

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2010

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Mission Statement

MISSION

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

VALUES

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

We are committed to these basic principles:

*Integrity
Courtesy
Fairness
Honesty*

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

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

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

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

CITY OF LAWRENCE, KANSAS

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INTRODUCTORY SECTION

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City of Lawrence

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CITY COMMISSION

MAYOR
ARON E. CROMWELL

COMMISSIONERS
ROBERT J. SCHUMM
MICHAEL DEVER
HUGH CARTER
MIKE AMYX

June 24, 2011

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2010 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal, Webb and Odermann, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lawrence for the fiscal year ended December 31, 2010 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, 2010, 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 2010 of 92,727.

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.

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

Local Economy The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. On April 8, 2008, the City Commission authorized tax increment financing and transportation development districts for the Oread hotel project. The hotel opened in early 2010. Work is progressing on a \$8.0 million mixed use development just east of downtown. The seven story building will include space for retail on the ground floor and business offices and condominiums on the higher floors. Construction began on a nearly \$10 million retirement center in the northwest part of Lawrence. A new transit facility to service both the city's and University of Kansas' transit system was operational in 2010.

In order to encourage biosciences in Lawrence, a vacant laboratory facility was purchased to serve as an incubator for drug development. The purchase was jointly funded by the city and Douglas County through the issuance of the Series 2010-A taxable general obligation bonds and will be leased to the Lawrence Douglas County Biosciences Authority. The authority has already identified one tenant for the facility.

The average unemployment of the Lawrence MSA in 2010 was 6.2%. The total civilian labor force was 62,128 in December, 2010. The average annual unemployment rate for 2006, 2007, 2008 and 2009 was 3.7%, 3.7%, 3.9% and 5.5% respectively. The number of homes sold in Lawrence during 2010 was 1239, a slight decrease from the 1253 in 2009. The median selling price for a home was \$158,000 during the year, a small increase from \$155,000 in 2009.

Major Initiatives The City Commission has adopted goals to guide future financing of activities. Included in these goals are economic development, building a sense of community, and improving transportation. Several actions were taken in 2010 to promote economic development. The most significant was the issuance of nearly \$3.0 million in taxable general obligation bonds to purchase a vacant building. The building will be used as an incubator facility for bioscience startups. The project was a joint development between the city, Douglas County and the University of Kansas. The building of a sense of community was enhanced by the replacement of the Convention and Visitors Bureau by a new organization called Destination Management. Destination Management will promote the Freedom Frontier National Heritage Area outside Lawrence. The new organization will be housed in the recently renovated Carnegie Library. In addition, numerous downtown events were cosponsored to promote downtown Lawrence. In addition to the new infrastructure projects funded by the voter approved sales tax, the Lawrence Transit system was enhanced with the construction of a new transit maintenance facility built by the University of Kansas. In addition, the city is developing a system to remotely sequence traffic signals in order to be more responsive to changing traffic patterns.

The City of Lawrence has taken possession of the Farmland property out of bankruptcy. The city was provided \$8.5 million to remove nitrogen from the soil. The cleanup is anticipated to continue for approximately 20 years and consists primarily of pumping contaminated ground water and land applying it as fertilizer. The plan is to develop the property as a business park.

Long Term Planning As Lawrence continues to experience moderate growth the need to build new infrastructure has lessened but the need to maintain existing streets and storm sewers remains very important. The city saw an increase in construction activity in 2010 including the construction of more new homes than the previous year. Unemployment has increased, but remains below both the state and national averages.

The City has experienced a significant number of special benefit districts to finance streets and sidewalks in the Northwestern part of the City. The City typically allows benefit district projects to be financed over a ten year period. If the property taxes are not paid by the property owners in the benefit district, the cost of the principal and interest payments are covered by the public at-large.

The City Commission has adopted a ten year capital improvement plan for the voter approved sales tax for infrastructure. The plan includes approximately \$40 million in projects. A master plan to determine the improvements needed for the water and sanitary sewer systems is currently being developed. The plan will identify needed capital projects and will be the basis for future rate calculations.

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.

Financial Policies The city has begun preparing for the implementation of GASB 54. GASB 54 redefines the manner in which fund balance is displayed and how special revenue funds are established. The standard places an emphasis on the availability of fund balance for future expenditures. Special revenue funds must receive a significant amount of revenue from a designated source in order to be considered a separate fund. After reviewing the standard, the city has determined that no changes in its funds will be required. The City Commission will be asked to adopt a new fund balance policy incorporating the new requirements.

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, 2009. This was the nineteenth 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 2010 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

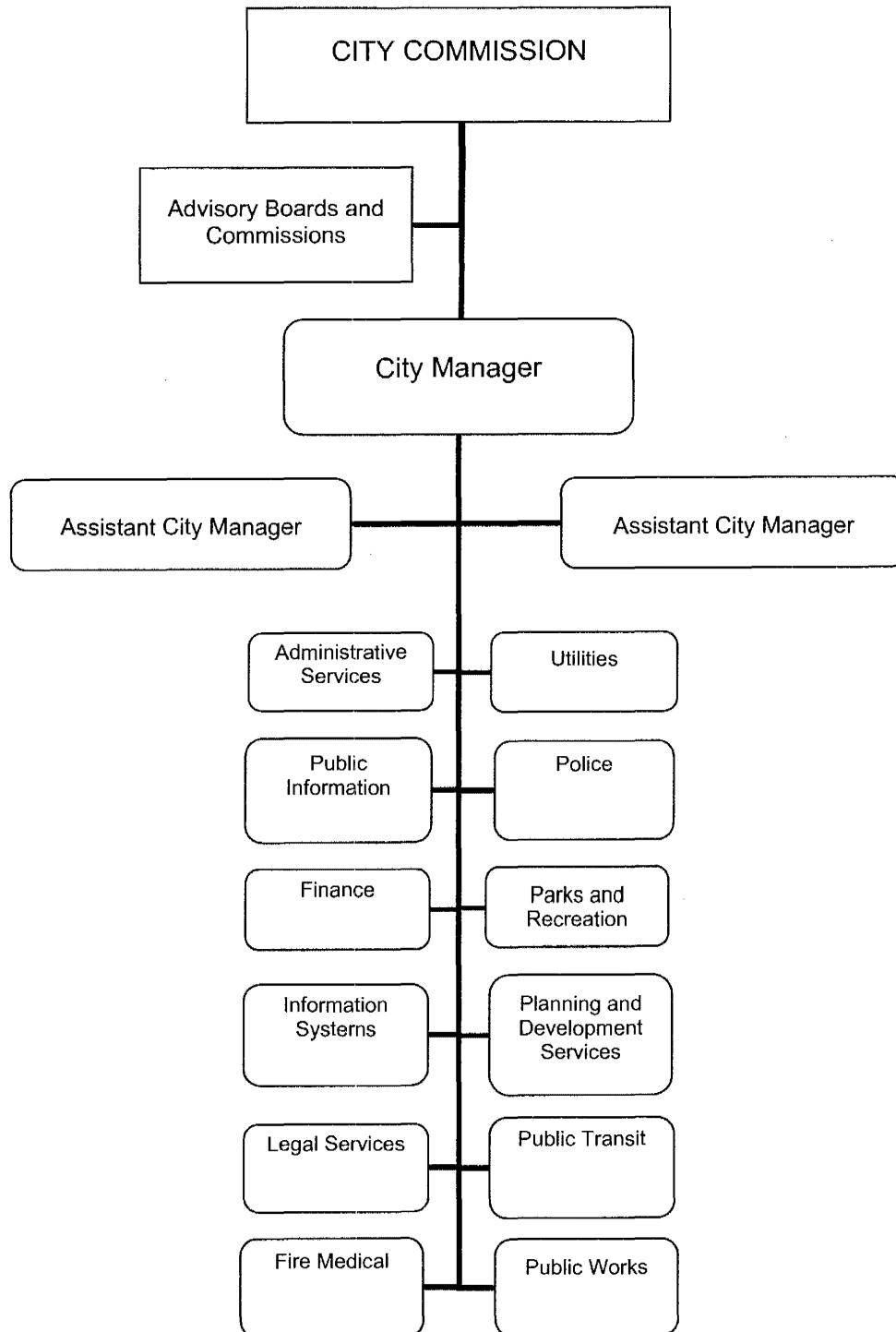
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ed Mullins', with a stylized flourish at the end.

Ed Mullins
Finance Director

City of Lawrence Organizational Chart



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2010

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawrence
Kansas

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

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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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, 2010, 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 \$223,341,383 as of December 31, 2010 and total expenses of \$147,668,484 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$21,290,003 as of December 31, 2010 and total expenses of \$8,047,252 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, 2010, 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 June 24, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 18 and the schedules of funding progress on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lowenthal, Witt & Odumano, P.A.

June 24, 2011

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, 2010. 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 2010 by \$340,491,094. Of this amount, \$57,325,968 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$2.7 million increase in total capital assets.
- As of December 31, 2010, the City's governmental funds reported combined ending fund balances of \$47,050,615, an increase of \$7,649,282 in comparison with the prior year. The increase occurred as the result of a temporary deficit in the capital projects fund. Approximately 63% is available for spending at the City's discretion.
- At the end of 2010, the City's unreserved general fund balance was \$12,747,754 or 24.5% of total general fund expenditures.
- The City's total long term debt decreased by over \$10.0 million during the year. The city issued \$3.0 million in taxable general obligation bonds for a bio-tech incubator facility and \$17.2 million in tax exempt general obligation bonds. Of the tax exempt amount, \$8.3 million was used to refund two state revolving loans and will be retired with water and sewer revenue. A total of \$7.9 million in general obligation bonds were retired through a cross-over refunding.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City of Lawrence maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of combining statements in this report.

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

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

	Governmental		Business-type		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other Assets	\$ 101,119	\$ 103,442	\$ 56,591	\$ 52,314	\$ 157,710	\$ 155,756
Capital Assets	<u>188,790</u>	<u>195,109</u>	<u>202,533</u>	<u>204,311</u>	<u>391,323</u>	<u>399,420</u>
Total	<u>\$ 289,909</u>	<u>\$ 298,551</u>	<u>\$ 259,124</u>	<u>\$ 256,625</u>	<u>\$ 549,033</u>	<u>\$ 555,176</u>
Other Liabilities	\$ 42,567	\$ 36,149	\$ 3,413	\$ 3,939	\$ 45,980	\$ 40,088
Long term Liabilities	<u>83,678</u>	<u>79,926</u>	<u>99,395</u>	<u>94,671</u>	<u>183,073</u>	<u>174,597</u>
Total	<u>\$ 126,245</u>	<u>\$ 116,075</u>	<u>\$ 102,808</u>	<u>\$ 98,610</u>	<u>\$ 229,053</u>	<u>\$ 214,685</u>
Net Assets:						
Capital Assets Net of Debt	\$ 102,317	\$ 120,684	\$ 131,256	\$ 131,661	\$ 233,573	\$ 252,345
Restricted	30,181	31,068	-	-	30,181	31,068
Unrestricted	<u>31,166</u>	<u>30,724</u>	<u>25,060</u>	<u>26,354</u>	<u>56,226</u>	<u>57,078</u>
Total	<u>\$ 163,664</u>	<u>\$ 182,476</u>	<u>\$ 156,316</u>	<u>\$ 158,015</u>	<u>\$ 319,980</u>	<u>\$ 340,491</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 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in large part to an increase in capital assets. The decrease in governmental other liabilities was the result of the refunding of \$7.9 million in general obligation bonds. The decrease in long term government liabilities was the result of the issuance of \$11.9 million in general obligation bonds payable from property taxes less the retirement of \$17.5 million in general obligation bonds from governmental type sources. A total \$12.6 million of the general obligation bonds are payable from Business-type activities

There was also an increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund had an increase in net assets of \$1.07 million from operations. The other business-type activities reported combined increases in net assets of slightly more than \$530,000. Current assets decreased because cash was used to finance the construction of capital assets and payment of debt. Long term liabilities decreased with the issuance of \$8.3 million in general obligation bonds payable from water and sewer revenue that refunded \$8.3 million in state revolving loans and the retirement of \$4.4 million in debt.

Overall, the City's net assets increased by \$20,510,695 during 2010 as a result of the construction of governmental capital assets. The city has been using internally generated cash to fund a portion of the water and sewer capital improvements. The Storm Water Utility is responsible for retiring \$4.3 million in general obligation debt. A more complete analysis of the changes in the City's net assets is shown below.

