419,107)	(6,221,334)
Total all other governmental funds	\$ 30,052,679	30,689,451	26,092,653	29,920,852	13,930,634	15,389,289	28,050,682	25,192,738	13,430,486	17,596,780

Note 1: The Lawrence Housing Authority was recorded as a blended component unit prior to 1999. The Housing Authority has been recorded as a discretely presented component unit since 1999.

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

Unaudited

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes	22,269,525	\$ 23,616,905	24,812,688	27,184,160	28,871,331	30,544,548	32,657,686	37,011,976	38,579,594	39,659,301
Special assessments	943,073	1,077,723	815,907	767,942	864,399	1,570,255	1,758,046	1,333,030	1,350,375	1,623,980
Licenses and permits	535,278	614,569	660,835	593,385	675,677	785,543	1,024,587	1,121,828	1,082,191	1,128,747
Charges for services	3,819,842	2,034,401	3,062,775	3,306,559	4,132,558	4,508,000	4,534,620	4,743,123	5,344,865	5,922,240
Fines, forfeitures and penalties	971,397	1,053,438	1,346,049	1,366,765	1,437,216	1,776,155	2,012,187	2,321,690	2,637,520	2,610,627
Interest	2,869,936	3,097,501	2,307,620	3,088,136	2,559,969	1,484,538	1,107,797	955,756	1,824,288	2,965,144
Intergovernmental	17,302,928	18,495,852	14,205,653	15,773,675	22,465,623	17,500,790	18,965,245	19,144,592	18,346,114	19,796,516
Reimbursements	371,792	137,034	399,861	2,135,342	261,166	1,757,694	555,980	397,638	178,665	1,321,000
Miscellaneous	562,199	3,110,571	1,127,191	1,064,857	1,182,145	932,545	1,926,446	1,360,067	1,020,492	1,465,378
Total Revenues	49,645,970	53,237,994	48,738,579	55,280,821	62,450,084	60,860,068	64,542,594	68,389,700	70,364,104	76,492,933
<b>Expenditures</b>										
General government	6,821,476	7,538,941	8,348,177	9,538,696	14,967,398	12,973,764	14,226,198	14,713,277	16,427,044	18,676,882
Public safety	13,822,621	14,658,202	14,931,935	16,002,552	17,360,889	19,413,366	20,760,197	20,620,805	23,418,252	26,134,660
Public works	4,738,153	4,607,114	4,768,079	5,286,767	5,715,798	6,409,537	6,554,869	6,213,701	6,896,815	8,360,862
Health	893,561	1,302,686	1,469,277	1,110,069	1,200,890	1,271,162	1,369,492	883,005	895,344	974,790
Social services	4,926,671	5,617,675	1,847,584	2,195,975	2,055,147	2,222,232	2,281,262	2,399,935	2,878,949	2,238,416
Culture and recreation	3,310,567	3,713,518	4,038,120	4,293,065	5,141,485	5,394,565	5,993,346	5,869,793	6,651,247	7,694,559
Tourism	428,369	431,557	485,027	460,605	443,181	463,622	486,845	660,735	677,282	674,777
Airport	62,995	45,959	52,107	81,876	79,691	94,373	75,885	76,708	72,507	85,290
Capital outlay	14,931,429	12,518,598	14,307,421	21,015,516	28,048,467	15,595,097	9,424,358	9,011,818	19,851,587	18,680,282
Debt service:										
Principal retirement	4,088,737	4,822,742	4,603,859	9,979,935	5,319,983	5,450,338	10,523,666	18,349,028	8,121,337	7,942,194
Interest and fiscal charges	3,169,159	3,050,894	2,424,977	2,875,108	3,172,476	3,228,362	3,913,517	3,077,458	2,719,188	3,283,518
Total expenditures	57,193,738	58,307,886	57,276,563	72,840,164	83,505,405	72,516,418	76,209,635	81,876,263	88,609,552	94,746,230
Excess of revenues over (under) expenditures	(7,547,768)	(5,069,892)	(8,537,984)	(17,559,343)	(21,055,321)	(11,656,350)	(11,667,041)	(13,486,563)	(18,245,448)	(18,253,297)
<b>Other financing sources (uses)</b>										
Transfers in	6,125,451	6,275,970	6,590,494	4,927,107	5,547,420	6,054,100	5,999,389	5,895,767	7,964,846	7,926,774
Transfers out	(5,337,801)	(5,373,355)	(5,959,827)	(4,276,657)	(4,616,970)	(4,777,950)	(4,704,389)	(4,450,767)	(6,069,321)	(5,821,112)
Proceeds of long term notes	-	290,127	-	-	-	-	-	-	-	-
Proceeds of general obligation bonds	5,830,000	5,325,000	5,796,733	22,477,767	4,260,000	10,324,101	22,565,000	13,833,000	6,087,076	16,920,234
Total other financing sources (uses)	6,617,650	6,517,742	6,427,400	23,128,217	5,190,450	11,600,251	23,860,000	15,278,000	7,982,601	19,025,896
Net change in fund balances	(930,118)	1,447,850	(2,110,584)	5,568,874	(15,864,871)	(56,099)	12,192,959	1,791,437	(10,262,847)	772,599
Debt service as a percentage of noncapital expenditures	17.2%	17.2%	16.4%	24.8%	15.3%	15.2%	21.6%	29.4%	15.8%	14.8%