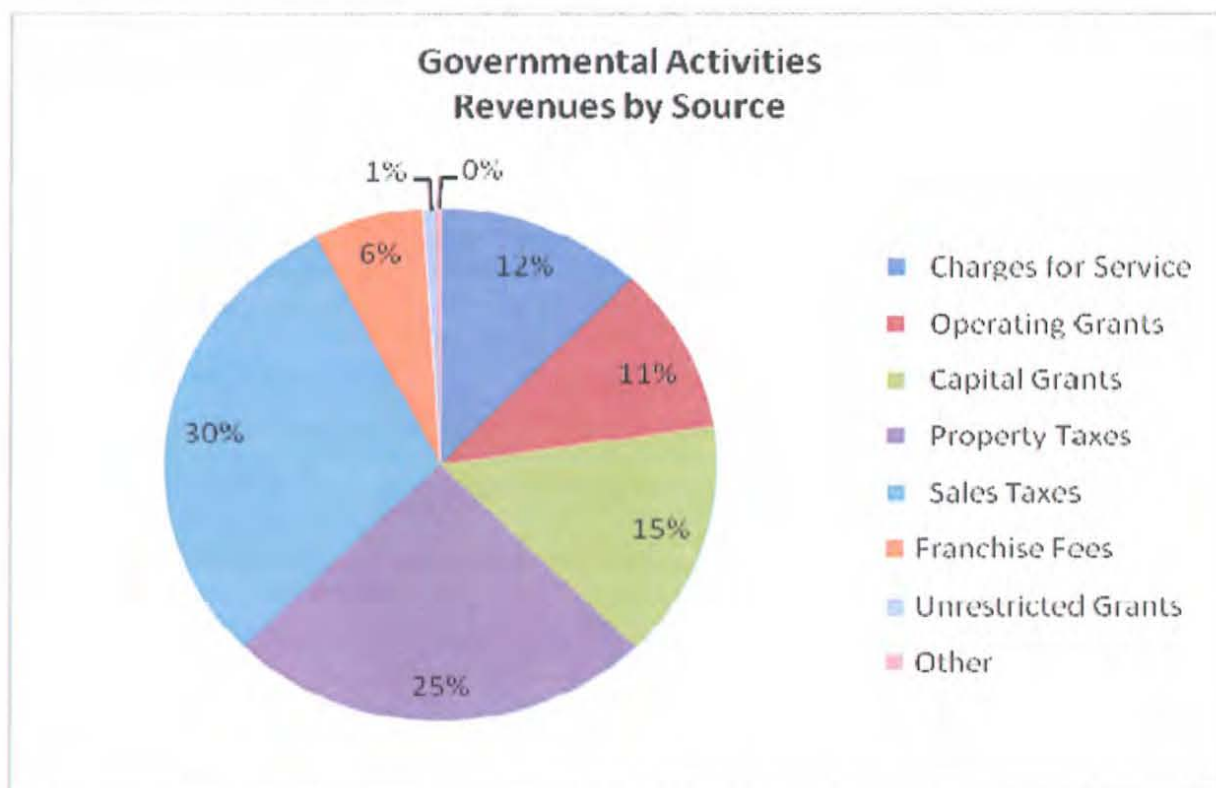
City of Lawrence's Changes in Net Assets
(000's)

	Governmental		Business-type		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for Service	\$ 10,599	\$ 11,845	\$ 43,611	\$ 45,256	\$ 54,210	\$ 57,101
Operating Grants	8,615	10,417	-	-	8,615	10,417
Capital Grants	3,913	14,677	-	-	3,913	14,677
General Revenues:						
Property Taxes	24,673	24,690	-	-	24,673	24,690
Sales Taxes	27,026	29,499	-	-	27,026	29,499
Franchise Fees	5,873	6,300	-	-	5,873	6,300
Unrestricted Grants	760	723	-	5	760	728
Other	1,208	344	613	554	1,821	898
Total	<u>82,667</u>	<u>98,495</u>	<u>44,224</u>	<u>45,815</u>	<u>126,891</u>	<u>144,310</u>
Expenses						
General Government	20,603	23,127	-	-	20,603	23,127
Public Safety	29,740	28,650	-	-	29,740	28,650
Public Works	17,586	16,868	-	-	17,586	16,868
Social Services	2,448	1,915	-	-	2,448	1,915
Recreation	8,853	9,012	-	-	8,853	9,012
Health	1,075	1,919	-	-	1,075	1,919
Interest on Debt	3,231	2,813	-	-	3,231	2,813
Water and Sewer	-	-	25,677	26,269	25,677	26,269
Sanitation	-	-	9,690	9,203	9,690	9,203
Public Parking	-	-	1,300	1,329	1,300	1,329
Storm Water	-	-	1,867	1,695	1,867	1,695
Golf	-	-	1,016	999	1,016	999
Total expenses	<u>83,536</u>	<u>84,304</u>	<u>39,550</u>	<u>39,495</u>	<u>123,086</u>	<u>123,799</u>
Excess [deficiency]	(869)	14,191	4,674	6,320	3,805	20,511
Transfers	<u>4,297</u>	<u>4,621</u>	<u>[4,297]</u>	<u>[4,621]</u>	-	-
Change in Net Assets	3,428	18,812	377	1,699	3,805	20,511
Beginning Net Assets	<u>160,236</u>	<u>163,664</u>	<u>155,939</u>	<u>156,316</u>	<u>316,175</u>	<u>319,980</u>
Ending Net Assets	<u>\$ 163,664</u>	<u>\$ 182,476</u>	<u>\$ 156,316</u>	<u>\$ 158,015</u>	<u>\$ 319,980</u>	<u>\$ 340,491</u>

Governmental activities. Governmental activities increased the City's net assets by \$18,811,210 during the year. Key elements of governmental activities during the year are as follows.

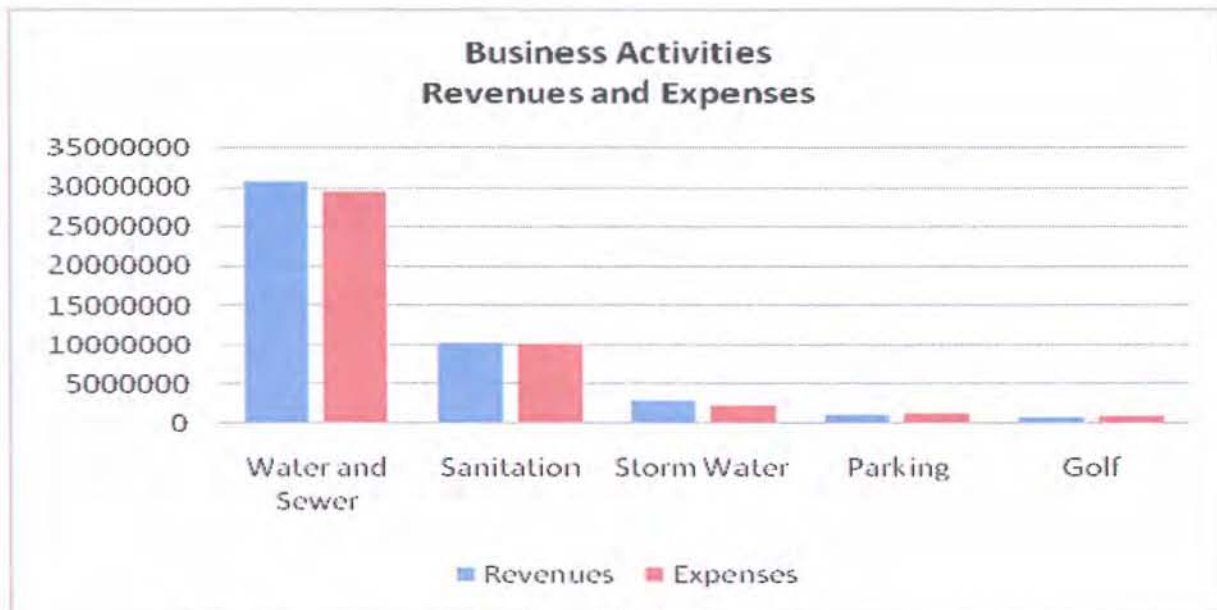
Total governmental revenues increased by 19.1% in 2010. Operating grants increased because of a \$700,000 increase in FTA transit grants and \$900,000 in emergency shelter grants. Capital grants increased as a result of the receipt of \$8.5 million in clean up funds from KDHE for the Farmland Property and \$2.0 million in ARRA funds. Property taxes revenue remained level because a 0.80% decrease in assessed valuation was offset by increases in special assessments and delinquent taxes. Sales tax revenue increased because of the full year collection of three new voter approved sales taxes totaling 0.55%. The new sales taxes went into effect April 1, 2009. Franchise fees increased by 7.3% because of an increase in electricity rates.

Expenses for governmental purposes increased 12.3%. General government expenses increased because of transfers associated with a full year collection of the voter approved sales taxes. Employees were eligible for merit increases funded by a 1.25% merit pool. There was also an increase in the employer contribution for health care. The 2010 budget included a reduction of 12 positions, 5 in the governmental funds and 7 in the business type funds. Public safety expenses decreased 3.7% because of reimbursed grant expenses and the purchase of equipment from reserve funds. Public Works expenses decreased primarily to reduce expenditures to match revenues. Expenditures for social services decreased because of lower CDBG and HOME grants. Health expenditures increased because of the receipt of additional emergency shelter grants.



Business-type activities. Business-type activities increased the City's net assets by \$1,699,485. The Water and Sewer Fund, Sanitation, and Storm Water Fund experienced positive changes in net assets while the Public Parking and Golf Course Funds experienced reductions. The key elements of the changes in net assets are as follows:

- Positive change in net assets in the Water and Sewer Fund equaling \$1,072,256. Water rates were increased 10.0% on average with no increase in sewer rates in 2010.
- Positive net income in the Storm Water Fund equaling \$802,099. Storm water fees were not changed in 2010.
- Program revenue increased due to the increase in water rates being and higher consumption. Interest earnings were also significantly lower.
- Business-type operating expenses were 0.6% less than 2009 and were constrained in order to balance revenues and expenses.



Financial Analysis of the Government's Funds

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

As of December 31, 2010, the City of Lawrence's governmental funds reported combined ending fund balances of \$47,050,615, an increase of \$7,649,282 from the prior year. Approximately 63% of the total is unreserved and thus available for spending in future years. The remaining amount has been committed to liquidate contracts and purchase orders and pay debt service and legal claims.

The General Fund is the primary operating fund of the City. At the end of 2010, unreserved general fund balance totaled \$12,747,754, while total general fund balance was \$13,304,155. Unreserved general fund balance represents 24.5% 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:

- A 0.8% decrease in assessed value with a 0.34 mill increase in the General Fund levy
- A 9.2% increase in sales tax distributions primarily due to the voter approved sales taxes going into effect on April 1, 2009
- A 7.3% increase in franchise revenue due to increases in electricity rates and usage
- A 6.1% increase in expenditures from the prior year as the result of an increase in transfers to other funds from the new sales taxes

The debt service fund has a total fund balance of \$7,907,864, all of which is reserved for debt service. The amount of debt payments are projected to increase in the near future to finance benefit district projects to be paid with special assessment revenue.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$19,877,100 at the end of 2010. The unrestricted fund equity of the Sanitation Fund amounted to \$2,027,336 at the end of 2010. The change in net assets for the Water and Sewer Fund was \$1,072,256. The Sanitation Fund had an increase in net assets of \$158,559. The hot dry summer had an impact on the water and sewer fund. Despite the higher demand for water, water revenue was \$770,000 less than budgeted. To offset the lower revenue, expenses in the water and sewer utility were constrained.

General Fund Budgetary Highlights

The City of Lawrence adopts its budget on a fund basis. The 2010 adopted General Fund budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category was less than the budgeted amount with the exception of property taxes. Expenditure adjustments between programs and line items were significant since departments were directed to reduce spending. Departmental budgets were reduced and placed in a contingency account. The more significant operational changes to the 2010 budget from prior year budgets are listed below:

- A total of 12 positions were eliminated.
- A 1.25% merit pool was budgeted for all employees.
- Departments and outside agencies were requested to reduce their operating budgets in order to better match revenues.
- A full year distribution of the voter approved sales taxes that totaled 0.55% and provided funding for public transportation and infrastructure projects.
- Kansas Statutes allow cities to amend budgets if there is an increase in non-property tax revenue sources. While the City of Lawrence experienced some revenue decreases, it was not necessary to formally amend the general fund budget because expenditures were significantly below the adopted budget.

Capital Asset and Debt Administration

Capital assets. The City's investments in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$399,420,073 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 2.1%. (For additional information on the city's capital assets please read Note 8 on page 50.)

Major capital asset additions during the year included the following:

- Completion of numerous benefit districts in the northwest part of the city
- Purchase of the biotech incubator facility
- Completion of the Burroughs Creek walking trail
- Construction of a water line to the airport
- Purchase of a fire truck

City of Lawrence's Capital Assets (net of depreciation) (000's)

	Governmental		Business-type		Total	
	2009	2010	2009	2010	2009	2010
Land	\$ 15,123	\$ 15,255	\$ 5,935	\$ 5,956	\$ 21,058	\$ 21,211
Buildings	27,589	32,248	57,030	55,718	84,619	87,966
Improvements	19,225	18,181	106,107	109,349	125,332	127,530
Equipment	5,639	6,416	5,196	5,247	10,835	11,663
Infrastructure	109,253	116,021	-	-	109,253	116,021
Construction in Progress	11,961	6,988	28,264	28,041	40,225	35,029
Total	<u>\$ 188,790</u>	<u>\$ 195,109</u>	<u>\$ 202,532</u>	<u>\$ 204,311</u>	<u>\$ 391,322</u>	<u>\$ 399,420</u>

Long-term debt. At the end of 2010, the City of Lawrence had total bonded debt outstanding of \$138,170,000. Of this amount, \$85,145,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the bonded debt represents bonds secured solely by revenue generated by the Water and Sewer utility (revenue bonds). In addition, the City had \$26,957,125 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects. (For additional information on the city's debt please read Note 7 on page 44.)

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

	Governmental		Business-type		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General Obligation	\$ 77,591	\$ 72,563	\$ 4,839	\$ 12,582	\$ 82,430	\$ 85,145
Revenue	-	-	54,990	53,025	54,990	53,025
SRF	-	-	37,759	26,957	37,759	26,957
Total	<u>\$ 77,591</u>	<u>\$ 72,563</u>	<u>\$ 97,588</u>	<u>\$ 92,564</u>	<u>\$ 175,179</u>	<u>\$ 165,127</u>

The City's total outstanding debt decreased \$10,052,000 during the year. The major component of this decrease was the reduction in outstanding SRF Loans. Approximately \$8.3 million in SRF Loans were refunded with \$8.3 million in general obligation bonds. In addition, \$7.9 million in general obligation bonds were refunded by a crossover refunding initiated in 2008. Principal payments on revenue bonds from the business-type activities equaled \$4.4 million. A total of \$20.2 million in general obligation debt was issued and \$17.5 million was retired. Nearly \$4.3 million in general obligation debt will be retired with storm water revenue and \$8.3 million from water and sewer revenue.

The City of Lawrence has been given a rating of Aa1 on its general obligation debt by Moody's. The City's revenue bonds have been rated Aa2 by Moody's.

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2010 the debt limitation for the City of Lawrence was \$272,505,567, which is significantly in excess of the \$85,145,000 in general obligation debt the City had outstanding as of December 31, 2010.

Economic Factors and 2011 Budget

The average unemployment rate for the City of Lawrence in 2010 was 6.2%. This is below the 2010 State average of 7.0%. The City experienced a decrease of 0.13% in its assessed valuation in 2010. The 2010 assessed valuation is used to fund the 2011 budget. The City sold \$2.975 million in taxable general obligation bonds to purchase a bio-tech incubator facility. The incubator is a joint project with Douglas County. Construction has started on a mixed-use development near downtown. The project will consist of retail space, offices, and condominiums.

During 2010, unreserved fund balance in the General Fund increased by \$182,807. It is expected that the expenditures will exceed revenues by approximately \$350,000 in the General Fund in 2011. Revenues are projected to be \$270,000 below budget. Because of slow economic growth during the time the 2011 budget was being developed, the budget incorporated smaller increases in the growth rates for the major revenue sources. Funding for infrastructure maintenance was maintained in the 2011 budget in order to continue to address infrastructure needs. A total of 10 positions, 7 in Public Works, 2 in Parks and Recreation, and 1 in Information Systems were eliminated and a 1.50% merit pool was provided.

The City Commission approved no increase in the rates charged for water and sanitary service for 2011. The increase in sanitation rates for both residential and commercial customers was 5.0% for 2011. The sanitation rate increase was implemented to cover increased operating expenses and to avoid a larger rate increase in the future. A study committee has been formed to review sanitation operations and make recommendations on future service delivery.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF LAWRENCE, KANSAS

Statement of Net Assets December 31, 2010

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 30,742,503	32,316,897	63,059,400	13,305,566
Investments	33,015,011	11,753,113	44,768,124	80,354,599
Receivables (net of allowance of \$82,240)	42,277,064	3,134,344	45,411,408	23,902,432
Internal balances	(2,900,310)	2,900,310	—	—
Inventories	307,571	1,926,232	2,233,803	2,463,964
Prepaid items	—	283,114	283,114	4,227,938
Deferred costs	—	—	—	559,471
Other assets	—	—	—	933,093
Capital assets (Net)				
Land and construction in progress	22,242,310	33,997,169	56,239,479	13,188,598
Other capital assets, net of depreciation	172,866,805	170,313,789	343,180,594	109,490,308
Total assets	\$ 298,550,954	256,624,968	555,175,922	248,425,969
Liabilities				
Accounts payable and accrued expenses	\$ 5,765,565	3,939,049	9,704,614	13,237,971
Unearned revenue	22,918,414	—	22,918,414	219,278
Temporary notes payable	7,465,000	—	7,465,000	—
Long-term liabilities				
Due within one year	11,209,264	6,308,925	17,518,189	4,041,835
Due in more than one year	68,716,938	88,361,673	157,078,611	61,871,042
Total liabilities	\$ 116,075,181	98,609,647	214,684,828	79,370,126
Net Assets				
Invested in capital assets, net of debt	\$ 120,684,461	131,412,998	252,097,459	67,083,358
Restricted for:				
Debt service	22,180,540	—	22,180,540	1,022,820
Improvements	8,418,353	—	8,418,353	—
Other purposes	468,774	—	468,774	—
Unrestricted	30,723,645	26,602,323	57,325,968	100,949,665
Total net assets	\$ 182,475,773	158,015,321	340,491,094	169,055,843

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, 2010

Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 23,127,748	8,518,656	2,648,707	—	(11,960,385)	—	(11,960,385)	—
Public safety	28,650,139	398,548	207,654	39,218	(28,004,719)	—	(28,004,719)	—
Public works	16,549,924	94,600	2,818,459	10,910,998	(2,725,867)	—	(2,725,867)	—
Health	1,919,306	168,136	—	—	(1,751,170)	—	(1,751,170)	—
Social services	1,915,284	128,577	3,162,436	—	1,375,729	—	1,375,729	—
Culture and recreation	8,125,600	2,379,992	638,929	39,753	(5,066,926)	—	(5,066,926)	—
Tourism	885,555	—	941,099	—	55,544	—	55,544	—
Airport	318,403	156,666	—	—	(161,737)	—	(161,737)	—
Interest on long-term debt	2,813,274	—	—	3,686,875	873,601	—	873,601	—
Total governmental activities	84,305,233	11,845,175	10,417,284	14,676,844	(47,365,930)	—	(47,365,930)	—
Business-type activities:								
Water & sewer	26,269,408	30,362,409	—	—	—	4,093,001	4,093,001	—
Sanitation	9,202,456	10,002,337	—	—	—	799,881	799,881	—
Parking	1,329,347	1,162,143	—	—	—	(167,204)	(167,204)	—
Stormwater	1,695,136	2,948,627	—	—	—	1,253,491	1,253,491	—
Golf course	998,557	780,840	—	—	—	(217,717)	(217,717)	—
Total business-type activities	39,494,904	45,256,356	—	—	—	5,761,452	5,761,452	—
Total primary government	\$ 123,800,137	57,101,531	10,417,284	14,676,844	(47,365,930)	5,761,452	(41,604,478)	—
Component units:								
Lawrence Housing Authority	\$ 8,047,252	7,973,278	—	577,403	—	—	—	503,429
Lawrence Memorial Hospital	147,668,484	156,397,063	—	1,376,010	—	—	—	10,104,589
Lawrence Public Library	3,415,057	184,055	3,322,210	—	—	—	—	91,208
Total component units	\$ 159,130,793	164,554,396	3,322,210	1,953,413	—	—	—	10,699,226
General Revenues								
Taxes								
Property taxes, levied for general purposes					18,230,757	—	18,230,757	—
Property taxes, levied for debt service					6,458,531	—	6,458,531	—
Franchise taxes					6,300,184	—	6,300,184	—
Sales taxes					29,499,359	—	29,499,359	—
Grants and contributions not restricted to specific programs					723,125	5,148	728,273	—
Unrestricted investment earnings					337,284	44,953	382,237	2,016,003
Miscellaneous					6,512	509,320	515,832	68,962
Transfers					4,621,388	(4,621,388)	—	—
Total general revenues and transfers					66,177,140	(4,061,967)	62,115,173	2,084,965
Change in net assets					18,811,210	1,699,485	20,510,695	12,784,191
Net assets—beginning, as restated					163,664,563	156,315,836	319,980,399	156,271,652
Net assets—ending					\$ 182,475,773	158,015,321	340,491,094	169,055,843

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

CITY OF LAWRENCE, KANSAS

Balance Sheet Governmental Funds December 31, 2010

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 6,062,746	3,392,421	3,103,135	12,011,122	24,569,424
Investments	7,011,283	4,994,439	2,499,996	7,400,883	21,906,601
Receivables:					
Taxes	12,701,661	5,496,419	—	2,752,153	20,950,233
Special assessments	—	15,283,093	—	—	15,283,093
Intergovernmental	2,483,326	—	57,153	1,092,173	3,632,652
Accounts (net of allowance of \$4,166)	940,069	8,462	—	80,759	1,029,290
Franchise fees	587,655	—	—	—	587,655
Loans	—	—	—	445,774	445,774
Accrued interest	3,815	1,007	1,412	4,141	10,375
Due from other funds	741,000	—	—	—	741,000
Restricted assets:					
Cash	—	—	—	2,351,727	2,351,727
Investments	—	—	—	6,107,660	6,107,660
Total assets	\$ 30,531,555	29,175,841	5,661,696	32,246,392	97,615,484
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,582,198	—	68,050	603,618	2,253,866
Accrued payroll	1,354,570	—	—	184,530	1,539,100
Due to other funds	—	—	—	741,000	741,000
Unamortized premium	—	—	—	—	—
Temporary notes payable	—	—	7,465,000	—	7,465,000
Unearned revenue	14,290,632	21,267,977	—	3,007,294	38,565,903
Total liabilities	17,227,400	21,267,977	7,533,050	4,536,442	50,564,869
Fund balances:					
Reserved for encumbrances	556,401	—	—	820,398	1,376,799
Reserved for improvements	—	—	—	8,418,343	8,418,343
Reserved for debt service	—	7,907,864	—	—	7,907,864
Reserved for loans	—	—	—	445,774	445,774
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	12,747,754	—	—	—	12,747,754
Special revenue funds	—	—	—	18,002,435	18,002,435
Capital projects funds	—	—	(1,871,354)	—	(1,871,354)
Total fund balances	13,304,155	7,907,864	(1,871,354)	27,709,950	47,050,615
Total liabilities and fund balances	\$ 30,531,555	29,175,841	5,661,696	32,246,392	

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.	194,813,454
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	15,647,489
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,749,266
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(80,785,051)
Net assets of governmental activities	\$ 182,475,773

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, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 42,143,397	6,458,531	—	3,251,410	51,853,338
Special assessments	—	2,736,562	—	—	2,736,562
Licenses and permits	871,264	—	—	—	871,264
Charges for services	4,566,670	—	—	1,939,762	6,506,432
Fines, forfeitures and penalties	2,957,151	—	—	144,747	3,101,898
Interest	109,899	195,715	—	17,144	322,758
Intergovernmental	9,464,860	78,131	1,991,639	11,127,877	22,662,507
Reimbursements	31,393	—	107,000	—	138,393
Miscellaneous	386,173	206,069	5,494	8,916,500	9,514,236
Total revenues	60,530,807	9,675,008	2,104,133	25,397,440	97,707,388
Expenditures:					
Current expenditures:					
General government	13,753,156	—	—	8,605,463	22,358,619
Public safety	27,390,007	—	—	684,403	28,074,410
Public works	6,146,909	—	—	2,501,161	8,648,070
Health	980,290	—	—	937,235	1,917,525
Social services	—	—	—	1,533,790	1,533,790
Culture and recreation	3,157,175	—	—	4,501,113	7,658,288
Tourism	—	—	—	885,555	885,555
Airport	124,115	—	—	77,774	201,889
Capital outlay	298,677	—	6,543,472	8,644,544	15,486,693
Debt service:					
Principal retirement	—	15,717,896	—	1,205,218	16,923,114
Interest and fiscal charges	—	2,477,910	—	412,417	2,890,327
Total expenditures	51,850,329	18,195,806	6,543,472	29,988,673	106,578,280
Excess (deficiency) of revenues over (under) expenditures	8,680,478	(8,520,798)	(4,439,339)	(4,591,233)	(8,870,892)
Other financing sources (uses):					
Transfers in	3,675,128	—	—	13,438,281	17,113,409
Transfers (out)	(11,882,871)	—	(55,114)	(550,250)	(12,488,235)
Issuance of general obligation bonds	—	—	11,895,000	—	11,895,000
Total other financing sources (uses)	(8,207,743)	—	11,839,886	12,888,031	16,520,174
Net changes in fund balances	472,735	(8,520,798)	7,400,547	8,296,798	7,649,282
Fund balance, beginning of year	12,831,420	16,428,662	(9,271,901)	19,413,152	39,401,333
Fund balance, end of year	\$ 13,304,155	7,907,864	(1,871,354)	27,709,950	47,050,615