## CITY OF LAWRENCE, KANSAS

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value		
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 %	22.67
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	22.60
1999	430,724,410	3,093,617,130	49,302,310	197,209,240	18,637,210	55,911,630	498,663,930	3,346,738,000	15.0	24.35
2000	469,852,465	3,374,649,282	56,523,350	226,093,400	19,076,106	57,228,318	545,451,921	3,657,971,000	14.9	23.90
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9	24.77
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9	25.56
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	28.10
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	27.86
2005	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	68,225,046	776,860,997	5,312,461,858	14.9	26.36
2006	750,379,180	5,389,492,978	53,579,845	214,319,380	20,406,899	61,220,697	824,365,924	5,665,033,055	15.0	26.36

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

## CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates							Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Douglas County		School District			State of Kansas		
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage		Total School Millage	
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
2005	19.32	7.04	26.36	30.05	0.05	30.10	42.05	10.03	52.08	1.50	110.04
2006	19.36	7.00	26.36	29.96	0.05	30.01	47.01	10.79	57.80	1.50	115.67

Source: Douglas County Budget Office

Table 8

## CITY OF LAWRENCE, KANSAS

## Principal Taxpayers

December 31, 2006

Unaudited

Taxpayer	Type of Business	2006			1997		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Percent of Total Assessed Valuation
Westar Energy	Electric Utility	\$ 9,143,860	1	1.18 %	\$ 7,947,247	1	1.89 %
Southwestern Bell	Telephone Utility	7,383,913	2	0.95	7,255,586	2	1.72
Inland Western Lawrence	Retail Center	5,752,470	3	0.74	-		
Celliance	Biotechnology	5,280,095	4	0.68			
Hallmark Cards	Card Manufacturer	5,079,780	5	0.65	4,719,630	4	1.12
Lawrence Paper Co.	Paper Manufacturer	4,742,080	6	0.61	3,418,285	5	0.81
Packware Corp	Plastics Manufacturer	4,524,525	7	0.58	2,711,210	8	0.64
World Company	Media	3,477,000	8	0.45	2,615,350	9	0.62
NCS Pearson	Computer Services	3,097,545	9	0.40	-		
Kresge	District Warehouse	2,933,800	10	0.38	6,763,585	3	1.60
Kansas Public Service	Gas Utility	-			3,284,970	6	0.78
Target	Retail Outlet	-			2,986,370	7	0.71
Tanger Mall	Gas Utility	-			2,327,050	10	0.55
Total		\$ 51,415,068		6.62 %	\$ 44,029,283		10.44 %

Source: Douglas County Clerk.