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, 2010

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

Net changes in fund balances - total governmental funds	\$ 7,649,282
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.	6,289,863
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	771,872
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,028,114
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,188,602)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>260,681</u>
Change in net assets of governmental activities	\$ <u><u>18,811,210</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, 2010
(With Comparative Actual Amounts for 2009)

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:					
Taxes	\$ 42,225,351	42,225,351	42,143,397	(81,954)	38,894,461
Licenses and permits	991,887	991,887	871,264	(120,623)	810,916
Charges for services	4,581,044	4,581,044	4,566,670	(14,374)	4,417,162
Fines, forfeitures and penalties	2,800,000	2,800,000	2,957,151	157,151	2,487,984
Interest	600,000	600,000	109,899	(490,101)	38,545
Intergovernmental	10,062,252	10,062,252	9,464,860	(597,392)	9,466,089
Reimbursements	15,000	15,000	31,393	16,393	16,945
Miscellaneous	326,746	326,746	386,173	59,427	337,718
Total revenues	61,602,280	61,602,280	60,530,807	(1,071,473)	56,469,820
Expenditures:					
General government	13,990,271	14,213,383	13,729,405	483,978	12,901,733
Public safety	27,189,870	27,189,870	27,564,591	(374,721)	27,008,036
Public works	6,560,302	6,560,302	6,190,952	369,350	6,055,407
Health	994,788	994,788	978,290	16,498	1,007,573
Culture and recreation	3,307,821	3,319,306	3,219,407	99,899	3,154,644
Airport	127,443	127,443	124,272	3,171	110,922
Capital outlay	417,552	182,955	333,340	(150,385)	250,731
Total expenditures	52,588,047	52,588,047	52,140,257	447,790	50,489,046
Excess (deficiency) of revenues over (under) expenditures	9,014,233	9,014,233	8,390,550	(623,683)	5,980,774
Other financing sources (uses):					
Transfers in	3,443,126	3,443,126	3,675,128	232,002	3,312,883
Transfers out	(19,882,582)	(19,882,582)	(11,882,871)	7,999,711	(8,953,077)
Total other financing sources (uses)	(16,439,456)	(16,439,456)	(8,207,743)	8,231,713	(5,640,194)
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	72,470,629	72,470,629	182,807	7,608,030	340,580
Fund balance, beginning of year			12,831,420		13,144,221
Net change in reserve for encumbrances			289,928		(653,381)
Fund balance, end of year			\$ 13,304,155		12,831,420

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

CITY OF LAWRENCE, KANSAS

Balance Sheet
Proprietary Funds
December 31, 2010

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	\$ 12,897,246	2,299,156	1,419,142	600,576	17,216,120	3,821,352
Investments	4,000,843	—	—	—	4,000,843	5,000,750
Receivables:						
Accounts (net of allowance of \$80,691)	2,102,154	801,635	207,113	16,486	3,127,388	334,963
Accrued interest	6,956	—	—	—	6,956	3,029
Inventories	1,913,921	—	—	12,311	1,926,232	307,571
Prepaid items	283,114	—	—	—	283,114	—
Restricted cash:						
Customer deposits	1,039,872	1,795	—	—	1,041,667	—
Current portion of revenue bonds	1,144,910	—	—	—	1,144,910	—
Restricted investments:						
Current portion of revenue bonds	1,000,090	—	—	—	1,000,090	—
Total current assets	<u>24,389,106</u>	<u>3,102,586</u>	<u>1,626,255</u>	<u>629,373</u>	<u>29,747,320</u>	<u>9,467,665</u>
Noncurrent assets						
Restricted cash	12,914,200	—	—	—	12,914,200	—
Restricted investments	6,752,180	—	—	—	6,752,180	—
Total restricted assets	<u>19,666,380</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,666,380</u>	<u>—</u>
Capital assets						
Land	3,641,714	—	1,835,583	479,055	5,956,352	—
Buildings and improvements	215,347,637	1,555,872	12,973,072	7,700,727	237,577,308	674,819
Equipment	5,499,457	6,844,975	1,582,603	531,908	15,458,943	312,924
Construction in progress	28,040,817	—	—	—	28,040,817	—
Accumulated depreciation	(68,435,207)	(5,780,124)	(3,011,259)	(5,495,872)	(82,722,462)	(692,082)
Total capital assets	<u>185,094,418</u>	<u>2,620,723</u>	<u>13,379,999</u>	<u>3,215,818</u>	<u>204,310,958</u>	<u>295,661</u>
Total noncurrent assets	<u>204,760,798</u>	<u>2,620,723</u>	<u>13,379,999</u>	<u>3,215,818</u>	<u>223,977,338</u>	<u>295,661</u>
Total assets	<u>\$ 229,149,904</u>	<u>5,723,309</u>	<u>15,006,254</u>	<u>3,845,191</u>	<u>253,724,658</u>	<u>9,763,326</u>
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 1,383,883	126,361	24,301	23,306	1,557,851	336,228
Accrued interest payable	747,145	—	50,288	—	797,433	—
Claims payable	—	—	—	—	—	582,356
Accrued payroll	288,700	185,165	25,357	42,876	542,098	34,844
Accrued vacation and sick pay	472,489	337,936	47,032	76,034	933,491	71,822
Current portion of general obligation bonds	600,000	—	575,990	—	1,175,990	—
Total unrestricted current liabilities	<u>3,492,217</u>	<u>649,462</u>	<u>722,968</u>	<u>142,216</u>	<u>5,006,863</u>	<u>1,025,250</u>
Current liabilities payable from restricted assets:						
Customer deposits	1,039,872	1,795	—	—	1,041,667	—
Current portion of revenue bonds	2,145,000	—	—	—	2,145,000	—
Total current liabilities payable from restricted assets	<u>3,184,872</u>	<u>1,795</u>	<u>—</u>	<u>—</u>	<u>3,186,667</u>	<u>—</u>
Total current liabilities	<u>6,677,089</u>	<u>651,257</u>	<u>722,968</u>	<u>142,216</u>	<u>8,193,530</u>	<u>1,025,250</u>
Noncurrent liabilities						
Compensated absences	451,250	320,393	42,833	92,591	907,067	88,500
General obligation bonds payable	7,705,000	—	3,701,225	—	11,406,225	—
Revenue bonds payable	50,880,000	—	—	—	50,880,000	—
Notes payable	26,957,125	—	—	—	26,957,125	—
Net OPEB obligation	128,667	103,600	9,933	23,500	265,700	—
Total noncurrent liabilities	<u>86,122,042</u>	<u>423,993</u>	<u>3,753,991</u>	<u>116,091</u>	<u>90,416,117</u>	<u>88,500</u>
Total liabilities	<u>92,799,131</u>	<u>1,075,250</u>	<u>4,476,959</u>	<u>258,307</u>	<u>98,609,647</u>	<u>1,113,750</u>
Net assets:						
Invested in capital assets, net of debt	116,473,673	2,620,723	9,102,784	3,215,818	131,412,998	295,661
Unrestricted	19,877,100	2,027,336	1,426,511	371,066	23,702,013	8,353,915
Total net assets	<u>136,350,773</u>	<u>4,648,059</u>	<u>10,529,295</u>	<u>3,586,884</u>	<u>155,115,011</u>	<u>8,649,576</u>
Total liabilities and net assets	<u>\$ 229,149,904</u>	<u>5,723,309</u>	<u>15,006,254</u>	<u>3,845,191</u>	<u>253,724,658</u>	<u>9,763,326</u>
Total net assets					155,115,011	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					2,900,310	
Net assets of business-type activities					<u>\$ 158,015,321</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, 2010

	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	\$ 30,163,861	9,805,684	2,948,627	1,942,983	44,861,155	12,027,262
Other sales	198,548	196,653	—	—	395,201	—
Total operating revenues	30,362,409	10,002,337	2,948,627	1,942,983	45,256,356	12,027,262
Operating expenses:						
Continuing operations	—	8,602,765	1,108,270	2,004,179	11,715,214	3,499,211
Transmission and distribution	12,962,231	—	—	—	12,962,231	—
General administration	4,473,719	—	—	—	4,473,719	48,548
Health insurance claims	—	—	—	—	—	8,121,711
Depreciation and amortization	5,470,505	603,581	425,805	337,387	6,837,278	22,145
Total operating expenses	22,906,455	9,206,346	1,534,075	2,341,566	35,988,442	11,691,615
Operating income (loss)	7,455,954	795,991	1,414,552	(398,583)	9,267,914	335,647
Nonoperating revenues (expenses)						
Interest income	37,725	2,009	—	474	40,208	13,777
Interest expense and fiscal charges	(3,432,711)	—	(163,523)	—	(3,596,234)	—
Grant proceeds	—	2,258	—	—	2,258	11,213
Gain (loss) on sale of capital assets	—	(3,633)	—	—	(3,633)	1,291
Other	243,391	267,959	1,070	(2,318)	510,102	2,797
Total nonoperating revenues (expenses)	(3,151,595)	268,593	(162,453)	(1,844)	(3,047,299)	29,078
Income (loss) before transfers	4,304,359	1,064,584	1,252,099	(400,427)	6,220,615	364,725
Transfers (out)	(3,232,103)	(906,025)	(450,000)	(30,046)	(4,618,174)	(7,000)
Change in net assets	1,072,256	158,559	802,099	(430,473)	1,602,441	357,725
Net assets, beginning of year, as restated	135,278,517	4,489,500	9,727,196	4,017,357		8,291,851
Net assets, end of year	\$ 136,350,773	4,648,059	10,529,295	3,586,884		8,649,576
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					97,044	
Change in net assets of business-type activities					\$ 1,699,485	

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, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 30,266,182	10,154,994	2,899,887	1,935,419	45,256,482	12,136,927
Payments to suppliers	(7,449,941)	(2,802,657)	(460,630)	(582,205)	(11,295,433)	(10,149,886)
Payments to employees	(8,732,602)	(5,730,908)	(733,272)	(1,366,755)	(16,563,537)	(1,119,987)
Net cash provided by (used in) operating activities	14,083,639	1,621,429	1,705,985	(13,541)	17,397,512	867,054
Cash flows from noncapital financing activities:						
Transfers out	(3,232,103)	(906,025)	(450,000)	(30,046)	(4,618,174)	(7,000)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(7,999,792)	(493,641)	(130,475)	—	(8,623,908)	(51,546)
Proceeds from sales of capital assets	—	4,623	—	—	4,623	1,291
Proceeds from capital grant	—	2,258	—	—	2,258	11,213
Proceeds from general obligation bonds	8,305,000	—	—	—	8,305,000	—
Principal payments on debt	(12,766,381)	—	(561,886)	—	(13,328,267)	—
Interest payments on debt	(3,653,991)	—	(169,853)	—	(3,823,844)	—
Net cash used in capital and related financing activities	(16,115,164)	(486,760)	(862,214)	—	(17,464,138)	(39,042)
Cash flows from investing activities:						
Receipt of interest and dividends	87,944	3,550	416	551	92,461	17,949
Purchases of investments	(46,985,662)	(500,000)	(645,000)	—	(48,130,662)	(11,999,521)
Sales of investments	74,052,804	2,299,477	1,094,913	99,921	77,547,120	14,099,532
Net cash provided by (used in) investing activities	27,155,086	1,803,027	450,334	100,472	29,508,919	2,117,960
Net increase (decrease) in cash	21,891,458	2,031,671	844,105	56,885	24,824,119	2,938,972
Cash and cash equivalents, beginning of year	6,104,770	269,280	575,037	543,691	7,492,778	882,380
Cash and cash equivalents, end of year	\$ 27,996,228	2,300,951	1,419,142	600,576	32,316,897	3,821,352
Components of cash and cash equivalents at end of year:						
Cash	\$ 12,897,246	2,299,156	1,419,142	600,576	17,216,120	3,821,352
Restricted cash - customer deposits	1,039,872	1,795	—	—	1,041,667	—
Restricted cash - revenue bonds	1,144,910	—	—	—	1,144,910	—
Restricted cash - noncurrent	12,914,200	—	—	—	12,914,200	—
	\$ 27,996,228	2,300,951	1,419,142	600,576	32,316,897	3,821,352
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 7,455,954	795,991	1,414,552	(398,583)	9,267,914	335,647
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	5,470,505	603,581	425,805	337,387	6,837,278	22,145
Other income	243,391	267,959	1,070	(2,318)	510,102	2,797
Change in:						
Accounts receivable	(339,618)	(115,302)	(49,810)	(5,246)	(509,976)	106,868
Inventories of supplies	240,687	—	—	(1,589)	239,098	11,939
Prepaid items	—	—	—	—	—	—
Accounts payable	823,830	(20,680)	(99,540)	(3,408)	700,202	250,975
Claims payable	—	—	—	—	—	127,243
Accrued payroll	12,664	8,149	1,082	2,676	24,571	(1,012)
Customer deposits	28,481	690	—	—	29,171	—
Accrued vacation and sick pay	32,073	(12,095)	3,896	36,414	60,288	10,452
Net OPEB obligation	115,672	93,136	8,930	21,126	238,864	—
Total adjustments	6,627,685	825,438	291,433	385,042	8,129,598	531,407
Net cash provided by (used in) operating activities	\$ 14,083,639	1,621,429	1,705,985	(13,541)	17,397,512	867,054

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, 2010

Assets		
Cash	\$	472,946
Accounts receivable		277
Restricted assets - court receivables		<u>131,401</u>
Total assets	\$	<u><u>604,624</u></u>
Liabilities		
Accounts payable	\$	473,223
Court bonds payable		<u>131,401</u>
Total liabilities	\$	<u><u>604,624</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, 2010

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 1,637,178	10,558,563	1,109,825	13,305,566
Investments	3,023,959	77,330,640	—	80,354,599
Receivables (net)	2,578,631	21,323,801	—	23,902,432
Inventories	65,119	2,398,845	—	2,463,964
Prepaid items	76,173	4,151,765	—	4,227,938
Deferred costs	—	559,471	—	559,471
Other assets	18,491	914,602	—	933,093
Capital assets (net)				
Land and construction in progress	3,360,929	9,827,669	—	13,188,598
Other capital assets, net of depreciation	10,529,523	96,276,027	2,684,758	109,490,308
Total assets	<u>\$ 21,290,003</u>	<u>223,341,383</u>	<u>3,794,583</u>	<u>248,425,969</u>
Liabilities				
Accounts payable and accrued expenses	\$ 467,448	12,600,344	170,179	13,237,971
Unearned revenue	16,879	202,399	—	219,278
Long-term liabilities				
Due within one year	—	4,041,835	—	4,041,835
Due in more than one year	2,241,800	59,610,840	18,402	61,871,042
Total liabilities	<u>\$ 2,726,127</u>	<u>76,455,418</u>	<u>188,581</u>	<u>79,370,126</u>
Net Assets				
Invested in capital assets, net of debt	\$ 13,890,452	50,508,148	2,684,758	67,083,358
Restricted for:				
Debt service	—	1,022,820	—	1,022,820
Unrestricted	4,673,424	95,354,997	921,244	100,949,665
Total net assets	<u>\$ 18,563,876</u>	<u>146,885,965</u>	<u>3,606,002</u>	<u>169,055,843</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, 2010

	<u>Lawrence Housing Authority</u>	<u>Lawrence Memorial Hospital</u>	<u>Lawrence Public Library</u>	<u>Total Component Units</u>
Expenses	\$ 8,047,252	147,668,484	3,415,057	159,130,793
Program revenues:				
Charges for services	7,973,278	156,397,063	184,055	164,554,396
Operating grants and contributions	—	—	3,322,210	3,322,210
Capital grants and contributions	577,403	1,376,010	—	1,953,413
Net (expense) revenue	503,429	10,104,589	91,208	10,699,226
General Revenues				
Unrestricted investment earnings	14,852	1,998,536	2,615	2,016,003
Miscellaneous	—	66,953	2,009	68,962
Total general revenues and transfers	14,852	2,065,489	4,624	2,084,965
Change in net assets	518,281	12,170,078	95,832	12,784,191
Net assets-beginning, restated	18,045,595	134,715,887	3,510,170	156,271,652
Net assets-ending	\$ 18,563,876	146,885,965	3,606,002	169,055,843

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, 2010

(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

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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 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.

City of Lawrence, Kansas

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The City reports the following major proprietary funds:

- *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
Farmland Remediation Fund
Cemetery Perpetual Care Fund
Cemetery Mausoleum Fund
Housing Trust Fund
Outside Agency Fund
Wee Folks Scholarship Fund
Fair Housing Assistance Fund
CDBG Recovery Fund
Community Development Fund
Rehabilitation Escrow Fund
Home Program Fund
Transportation Planning Fund
Law Enforcement Trust Fund

City of Lawrence, Kansas

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The City did not amend the 2010 budget.

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

City of Lawrence, Kansas

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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 2011. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

G. Capital Assets

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

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

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

City of Lawrence, Kansas

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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.

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 2010.

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.

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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.

(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.

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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.

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 \$80,785,051 difference are as follows:

Bonds payable	\$	72,562,785
Accrued interest payable		1,019,171
Claims and judgments payable		1,002,798
Compensated absences		5,465,997
Net OPEB obligation		<u>734,300</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>80,785,051</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$6,289,863 difference are as follows:

Capital outlay	\$	13,945,630
Depreciation expense		<u>(7,655,767)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>6,289,863</u></u>

City of Lawrence, Kansas

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Another element of that reconciliation explains that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$5,028,114 difference are as follows:

Debt issued:	
Issuance of general obligation bonds	\$ (11,895,000)
Principal repayments:	
General obligation debt	<u>16,923,114</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ <u><u>5,028,114</u></u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,188,602 difference are as follows:

Compensated absences	\$ (212,227)
Claims and judgments	(393,292)
Accrued interest	77,053
Net OPEB obligation	<u>(660,136)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$ <u><u>(1,188,602)</u></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.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

(5) Deposits and Investments

Deposits – At December 31, 2010, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity Less Than 5 years</u>
Certificate of Deposit	\$ 15,000,000	n/a	15,000,000
FHLB	10,672,397	AAA	10,672,397
FNMA	8,083,607	AAA	8,083,607
FMCDN	6,000,542	AAA	6,000,542
FHDN	4,999,977	AAA	4,999,977
Kansas Municipal Investment Pool	11,601	AAA	11,601
	<u>\$ 44,768,124</u>		

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

The City Commission has adopted an Investment and Cash Management Policy that is reviewed annually by the Pooled Money Investment Board. The City's policy was certified by the MTA US&C Review Board. The policy establishes performance standards, legal authority, and procedures for the City's investments.

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

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

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(6) Tax Revenue

Tax revenue for the year ended December 31, 2010 is as follows:

	Primary Government			Total
	General Fund	Special Revenue Funds	Debt Service Funds	
Property taxes	\$ 13,734,100	2,979,458	5,943,291	22,656,849
Motor vehicle tax	1,149,699	271,850	515,036	1,936,585
Payment in lieu of tax	95,549	102	204	95,855
Utility franchise taxes	6,300,184	-	-	6,300,184
Sales taxes*	20,863,865	-	-	20,863,865
Tax revenue	\$ 42,143,397	3,251,410	6,458,531	51,853,338

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

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2010 were as follows:

Fund	Levy
Primary government:	
General	\$ 16.187
Library	3.259
Recreation	0.241
Debt Service	7.000
Total primary government	\$ 26.687

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

(7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2010:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 77,590,899	11,895,000	16,923,114	72,562,785	8,719,010
Estimated claims and judgements payable	609,506	393,292	-	1,002,798	-
Accrued vacation and sick pay	5,403,640	3,244,521	3,021,842	5,626,319	2,490,254
Net OPEB obligation	74,164	1,304,136	644,000	734,300	-
Total primary government	\$ 83,678,209	16,665,838	20,417,845	79,926,202	11,209,264
Business-type activities:					
General obligation bonds	\$ 4,839,101	8,305,000	561,886	12,582,215	1,175,990
Revenue bonds	54,990,000	-	1,965,000	53,025,000	2,145,000
Long term notes payable	37,758,506	-	10,801,381	26,957,125	2,054,444
Accrued vacation and sick pay	1,780,270	1,033,135	972,847	1,840,558	933,491
Net OPEB obligation	26,836	409,975	171,111	265,700	-
Total primary government	\$ 99,394,713	9,748,110	14,472,225	94,670,598	6,308,925

The following is a summary of temporary note transactions for the year ended December 31, 2010:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	\$ 14,120,000	7,465,000	14,120,000	7,465,000
Premium on temporary notes	262,537	-	262,537	-
	\$ 14,382,537	7,465,000	14,382,537	7,465,000

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

Debt payable, other than claims and judgments and compensated absences, at December 31, 2010 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Internal improvement	2001	2012	4.37-6.125	2,840,000	\$ 575,000	\$ 280,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	425,000	135,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	2,675,000	845,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,320,000	140,000
Internal improvement	2002	2014	2.8-3.7	920,000	370,000	85,000
Refunding	2003	2016	2.25-4.2	4,270,000	1,510,000	225,000
Refunding	2003	2016	2.25-4.2	10,190,000	5,085,000	760,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	1,075,000	255,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	1,525,000	275,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	1,555,000	295,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	5,695,000	875,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	860,000	130,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	6,895,000	895,000
Internal improvement	2006	2018	4.00	17,130,000	12,110,000	1,340,000
Internal improvement	2007	2019	4.0-4.25	11,345,000	8,920,000	855,000
Internal improvement	2008	2020	3.0-3.875	11,890,000	11,345,000	975,000
Internal improvement	2009	2021	2.0-3.5	3,250,000	3,005,000	245,000
Internal improvement	2010	2034	4.25-5.7	2,975,000	2,975,000	0
Internal improvement	2010	2022	1.25-3.0	8,920,000	8,920,000	685,000
Internal improvement	2010	2023	1.25-3.0	8,305,000	8,305,000	600,000
					<u>85,145,000</u>	<u>9,895,000</u>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	25,910,000	19,340,000	1,575,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	19,470,000	120,000
Water and sewerage improvement	2008	2028	3.0-4.50	4,270,000	3,970,000	160,000
Water and sewerage improvement	2009	2031	1.85-6.15	10,385,000	10,245,000	290,000
					<u>53,025,000</u>	<u>2,145,000</u>
Long term notes payable:						
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	26,957,125	2,054,444
Total primary government					\$ <u>165,127,125</u>	\$ <u>14,094,444</u>

In 2010, the City issued \$20,200,000 of general obligation bonds for paying the costs of certain street, building, traffic signal, and other improvements. The General Obligation Bonds, Series 2010-A are due in annual installments of \$110,000 to \$210,000 with interest due in semiannual installments at an average rate of 5.48% through September 1, 2034. The Series 2010-A is a taxable bond and paid for a business incubator facility. The Series 2010-B, a water improvement to the airport, is a tax exempt general obligation bond that is due in annual installments of \$685,000 to \$835,000 with interest due in semiannual installments at an average rate of 2.01% through September, 2022. The General Obligation Bonds, Series 2010-C, are due in annual installments of \$525,000 to \$725,000 with interest due in semiannual installments at an average rate of 2.10% through September, 2023. The Series 2010-C bonds are payable from water and sewer revenues. The bonds were issued to refund the 2001 and 2002 Kansas Public Water Supply Loans. The transaction was taken to

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

achieve interest cost savings. The refunding will reduce total debt service over the next 13 years by \$1.12 million with an economic gain of \$1.04 million

In 2010, the City issued \$7,465,000 of temporary notes for the purpose of temporarily financing the costs of street improvements, and benefit district projects in the Northwest part of the City. The Temporary Notes, Series 2010-I, bear interest of .40% and mature October 1, 2011.

The City intends to redeem all temporary notes outstanding at December 31, 2010 in 2011 from proceeds of general obligation bonds and/or other temporary notes issued to finance the improvements.