Table 9

## CITY OF LAWRENCE, KANSAS

## Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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
2005	20,035,547	19,622,524	97.94	308,969	19,931,493	99.48	1,871,518	9.34
2006	20,523,463	19,996,080	97.43	345,973	20,342,053	99.12	2,052,928	10.00

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

## CITY OF LAWRENCE, KANSAS

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General				General						
	Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Obligation Bonds	Notes Payable	Capital Leases				
1997	\$ 42,555,852	\$ -	\$ 72,031	\$ 16,620,000	\$ 4,074,148	\$ -	\$ -	\$ 63,322,031	0.0696	%	\$ 818.91
1998	43,220,092	145,064	-	15,515,000	4,034,908	-	1,527,445	64,442,509	0.0692		813.77
1999	44,424,058	133,971	-	14,360,000	6,820,942	-	235,603	65,974,574	0.0694		816.08
2000	57,003,154	133,971	-	13,140,000	7,196,846	5,452,112	-	82,926,083	0.0510		1,016.75
2001	55,962,449	107,161	-	11,855,000	6,652,551	22,112,277	-	96,689,438	0.0605		1,207.14
2002	62,636,388	91,499	-	10,510,000	6,083,612	42,601,580	18,797	121,941,876	0.0732		1,460.47
2003	72,638,936	75,285	-	9,475,000	5,486,064	49,470,892	-	137,146,177	0.0806		1,608.15
2004	68,139,695	58,498	-	8,935,000	6,745,305	49,114,320	-	132,992,818	0.0775		1,545.71
2005	66,122,813	41,118	-	25,910,000	10,957,187	46,970,878	-	150,001,996	0.0849		1,694.15
2006	75,118,846	23,125	-	24,860,000	9,951,154	44,542,451	-	154,495,576	0.0857		1,710.25

Note 1 - See the Demographic Statistics Table at Table 14 for personal income and population data.

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

Table 11

## CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
1997	77,325	421,519	\$ 63,250,000	\$ 5,078,420	\$ 58,171,580	13.80 %	\$ 752.30
1998	79,190	459,250	62,770,000	6,135,157	56,634,843	12.33	715.18
1999	80,843	498,664	65,605,000	7,993,327	57,611,673	11.55	712.64
2000	81,560	545,452	77,340,000	7,947,026	69,392,974	12.72	850.82
2001	80,098	595,971	74,470,000	7,638,070	66,831,930	11.21	834.38
2002	83,495	629,033	79,230,000	7,006,605	72,223,395	11.48	865.00
2003	85,282	674,353	87,600,000	7,537,669	80,062,331	11.87	938.80
2004	86,040	718,150	83,820,000	8,296,387	75,523,613	10.52	877.77
2005	88,541	776,861	102,990,000	7,774,005	95,215,995	12.26	1075.39
2006	90,335	824,366	109,930,000	7,289,502	102,640,498	12.45	1136.22

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

(2) Amounts expressed in thousands.

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



Table 12

## CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –  
General Obligation Bonds

December 31, 2006

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	\$ 75,118,846	\$ 7,289,502	\$ 67,829,344	100 %	\$ 67,829,344
Overlapping:					
Douglas County	22,705,000	2,164,359	20,540,641	75	15,405,481
Unified School District No. 497	<u>101,270,000</u>	<u>2,880,000</u>	<u>98,390,000</u>	88	<u>86,583,200</u>
	<u>\$ 199,093,846</u>	<u>12,333,861</u>	<u>186,759,985</u>		<u>\$ 169,818,025</u>