General obligation bonds to be paid with tax levies:

Year		Principal Due	Interest Due	Total Due
2011	\$	8,719,010	2,622,227	11,341,237
2012		9,012,625	2,329,196	11,341,821
2013		9,023,067	2,014,176	11,037,243
2014		8,193,482	1,697,713	9,891,195
2015		8,190,721	1,413,421	9,604,142
2016-2020		25,183,881	3,208,451	28,392,332
2021-2025		2,635,000	642,713	3,277,713
2026-2030		815,000	364,605	1,179,605
2031-2035		789,999	114,855	904,854
Total	\$	<u>72,562,785</u>	<u>14,407,357</u>	<u>86,970,142</u>

General obligation bonds to be paid with enterprise revenues:

Year		Principal Due	Interest Due	Total Due
2011	\$	1,175,990	316,680	1,492,670
2012		1,192,375	295,749	1,488,124
2013		1,216,933	268,262	1,485,195
2014		1,246,518	239,622	1,486,140
2015		1,279,279	209,740	1,489,019
2016-2020		4,516,119	584,066	5,100,185
2021-2025		1,955,001	110,138	2,065,139
Total	\$	<u>12,582,215</u>	<u>2,024,257</u>	<u>14,606,472</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
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Total general obligation bonds:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2011	\$ 9,895,000	2,938,907	12,833,907
2012	10,205,000	2,624,945	12,829,945
2013	10,240,000	2,282,438	12,522,438
2014	9,440,000	1,937,335	11,377,335
2015	9,470,000	1,623,161	11,093,161
2016-2020	29,700,000	3,792,517	33,492,517
2021-2025	4,590,001	752,851	5,342,852
2026-2030	815,000	364,605	1,179,605
2031-2035	<u>789,999</u>	<u>114,855</u>	<u>904,854</u>
Total	\$ <u>85,145,000</u>	<u>16,431,614</u>	<u>101,576,614</u>

Revenue bonds:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2011	\$ 2,145,000	2,382,795	4,527,795
2012	2,210,000	2,304,105	4,514,105
2013	2,280,000	2,220,860	4,500,860
2014	2,360,000	2,132,685	4,492,685
2015	2,455,000	2,039,260	4,494,260
2016-2020	13,235,000	8,588,923	21,823,923
2021-2025	14,070,000	5,539,098	19,609,098
2026-2030	9,175,000	2,704,125	11,879,125
2031-2035	<u>5,095,000</u>	<u>564,455</u>	<u>5,659,455</u>
Total	\$ <u>53,025,000</u>	<u>28,476,306</u>	<u>81,501,306</u>

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

Year	Principal Due	Interest Due	Total Due
2011	\$ 2,054,444	843,688	2,898,132
2012	2,125,724	777,587	2,903,311
2013	2,199,478	709,194	2,908,672
2014	2,275,791	638,427	2,914,218
2015	2,354,751	565,205	2,919,956
2016-2020	13,057,447	1,635,626	14,693,073
2021-2025	<u>2,889,490</u>	<u>69,328</u>	<u>2,958,818</u>
Total	\$ <u>26,957,125</u>	<u>5,239,055</u>	<u>32,196,180</u>

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, 2010, total outstanding conduit debt was \$19,625,000.

Lawrence Memorial Hospital Component Unit Debt:

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

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Changes in long term debt transactions:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 62,552,800	-	1,593,989	60,958,811	1,715,000
Retirement plan obligation	548,294	84,186	143,241	489,239	122,210
	<u>\$ 63,101,094</u>	<u>84,186</u>	<u>1,737,230</u>	<u>61,448,050</u>	<u>1,837,210</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 Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Series 2003	2019	2.5-5.38	17,450,000	\$ 11,525,000	1,035,000
Series 2006	2036	5.0-5.25	51,845,000	49,340,000	680,000
Total Revenue Bonds				60,865,000	1,715,000
Unamortized loss on refunding				93,811	-
				<u>\$ 60,958,811</u>	<u>1,715,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2010 are as follows:

Year	Principal Due	Interest Due	Total Due
2011	\$ 1,715,000	3,121,912	4,836,912
2012	1,815,000	3,033,575	4,848,575
2013	1,905,000	2,940,078	4,845,078
2014	1,995,000	2,842,088	4,837,088
2015	2,095,000	2,738,369	4,833,369
2016-2020	11,080,000	11,942,158	23,022,158
2021-2025	9,150,000	9,399,895	18,549,895
2026-2030	12,065,000	6,763,776	18,828,776
2031-2035	15,465,000	3,358,789	18,823,789
2036-2036	3,580,000	182,725	3,762,725
Total	<u>\$ 60,865,000</u>	<u>46,323,365</u>	<u>107,188,365</u>

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

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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, 2010.

(8) Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,123,158	131,474	-	15,254,632
Construction in progress	11,961,254	11,604,934	(16,578,510)	6,987,678
Total capital assets, not being depreciated	27,084,412	11,736,408	(16,578,510)	22,242,310
Capital assets, being depreciated:				
Buildings	54,521,571	6,470,471	-	60,992,042
Improvements other than buildings	29,320,384	154,169	-	29,474,553
Machinery and equipment	23,887,617	2,284,168	(699,949)	25,471,836
Infrastructure	163,115,584	9,930,471	-	173,046,055
Total capital assets being depreciated	270,845,156	18,839,279	(699,949)	288,984,486
Less accumulated depreciation for:				
Buildings	26,932,635	1,811,321	-	28,743,956
Improvements other than buildings	10,094,660	1,198,377	-	11,293,037
Machinery and equipment	18,249,043	1,506,424	(699,949)	19,055,518
Infrastructure	53,863,380	3,161,790	-	57,025,170
Total accumulated depreciation	109,139,718	7,677,912	(699,949)	116,117,681
Total capital assets, being depreciated, net	161,705,438	11,161,367	-	172,866,805
Governmental activities capital assets, net	\$ 188,789,850	22,897,775	(16,578,510)	195,109,115

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,935,498	20,854	-	5,956,352
Construction in progress	28,263,700	7,852,945	(8,075,828)	28,040,817
Total capital assets, not being depreciated	34,199,198	7,873,799	(8,075,828)	33,997,169
Capital assets, being depreciated:				
Buildings	71,579,951	269,342	-	71,849,293
Improvements other than buildings	158,337,260	7,390,753	-	165,728,013
Machinery and equipment	14,670,186	1,165,843	(377,086)	15,458,943
Total capital assets being depreciated	244,587,397	8,825,938	(377,086)	253,036,249
Less accumulated depreciation for:				
Buildings	14,549,840	1,581,028	-	16,130,868
Improvements other than buildings	52,230,156	4,149,296	-	56,379,452
Machinery and equipment	9,474,016	1,106,954	(368,830)	10,212,140
Total accumulated depreciation	76,254,012	6,837,278	(368,830)	82,722,460
Total capital assets, being depreciated, net	168,333,385	1,988,660	(8,256)	170,313,789
Business-type activities capital assets, net	\$ 202,532,583	9,862,459	(8,084,084)	204,310,958

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

Governmental activities:	
General government	\$ 14,553
Public safety	334,818
Public works	6,348,951
Health	800
Social services	378,616
Culture and recreation	462,252
Airport	115,777
Total governmental funds	7,655,765
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	22,145
Total depreciation expense - governmental activities	\$ 7,677,910
Business-type activities:	
Water & sewer	\$ 5,470,505
Sanitation	603,581
Parking	148,329
Storm water	425,805
Golf course	189,058
Total proprietary funds	\$ 6,837,278

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2010

(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 up to 6% 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 2010 was 6.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$1,565,365, \$1,440,771, and \$1,452,741, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2010 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, 2010, 2009, and 2008 were \$2,616,625, \$2,690,912, and \$2,700,755, respectively, equal to the required contributions for each year.

(10) Interfund Transactions

Interfund Receivables and Payables

At December 31, 2010, the following funds had interfund receivables and payables to the following funds

Due From	General Fund
Special Revenue Funds:	
Farmland Remediation	\$ 33,000
Cemetery Perpetual Care	26,000
Outside Agency Grants	522,000
CDBG - Recovery	3,000
Community Development	151,000
Transportation Planning	6,000
	<u>\$ 741,000</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.

Interfund Transfers

City of Lawrence, Kansas
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A summary of transfers for the year ended December 31, 2010 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ <u>3,675,128</u>	<u>11,882,871</u>
Special Revenue Funds:		
Guest Tax	-	255,250
Library	80,000	-
Transportation	2,666,233	-
Recreation	1,646,420	-
Capital Improvement Reserve	3,874,509	80,000
Equipment Reserve	1,686,558	-
Guest Tax Reserve	205,250	-
Liability Reserve	60,000	-
Sales Tax Reserve	2,619,311	-
Worker's Comp Reserve	600,000	-
Outside Agency Fund	-	215,000
	<u>13,438,281</u>	<u>550,250</u>
Capital Project Fund	<u>-</u>	<u>55,114</u>
Enterprise Funds:		
Water and Sewer	-	3,232,103
Sanitation	-	906,025
Public Parking	-	30,046
Stormwater	-	450,000
	<u>-</u>	<u>4,618,174</u>
Internal Service - Central Maintenance	<u>-</u>	<u>7,000</u>
	\$ <u><u>17,113,409</u></u>	<u><u>17,113,409</u></u>

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

(11) Commitments and Contingencies

A. Contract Commitments

At December 31, 2010, the City had construction contract commitments totaling approximately \$7,233,947. The City expects to receive the contracted services during fiscal year 2011.

City of Lawrence, Kansas

Notes to Basic Financial Statements

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B. Insurance

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,899,568 at December 31, 2010. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2010 was \$1,002,798. The liability reported in the financial statements at December 31, 2010 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.

	2010	2009
Unpaid claims, January 1	\$ 455,113	467,122
Incurred claims (including IBNRs)	7,226,577	7,359,869
Claim payments	7,099,334	7,371,878
Unpaid claims, December 31	\$ 582,356	455,113

(12) Fund Deficit

At December 31, 2010, the Transportation Planning Fund had a fund deficit of \$10,780. This deficit is a result of program expenditures for which reimbursements have not yet been requested. The Capital Project Fund had a deficit of \$1,871,354 due to projects for which permanent financing has not yet been obtained.

(13) Cost Sharing Arrangements

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

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

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

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

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

(14) Net Assets

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

	Governmental Activities	Business Type Activities	Total
Total net capital assets	\$ 195,109,115	204,310,958	399,420,073
Less:			
Current portion of general obligation bonds	(8,719,010)	(1,175,990)	(9,895,000)
Current portion of revenue bonds	-	(2,145,000)	(2,145,000)
Temporary notes payable	(7,465,000)	-	(7,465,000)
Noncurrent portion of general obligation debt	(63,843,775)	(11,406,225)	(75,250,000)
Noncurrent portion of revenue bonds payable	-	(50,880,000)	(50,880,000)
Noncurrent portion of notes payable	-	(26,957,125)	(26,957,125)
Add:			
Unspent general obligation bonds, revenue bonds and temporary note proceeds	5,603,131	19,666,380	25,269,511
Net assets-invested in capital assets, net of related debt	\$ <u>120,684,461</u>	<u>131,412,998</u>	<u>252,097,459</u>

(15) Postemployment Healthcare Plan

Plan Description. The City operates a single employer defined benefit healthcare plan administered by CIGNA of Kansas in 2010. The Employee Benefit Plan (the Plan) provides medical and dental insurance benefits to eligible early retirees and their spouses. KSA 12-5040 requires all local

City of Lawrence, Kansas

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governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years or becomes eligible for Medicare. No separate financial report is issued for the Plan.

Funding Policy. The contribution requirements of plan participants and the City are established by the City. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended December 31, 2010, the City contributed \$510,000 to the Plan. (approximately 40% of total contributions). Plan participants contributed \$334,811 to the Plan (approximately 60% of total contributions) through their required contributions of 80% of premiums, ranging from \$256 to \$865 per month for coverage.

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

Annual required contribution	\$ 1,543,000
Interest on Net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	1,543,000
Contributions Made	<u>(644,000)</u>
Increase in Net OPEB obligation	899,000
Net OPEB obligation - beginning of year	<u>101,000</u>
Net OPEB obligation - end of year	\$ <u><u>1,000,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of the Annual OPEB cost Contributed	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 527,000	89%	\$ 467,000	\$ 60,000
December 31, 2009	551,000	93%	510,000	101,000
December 31, 2010	1,543,000	42%	644,000	1,000,000

Funding Status and Funding Progress. As of the year ended December 31, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$21,303,407 and the actuarial value of the asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,303,407. The covered payroll (annual payroll of active employees covered by the plan) was \$42,671,173, and the ratio of the UAAL to the covered payroll was 49.9%.

City of Lawrence, Kansas

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, will present multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits when such information is available.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the year ended December 31, 2010, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and initial annual healthcare cost trends of 10% for medical, 10% for drugs and 5% for dental, reduced by decrements to ultimate rates of 5%, 5% and 5% after eight years. The UAAL is being amortized as a level % over a closed thirty-year period.

(16) Pollution Remediation

On September 29, 2010 the City of Lawrence obtained the former Farmland site out of bankruptcy. The site includes 463.5 acres located in Northeast Lawrence adjacent to Kansas Highway 10. Of this acreage, 263 acres will require minimal action. Farmland used the location to produce nitrogen from 1954 to 2001 and the groundwater, soil, sediments and surface and storm waters contain nitrate and ammonia levels that exceed environmental regulations.

The city entered into a consent order with the Kansas Department of Health and Environment (KDHE) to remediate the pollution and received \$8.5 million from the Farmland Trust Account to pay the estimated cost of between \$11.2 million and \$11.8 million over 30 years. The Kansas Department of Health and Environment and the Environmental Protection Agency (EPA) anticipate it will take 30 years or longer to meet all of the obligations on the entire site. The least expensive remediation option is to pump the groundwater and apply it to land as fertilizer.

The City Commission authorized the acquisition of Farmland to add additional space for industrial and business park expansion in Lawrence. The former Farmland facility is adjacent to the existing East Hills Business Park and BNSF rail service, has contiguous acreage for larger businesses and sites, and has relative close proximity to utilities and infrastructure. City land use plans call for the use of this property as an industrial/business park.

The City is now in the process of demolition of old structures on the property and is continuing to work on the environmental clean-up of the property. In October 2010, the city requested proposals to remove the structures from the Farmland site. On January 25, 2011, the city issued a purchase order to have the structures on the property removed in the amount of \$252,000. Of this amount \$33,000 will come from the Farmland Trust

City of Lawrence, Kansas

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account and the remaining \$219,000 will be paid from other city funds, including bond funds. The city expects to receive some funds from the scrap value of the property and has already received \$10,000.

The (KDHE) and the (EPA) have both estimated the costs for the work over the next 30 years. The KDHE estimate for the remediation over a 30 year time period is \$11.2 million with an additional \$2.1 million contingency. The EPA produced an estimate of \$11.8 million. While all of these estimates are more than the \$8.5 million the City received at closing, the City will benefit from three elements which still make the proposed acquisition attractive to the City:

The City estimates that the \$8.5 million will earn approximately \$2.6 million in interest over the 30 year clean up timeframe assuming an average interest rate of 2.0% and level annual expenses. As a result, it is estimated that the city will have approximately \$11.1 million to remediate the pollution.

The proximity of the site and several of the required remediation efforts allow the City to use City resources and personnel for a number of the required remediation efforts thereby reducing costs; including the management of the various groundwater pumping systems, soil excavation, and stormwater management.

The City is receiving the land without paying a purchase price; concurrent with the remediation and infrastructure work the City will seek to sell or lease portions of the property for industrial and business. This will provide additional income to the City for use in the remediation and infrastructure installation on the property. Based upon the average assessed value of undeveloped lots in a similar use business park adjacent to the property the City has estimated a value of \$37,204 per acre for the 463 acres, for a total valuation of \$17,225,000, assuming satisfactory environmental compliance and infrastructure installation.

(17) Prior Year Restatement

It was determined that inventory in the Water and Sewer Fund in 2009 was understated by \$185,556. The effect on net assets is as follows:

		Business-Type Activities
Net Assets at December 31, 2009 as reported	\$	156,130,280
Increase in inventory valuation		185,556
Net Assets at December 31, 2009 as restated	\$	<u>156,315,836</u>

The effect on the individual funds is as follows:

		Water and Sewer
Net Assets at December 31, 2009 as reported	\$	135,092,961
Increase in inventory valuation		185,556
Net Assets at December 31, 2009 as restated	\$	<u>135,278,517</u>

City of Lawrence, Kansas

Other Post-Employment Benefits
Required Supplementary Information
December 31, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
12/31/2008	\$ -	\$ 4,217,000	\$ 4,217,000	\$ -	\$ 40,192,000	10.5%
12/31/2009	-	16,186,403	16,186,403	-	43,646,468	37.1%
12/31/2010	-	21,303,407	21,303,407	-	42,671,173	49.9%

Schedule of Employers Contributions

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Percentage Of ARC Contributed	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 527,000	\$ 527,000	89%	\$ 467,000	\$ 60,000
December 31, 2009	551,000	549,000	93%	510,000	101,000
December 31, 2010	1,543,000	1,543,000	42%	644,000	1,000,000

Nonmajor Governmental Funds

Special Revenue Funds **Fund Descriptions**

BUDGETED FUNDS

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

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

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

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

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

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

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

NONBUDGETED FUNDS

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

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

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

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

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

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

Special Revenue Funds
Fund Descriptions, Continued

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

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

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

Farmland Remediation - This fund is used to account for escrow funds received and remediation costs for the former Farmland Industries property (K.S.A. 12-1663).

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2010

Assets	Special Revenue														
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Cash	\$ 251,387	356,239	1,288,036	1,084,359	258,953	868,565	316,585	137,891	1,432,910	1,782,871	183,078	893,409	1,758,336	12,845	663,725
Investments	—	—	—	—	—	—	—	—	2,500,041	2,500,375	—	500,377	900,045	—	1,000,045
Receivables:															
Taxes	—	2,558,259	—	193,894	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	60,079	89,775	—	—	—	—	—	—
Accounts	—	—	38	9,709	—	—	—	448	—	60,566	—	—	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	1,306	1,242	—	221	515	—	857
Restricted assets															
Cash	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total assets	\$ 251,387	2,914,498	1,288,074	1,287,962	258,953	868,565	316,585	198,418	4,024,032	4,345,054	183,078	1,394,007	2,658,896	12,845	1,664,627
Liabilities and Fund Balances															
Liabilities:															
Accounts payable	\$ 1,883	—	6,185	46,349	110	13,338	27,328	—	9,630	34,275	75	2,354	131,614	—	156,712
Accrued payroll	—	—	1,392	87,777	8,974	61,235	—	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deferred revenue	—	2,782,511	38	216,259	—	—	—	448	—	540	—	—	—	—	—
Total liabilities	1,883	2,782,511	7,615	350,385	9,084	74,573	27,328	448	9,630	34,815	75	2,354	131,614	—	156,712
Fund balances:															
Reserved for encumbrances	21,131	—	530,476	47,787	—	97,205	123,799	—	—	—	—	—	—	—	—
Reserved for improvements	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:															
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,391,653	—	—	1,507,915
Undesignated	228,373	131,987	749,983	889,790	249,869	696,787	165,458	197,970	4,014,402	4,310,239	183,003	—	2,527,282	12,845	—
Total fund balances	249,504	131,987	1,280,459	937,577	249,869	793,992	289,257	197,970	4,014,402	4,310,239	183,003	1,391,653	2,527,282	12,845	1,507,915
Total liabilities and fund balances	\$ 251,387	2,914,498	1,288,074	1,287,962	258,953	868,565	316,585	198,418	4,024,032	4,345,054	183,078	1,394,007	2,658,896	12,845	1,664,627

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2010

Assets	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Cash	\$ 79,278	—	158,896	4,207	102,274	19	179,736	157,594	85	918	5,775	16,922	995	15,234	12,011,122
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,400,883
Receivables:															
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,752,153
Intergovernmental	—	—	—	—	—	595,834	—	—	2,964	291,792	—	51,729	—	—	1,092,173
Accounts	—	—	—	—	—	7,498	—	—	—	2,500	—	—	—	—	80,759
Loans	—	—	—	—	—	—	—	—	—	445,774	—	—	—	—	445,774
Accrued interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,141
Restricted assets															
Cash	—	2,351,727	—	—	—	—	—	—	—	—	—	—	—	—	2,351,727
Investments	—	6,107,660	—	—	—	—	—	—	—	—	—	—	—	—	6,107,660
Total assets	\$ 79,278	8,459,387	158,896	4,207	102,274	603,351	179,736	157,594	3,049	740,984	5,775	68,651	995	15,234	32,246,392
Liabilities and Fund Balances															
Liabilities:															
Accounts payable	\$ —	5,519	—	—	—	64,731	—	—	—	97,737	5,775	—	3	—	603,618
Accrued payroll	—	2,525	—	—	—	6,989	—	255	—	7,982	—	1,629	5,772	—	184,530
Due to other funds	—	33,000	26,000	—	—	522,000	—	—	3,000	151,000	—	—	6,000	—	741,000
Deferred revenue	—	—	—	—	—	7,498	—	—	—	—	—	—	—	—	3,007,294
Total liabilities	—	41,044	26,000	—	—	601,218	—	255	3,000	256,719	5,775	1,629	11,775	—	4,536,442
Fund balances:															
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	820,398
Reserved for improvements	—	8,418,343	—	—	—	—	—	—	—	—	—	—	—	—	8,418,343
Reserved for loans	—	—	—	—	—	—	—	—	—	445,774	—	—	—	—	445,774
Reserved for donor restriction	—	—	22,000	1,000	—	—	—	—	—	—	—	—	—	—	23,000
Unreserved:															
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,899,568
Undesignated	79,278	—	110,896	3,207	102,274	2,133	179,736	157,339	49	38,491	—	67,022	(10,780)	15,234	15,102,867
Total fund balances	79,278	8,418,343	132,896	4,207	102,274	2,133	179,736	157,339	49	484,265	—	67,022	(10,780)	15,234	27,709,950
Total liabilities and fund balances	\$ 79,278	8,459,387	158,896	4,207	102,274	603,351	179,736	157,594	3,049	740,984	5,775	68,651	995	15,234	32,246,392

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2010

	Special Revenue														
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Revenues:															
Taxes	\$ —	3,003,636	4,383	243,391	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	255,166	1,673,809	—	—	—	10,787	—	—	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	144,747	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	7,603	5,509	302	1,883	4,056	—	2,697
Intergovernmental	941,099	—	—	—	638,928	2,660,491	638,928	127,191	414,603	—	—	—	320,018	—	—
Miscellaneous	—	—	40,382	121,775	—	1,997	—	18,690	—	50,000	—	—	—	—	—
Total revenues	941,099	3,003,636	299,931	2,038,975	638,928	2,662,488	638,928	156,668	422,206	200,256	302	1,883	324,074	—	2,697
Expenditures:															
General government	—	3,060,000	2,074,997	—	—	—	—	—	—	246,764	—	213,164	—	—	920,309
Public safety	—	—	—	—	554,612	—	—	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,417,953	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	3,650,956	—	—	479,826	—	—	—	—	—	366,293	—	—
Tourism	756,767	—	—	—	—	—	—	—	—	—	128,788	—	—	—	—
Airport	—	—	—	—	—	—	—	77,774	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	177,059	73,194	31,474	4,509,422	1,424,837	96,671	—	1,506,433	—	—
Debt service:															
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,205,218	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	412,417	—	—
Total expenditures	756,767	3,060,000	2,074,997	3,650,956	554,612	2,595,012	553,020	109,248	4,509,422	1,671,601	225,459	213,164	3,490,361	—	920,309
Excess (deficiency) of revenues over (under) expenditures	184,332	(56,364)	(1,775,066)	(1,611,981)	84,316	67,476	85,908	47,420	(4,087,216)	(1,471,345)	(225,157)	(211,281)	(3,166,287)	—	(917,612)
Other financing sources (uses):															
Transfers in	—	80,000	2,666,233	1,646,420	—	—	—	—	3,874,509	1,686,558	205,250	60,000	2,619,311	—	600,000
Transfers out	(255,250)	—	—	—	—	—	—	—	(80,000)	—	—	—	—	—	—
Total other financing sources (uses)	(255,250)	80,000	2,666,233	1,646,420	—	—	—	—	3,794,509	1,686,558	205,250	60,000	2,619,311	—	600,000
Net change in fund balances	(70,918)	23,636	891,167	34,439	84,316	67,476	85,908	47,420	(292,707)	215,213	(19,907)	(151,281)	(546,976)	—	(317,612)
Fund balance, beginning of year	320,422	108,351	389,292	903,138	165,553	726,516	203,349	150,550	4,307,109	4,095,026	202,910	1,542,934	3,074,258	12,845	1,825,527
Fund balance, end of year	\$ 249,504	131,987	1,280,459	937,577	249,869	793,992	289,257	197,970	4,014,402	4,310,239	183,003	1,391,653	2,527,282	12,845	1,507,915

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2010

	Special Revenue														Total
	City Parks Memorial	Farmland Remediation	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	CDBG Recovery	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Nonmajor Governmental Funds
Revenues:															
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	—	3,251,410
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,939,762
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	144,747
Interest	70	(5,522)	117	4	90	—	155	138	—	—	—	—	—	42	17,144
Intergovernmental	—	—	—	—	—	3,609,930	—	42,028	53,311	1,097,957	—	408,007	175,386	—	11,127,877
Miscellaneous	17,880	8,507,073	—	—	—	7,442	20,175	—	—	92,837	—	35,490	—	2,759	8,916,500
Total revenues	17,950	8,501,551	117	4	90	3,617,372	20,330	42,166	53,311	1,190,794	—	443,497	175,386	2,801	25,397,440
Expenditures:															
General government	11,504	—	—	—	—	1,754,855	—	—	—	—	—	—	323,870	—	8,605,463
Public safety	—	—	—	—	—	129,791	—	—	—	—	—	—	—	—	684,403
Public works	—	83,208	—	—	—	—	—	—	—	—	—	—	—	—	2,501,161
Health	—	—	—	—	—	937,235	—	—	—	—	—	—	—	—	937,235
Social services	—	—	—	—	—	—	—	16,342	49,309	1,057,316	—	410,823	—	—	1,533,790
Culture and recreation	—	—	—	—	—	—	4,038	—	—	—	—	—	—	—	4,501,113
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	—	—	885,555
Airport	—	—	—	—	—	—	—	—	—	—	—	—	—	—	77,774
Capital outlay	—	—	—	—	—	818,065	—	—	—	7,389	—	—	—	—	8,644,544
Debt service:															
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,205,218
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	412,417
Total expenditures	11,504	83,208	—	—	—	3,639,946	4,038	16,342	49,309	1,064,705	—	410,823	323,870	—	29,988,673
Excess (deficiency) of revenues over (under) expenditures	6,446	8,418,343	117	4	90	(22,574)	16,292	25,824	4,002	126,089	—	32,674	(148,484)	2,801	(4,591,233)
Other financing sources (uses):															
Transfers in	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,438,281
Transfers out	—	—	—	—	—	(215,000)	—	—	—	—	—	—	—	—	(550,250)
Total other financing sources (uses)	—	—	—	—	—	(215,000)	—	—	—	—	—	—	—	—	12,888,031
Net change in fund balances	6,446	8,418,343	117	4	90	(237,574)	16,292	25,824	4,002	126,089	—	32,674	(148,484)	2,801	8,296,798
Fund balance, beginning of year	72,832	—	132,779	4,203	102,184	239,707	163,444	131,515	(3,953)	358,176	—	34,348	137,704	12,433	19,413,152
Fund balance, end of year	\$ 79,278	8,418,343	132,896	4,207	102,274	2,133	179,736	157,339	49	484,265	—	67,022	(10,780)	15,234	27,709,950