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

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

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

## CITY OF LAWRENCE, KANSAS

## Computation of Legal Debt Margin

## Last Ten Fiscal Years

## Unaudited

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Assessed Valuation of Taxable Property	\$ 482,263,717	\$ 522,201,506	\$ 562,985,984	\$ 608,166,259	\$ 660,853,207	\$ 696,271,456	\$ 743,219,623	\$ 789,003,475	\$ 848,569,778	\$ 897,731,218
Debt Limit Percent of Assessed Value	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Debt Limit	144,679,115	156,660,452	168,895,795	182,449,878	198,255,962	208,881,437	222,965,887	236,701,043	254,570,933	269,319,365
Total net debt applicable to limit (includes temporary notes)	<u>59,195,000</u>	<u>72,240,000</u>	<u>63,650,000</u>	<u>76,075,000</u>	<u>77,465,000</u>	<u>90,990,000</u>	<u>97,110,000</u>	<u>90,630,000</u>	<u>99,208,000</u>	<u>101,415,000</u>
Legal Debt Margin	\$ <u>85,484,115</u>	\$ <u>84,420,452</u>	\$ <u>105,245,795</u>	\$ <u>106,374,878</u>	\$ <u>120,790,962</u>	\$ <u>117,891,437</u>	\$ <u>125,855,887</u>	\$ <u>146,071,043</u>	\$ <u>155,362,933</u>	\$ <u>167,904,365</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	40.91%	46.11%	37.69%	41.70%	39.07%	43.56%	43.55%	38.29%	38.97%	37.66%

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

Table 14

## CITY OF LAWRENCE, KANSAS

## Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
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
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958	7.86
2006	27,625,934	18,473,120	9,152,814	1,050,000	1,329,563	2,379,563	3.85

## CITY OF LAWRENCE, KANSAS

## Demographic Statistics

## Last Ten Fiscal Years

## Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1997	77,325	\$ 909,342,000	\$11,760	24.70	10,136	4.2 %
1998	79,190	931,274,400	11,760	24.70	10,253	4.4
1999	80,843	950,713,680	11,760	24.70	10,371	3.2
2000	81,560	1,627,285,120	19,952	25.30	10,329	4.0
2001	80,098	1,598,115,296	19,952	25.30	10,273	4.4
2002	83,495	1,665,892,240	19,952	25.30	10,154	4.2
2003	85,282	1,701,546,464	19,952	25.30	9,919	4.7
2004	86,040	1,716,670,080	19,952	25.30	9,946	4.2
2005	88,541	1,766,570,032	19,952	25.30	10,003	4.0
2006	90,335	1,802,363,920	19,952	25.30	10,228	3.3

## Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 1996-1999 Per Capita Income Estimates for Counties and Incorporated Places from 1990 census, 2000 2005 data from 2000 census.
- (3) 1990 Census of Population General Population Characteristics, except 2000-2005 which are from U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

Table 16

## CITY OF LAWRENCE, KANSAS

## Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2006		Percentage of Total City Employment	1997
	<u>Employees</u>	<u>Rank</u>		
The University of Kansas	9,396	1	15.47%	Information Not Available
Pearson Governmental Solutions	1,800	2	2.96%	
Lawrence Public Schools	1,710	3	2.82%	
City of Lawrence	1,250	4	2.06%	
Lawrence Memorial Hospital	1,200	5	1.98%	
Hallmark Card, Inc.	760	6	1.25%	
The World Company	600	7	0.99%	
Amarr Garage Doors	588	8	0.97%	
K-Mart Distribution Center	452	9	0.74%	
DCCCA	425	10	0.70%	
Total	<u>18,181</u>		<u>29.93%</u>	

Sources: Lawrence Chamber of Commerce  
Kansas Department of Human Resources

## CITY OF LAWRENCE, KANSAS

## Full Time Equivalent Employees by Function

## Last Ten Fiscal Years

## Unaudited

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government	48.50	52.50	52.70	54.70	57.70	63.93	62.63	64.63	67.63	73.76
Public Safety	238.10	280.60	279.55	289.55	297.55	308.25	323.25	328.50	329.00	341.00
Public Works	146.33	152.33	159.00	164.00	167.00	174.50	173.00	173.00	175.50	181.00
Culture & Recreation	51.50	55.50	70.00	70.00	77.00	75.50	75.00	74.63	75.13	75.28
Health	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Services	7.50	7.50	6.80	6.80	6.80	10.25	10.25	10.00	9.00	8.95
Water & Sewer	100.50	102.50	106.00	106.00	106.00	109.00	111.63	111.76	113.26	120.26
Total	<u>592.43</u>	<u>650.93</u>	<u>675.05</u>	<u>692.05</u>	<u>713.05</u>	<u>742.43</u>	<u>756.76</u>	<u>763.52</u>	<u>770.52</u>	<u>801.25</u>

Source: City of Lawrence Budget Document

## CITY OF LAWRENCE, KANSAS

## Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Fire Protection</b>										
Number of Firefighters and Officers	115	126	129	140	140	133	137	137	137	138
Number of Fire Calls Answered	1,695	1,919	1,919	1,919	1,959	2,160	1,896	1,953	1,953	2,154
Number of Medical Calls Answered	5,531	5,705	5,705	5,705	6,612	6,380	6,225	6,700	6,700	6,810
Number of Medical Transports	N/A	4,340	4,340	4,340	4,355	5,679	3,924	3,924	3,924	4,434
Number of Inspections Conducted	3,470	2,706	2,706	2,706	2,685	8,011	5,240	5,240	5,240	5,963
<b>Police Protection</b>										
Number of Commissioned Police Officers	118	118	123	128	138	133	138	138	138	142
Number of Full Time Civilians	N/A	22	23	24	25	34	34	33	34	34
Number of Calls for Service	21,000	102,718	106,946	106,946	107,856	87,322	86,804	110,192	110,192	121,576
Arrests Processed through County Jail	4,158	2,484	2,484	2,484	2,624	2,882	2,699	2,834	2,834	3,233
Officer Issued Traffic Violations	39,889	18,475	18,475	18,475	19,675	16,460	18,327	24,008	24,008	39,348
Officer Issued Parking Violations	31,911	15,019	15,019	15,019	15,519	15,748	13,417	14,421	14,421	96,739
<b>Sewerage System</b>										
Number of Service Connections	23,500	24,000	24,400	24,400	24,820	28,252	28,252	29,515	29,515	31,499
Actual Daily Average of Treatment in Million Gallons D	8.3	8.9	8.9	8.9	8.9	9.2	9.2	12.5	12.5	10.5
<b>Water System</b>										
Number of Service Connections	23,500	24,000	24,500	27,500	27,850	29,115	28,895	29,770	29,770	32,142
Daily Average Consumption in Million Gallons	10	11.6	11.6	11.6	11.6	12.6	13	13	13	12.2
Maximum Daily Capacity of Plant in Million Gallons	28	27.5	27.5	27.5	27.5	31.5	31.5	32.5	32.5	32.5

Sources: Various government departments

Table 19

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

Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Public Works</b>										
Miles of Streets	270	264	265	270	275	278	300	300	300	318
<b>Culture and Recreation</b>										
Recreation Centers	5	5	5	5	5	5	5	5	5	5
Parks	35	35	35	35	35	50	52	52	52	53
Park Acreage	3,148	3,148	3,148	3,148	3,398	3,275	3,270	3,275	3,275	3,497
Tennis Courts	18	18	18	18	18	18	20	20	20	20
<b>Fire Protection</b>										
Number of Stations	7	7	7	4	4	7	5	5	5	5
<b>Police Protection</b>										
Number of Stations	1	1	1	2	2	2	2	2	2	2
Number of Patrol Units	17	22	23	23	23	24	24	25	25	35
<b>Sewerage System</b>										
Miles of Sanitary Sewers	290	300	300	315	315	425	475	475	475	497
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	1	40	40	40	40	41	39	39	39	35
<b>Water System</b>										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	350	350	350	355	355	385	400	400	400	418
Number of City owned Fire Hydrants	2,254	2,300	2,300	2,350	2,350	2,881	2,944	2,944	2,944	3,008
<b>Libraries</b>										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	200,000	213,500	213,500	215,500	215,500	254,100	267,134	267,134	297,924	320,705
<b>Facilities and Services Not Included in the Reporting Entity:</b>										
<b>Education</b>										
Number of Public Elementary Schools	18	18	18	19	19	18	16	16	16	16
Number of Public Elementary School Instructors	460	450	455	470	470	386	386	445	445	427
Number of Public Secondary Schools	6	6	6	6	6	7	7	7	7	6
Number of Public Secondary School Instructors	394	390	394	394	394	373	373	433	433	379
Number of Universities	2	2	2	2	2	2	2	2	2	2
<b>Hospitals</b>										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	167	167	167	167	167	177	177	186	186	173

Sources: Various government departments



## **SINGLE AUDIT SECTION**

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

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

Mayor and City Commissioners  
City of Lawrence, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. The financial statements of the Lawrence Memorial Hospital and the Lawrence Public Library were not audited in accordance with "Government Auditing Standards."

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

### Compliance and Other Matters

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

However, we noted certain other matters that we have reported to management in a separate letter dated May 14, 2007.

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

*Howenthal, Singleton, Webb & Wilson*

Professional Association

May 14, 2007

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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 Commissioners  
City of Lawrence, Kansas

**Compliance**

We have audited the compliance of the City of Lawrence, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2006. Major federal financial programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-1.

**Internal Control Over Compliance**

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Howenthal, Singleton, Webb & Wilson*

Professional Association

May 14, 2007

**CITY OF LAWRENCE, KANSAS**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2006**

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 Grants	14.218	B-05-MC-20-0005	311,166
	14.218	B-06-MC-20-0006	342,172
			<u>653,338</u>
Home - Investment Partnerships Program	14.239	M05-MC200205	207,550
	14.239	M06-MC200205	416,952
			<u>624,502</u>
Fair Housing Assistance - State & Local (03)	14.401	FF207K057011	46,585
Fair Housing Assistance - State & Local (04)	14.401	FF207K067011	36,633
			<u>83,218</u>
<b>KS Department of Commerce and Housing</b>			
Emergency Shelter Grant (04)	14.231	S-02-DC-20-0001-2006-15	33,149
Emergency Shelter Grant (05)	14.231	S-03-DC-20-0001-2005-15	17,091
			<u>50,240</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>1,411,298</b></u>
<b>U. S. Department of Transportation</b>			
<b>Federal Transportation Administration</b>			
Federal Transit Formula Grant	20.507	KS-90-X101	86,303
Federal Transit Formula Grant	20.507	KS-90-X107	1,243,153
Federal Transit Capital Investments Grant (5309)	20.500	KS-03-0022-00	25,847
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004711	7,887
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004713	1,164,893
			<u>2,528,083</u>
<b>KS Department of Transportation</b>			
Comprehensive Transportation Planning Grant	20.205	03 P.L. and Sect. 5303 Funds	98,701
Transportation Enhancements (Bicycle Works)	20.205	23 TE-0178-01	500
Transportation Enhancements (Bicycle Works)	20.205	23 TE-0182-01	61,104
Special Traffic Enforcement Program (STEP)		OP-1207-06	23,254
			<u>183,559</u>
<b>Total Department of Transportation</b>			<u><b>2,711,642</b></u>
<b>U.S. Department of Justice</b>			
<b>Direct Assistance</b>			
Overtime Reimbursement			4,642
			<u>4,642</u>
<b>KS Office of the Governor</b>			
Edward Byrne Memorial Law Enforcement Grant	16.579	04Bryne-37	12,500
			<u>12,500</u>
<b>Total Department of Justice</b>			<u><b>17,142</b></u>
<b>Total Federal Financial Awards Expenditures</b>			<u><b>\$ 4,140,081</b></u>

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

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

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None reported	
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>  X  </u> Yes	<u>      </u> No	

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218  
20.106

Community Development Block Grant  
FAA/Airport Improvement Project Grant

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes <u>      </u> No



CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
Year Ended December 31, 2006

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
Community Development Block Grant	2006-1	Timekeeping reports not completed for the employees charged to the grant.	OMB Circular A-87 Attachment B	Not determined	Adopt policy requiring compliance with the federal time keeping rules.	Agrees