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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance	
	Original Budget	Final Budget	Actual	Positive (Negative)	2009 Actual
Revenues:					
Taxes	\$ 6,402,868	6,402,868	6,458,531	55,663	6,531,465
Special assessments	2,400,000	2,400,000	2,736,562	336,562	2,856,257
Interest	250,000	250,000	195,715	(54,285)	265,446
Intergovernmental	—	—	78,131	78,131	36,631
Miscellaneous	105,000	105,000	206,069	101,069	107,212
Total revenues	<u>9,157,868</u>	<u>9,157,868</u>	<u>9,675,008</u>	<u>517,140</u>	<u>9,797,011</u>
Expenditures:					
Principal retirement	10,550,000	10,550,000	15,717,896	(5,167,896)	7,921,988
Interest and fiscal charges	3,350,000	3,350,000	2,477,910	872,090	2,819,464
Total expenditures	<u>13,900,000</u>	<u>13,900,000</u>	<u>18,195,806</u>	<u>(4,295,806)</u>	<u>10,741,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,742,132)</u>	<u>(4,742,132)</u>	<u>(8,520,798)</u>	<u>(3,778,666)</u>	<u>(944,441)</u>
Other financing sources:					
Transfers in	—	—	—	—	102,271
Issuance of general obligation bonds	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>102,271</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (4,742,132)</u>	<u>(4,742,132)</u>	<u>(8,520,798)</u>	<u>(3,778,666)</u>	<u>(842,170)</u>
Fund balance, beginning of year			16,428,662		17,270,832
Net change in reserve for encumbrances			<u>—</u>		<u>—</u>
Fund balance, end of year			<u>\$ 7,907,864</u>		<u>16,428,662</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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance Positive (Negative)	2009 Actual
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>		
Revenues – intergovernmental	\$ <u>947,000</u>	<u>947,000</u>	<u>941,099</u>	<u>(5,901)</u>	<u>850,604</u>
Expenditures:					
Tourism – contractual services	<u>793,060</u>	<u>793,060</u>	<u>777,898</u>	<u>15,162</u>	<u>732,862</u>
Excess (deficiency) of revenues over (under) expenditures	153,940	153,940	163,201	9,261	117,742
Other financing sources (uses) transfers out	<u>(410,500)</u>	<u>(410,500)</u>	<u>(255,250)</u>	<u>155,250</u>	<u>(113,438)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(256,560)</u>	<u>(256,560)</u>	(92,049)	<u>164,511</u>	4,304
Fund balance, beginning of year			320,422		316,118
Net change in reserve for encumbrances			<u>21,131</u>		<u>—</u>
Fund balance, end of year			\$ <u>249,504</u>		<u>320,422</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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance	2009
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 3,051,331	3,051,331	3,003,636	(47,695)	3,001,407
Intergovernmental	-	-	-	-	16,814
Total revenues	<u>3,051,331</u>	<u>3,051,331</u>	<u>3,003,636</u>	<u>(47,695)</u>	<u>3,018,221</u>
Expenditures:					
General government - contractual services	<u>3,060,000</u>	<u>3,060,000</u>	<u>3,060,000</u>	<u>—</u>	<u>3,051,000</u>
Total expenditures	<u>3,060,000</u>	<u>3,060,000</u>	<u>3,060,000</u>	<u>—</u>	<u>3,051,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (8,669)	(8,669)	(56,364)	(47,695)	(32,779)
Other financing sources — transfers in	<u>—</u>	<u>—</u>	<u>80,000</u>	<u>80,000</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses \$	<u>(8,669)</u>	<u>(8,669)</u>	23,636	<u>32,305</u>	(32,779)
Fund balance, beginning of year			<u>108,351</u>		<u>141,130</u>
Fund balance, end of year			\$ <u>131,987</u>		<u>108,351</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, 2010
(With Comparative Actual Amounts for 2009)

	2010				
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:					
Taxes	\$ —	—	4,383	4,383	91,166
Charges for services	273,499	273,499	255,166	(18,333)	270,569
Intergovernmental	—	—	—	—	—
Miscellaneous	—	—	40,382	40,382	711
Total revenues	<u>273,499</u>	<u>273,499</u>	<u>299,931</u>	<u>26,432</u>	<u>362,446</u>
Expenditures:					
General government					
Personal services	71,535	71,535	64,574	6,961	63,197
Contractual service	1,841,104	1,841,104	1,635,640	205,464	1,634,771
Commodities	440,300	440,300	357,259	83,041	373,910
Capital outlay	—	—	398,772	(398,772)	—
Other	174,853	174,853	—	174,853	—
Total expenditures	<u>2,527,792</u>	<u>2,527,792</u>	<u>2,456,245</u>	<u>71,547</u>	<u>2,071,878</u>
Excess (deficiency) of revenues over (under) expenditures	(2,254,293)	(2,254,293)	(2,156,314)	97,979	(1,709,432)
Other financing sources (uses):					
Transfers in	2,629,764	2,629,764	2,666,233	36,469	
Transfers out	<u>(375,988)</u>	<u>(375,988)</u>	<u>—</u>	<u>375,988</u>	<u>1,592,756</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(517)</u>	<u>(517)</u>	509,919	<u>510,436</u>	(116,676)
Fund balance, beginning of year			389,292		459,091
Net change in reserve for encumbrances			<u>381,248</u>		<u>46,877</u>
Fund balance, end of year			\$ <u>1,280,459</u>		<u>389,292</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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance	2009
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 238,988	238,988	243,391	4,403	444,509
Charges for services	1,630,485	1,630,485	1,673,809	43,324	1,578,647
Intergovernmental	—	—	—	—	2,491
Miscellaneous	138,000	138,000	121,775	(16,225)	117,840
Total revenues	<u>2,007,473</u>	<u>2,007,473</u>	<u>2,038,975</u>	<u>31,502</u>	<u>2,143,487</u>
Expenditures:					
Culture and recreation:					
Personal services	3,054,056	2,987,985	2,935,907	52,078	2,799,434
Contractual service	444,529	417,135	379,793	37,342	394,679
Commodities	316,850	298,447	284,398	14,049	312,743
Capital outlay	25,000	25,026	—	25,026	—
Other	172,104	283,946	—	283,946	—
Total expenditures	<u>4,012,539</u>	<u>4,012,539</u>	<u>3,600,098</u>	<u>412,441</u>	<u>3,506,856</u>
Excess (deficiency) of revenues over (under) expenditures	(2,005,066)	(2,005,066)	(1,561,123)	443,943	(1,363,369)
Other financing sources – transfers in	<u>1,646,420</u>	<u>1,646,420</u>	<u>1,646,420</u>	<u>—</u>	<u>1,447,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(358,646)</u>	<u>(358,646)</u>	85,297	<u>443,943</u>	83,631
Fund balance, beginning of year			903,138		755,713
Net change in reserve for encumbrances			<u>(50,858)</u>		<u>63,794</u>
Fund balance, end of year			\$ <u>937,577</u>		<u>903,138</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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance Positive (Negative)	2009 Actual
	Original Budget	Revised Budget	Actual		
Revenues – intergovernmental	\$ 629,052	629,052	638,928	9,876	615,744
Expenditures:					
Health:					
Personal services	250,000	250,000	233,515	16,485	232,161
Contractual service	312,150	312,150	316,800	(4,650)	313,800
Commodities	—	—	4,297	(4,297)	—
Other	145,000	145,000	—	145,000	—
Total expenditures	707,150	707,150	554,612	152,538	545,961
Excess (deficiency) of revenues over (under) expenditures	\$ (78,098)	(78,098)	84,316	162,414	69,783
Fund balance, beginning of year			165,553		95,770
Fund balance, end of year			\$ 249,869		165,553

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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance	2009
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues					
Intergovernmental	\$ 2,616,174	2,616,174	2,660,491	44,317	2,561,175
Miscellaneous	—	—	1,997	1,997	—
Total revenues	<u>2,616,174</u>	<u>2,616,174</u>	<u>2,662,488</u>	<u>46,314</u>	<u>2,561,175</u>
Expenditures:					
Public works:					
Personal services	1,754,417	1,804,417	1,801,916	2,501	1,650,467
Contractual service	480	27,000	48,082	(21,082)	39,280
Commodities	920,800	921,280	582,825	338,455	710,871
Capital outlay	185,000	108,000	188,575	(80,575)	111,461
Other	96,118	96,118	—	96,118	—
Total expenditures	<u>2,956,815</u>	<u>2,956,815</u>	<u>2,621,398</u>	<u>335,417</u>	<u>2,512,079</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(340,641)</u>	<u>(340,641)</u>	41,090	<u>381,731</u>	49,096
Fund balance, beginning of year			726,516		660,094
Net change in reserve for encumbrances			<u>26,386</u>		<u>17,326</u>
Fund balance, end of year			\$ <u>793,992</u>		<u>726,516</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, 2010
(With Comparative Actual Amounts for 2009)

	2010			Variance	2009
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues – intergovernmental	\$ 629,052	629,052	638,928	9,876	615,744
Expenditures:					
Culture and recreation:					
Personal services	48,605	46,182	46,180	2	45,924
Contractual service	298,500	369,553	336,054	33,499	347,801
Commodities	76,000	114,784	114,526	258	94,374
Capital outlay	157,000	121,236	121,158	78	71,745
Other	110,000	38,350	—	38,350	—
Total expenditures	690,105	690,105	617,918	72,187	559,844
Excess (deficiency) of revenues over (under) expenditures	\$ (61,053)	(61,053)	21,010	82,063	55,900
Fund balance, beginning of year			203,349		126,719
Net change in reserve for encumbrances			64,898		20,730
Fund balance, end of year			\$ 289,257		203,349

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, 2010

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 267,713	332,863	600,576
Receivables:			
Accounts	16,320	166	16,486
Inventories	—	12,311	12,311
Total current assets	<u>284,033</u>	<u>345,340</u>	<u>629,373</u>
Capital assets			
Land	479,055	—	479,055
Buildings and improvements	4,084,602	3,616,125	7,700,727
Equipment	392,981	138,927	531,908
Accumulated depreciation	<u>(3,176,065)</u>	<u>(2,319,807)</u>	<u>(5,495,872)</u>
Total capital assets	<u>1,780,573</u>	<u>1,435,245</u>	<u>3,215,818</u>
Total assets	<u>\$ 2,064,606</u>	<u>1,780,585</u>	<u>3,845,191</u>
Liabilities and Net Assets			
Liabilities:			
Current liabilities			
Accounts payable	\$ 9,259	14,047	23,306
Accrued payroll	30,973	11,903	42,876
Accrued vacation and sick pay	51,389	24,645	76,034
Total current liabilities	<u>91,621</u>	<u>50,595</u>	<u>142,216</u>
Noncurrent liabilities			
Compensated absences	69,638	22,953	92,591
Net OPEB obligation	22,683	817	23,500
Total noncurrent liabilities	<u>92,321</u>	<u>23,770</u>	<u>116,091</u>
Total liabilities	<u>183,942</u>	<u>74,365</u>	<u>258,307</u>
Net assets:			
Invested in capital assets, net of debt	1,780,573	1,435,245	3,215,818
Unrestricted	<u>100,091</u>	<u>270,975</u>	<u>371,066</u>
Total net assets	<u>1,880,664</u>	<u>1,706,220</u>	<u>3,586,884</u>
Total liabilities and net assets	<u>\$ 2,064,606</u>	<u>1,780,585</u>	<u>3,845,191</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, 2010

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Operating revenues - charges for services	\$ 1,162,143	780,840	1,942,983
Operating expenses:			
Continuing operations	1,190,627	813,552	2,004,179
Depreciation and amortization	148,329	189,058	337,387
Total operating expenses	1,338,956	1,002,610	2,341,566
Operating income (loss)	(176,813)	(221,770)	(398,583)
Nonoperating revenues (expenses)			
Interest income	226	248	474
Other	—	(2,318)	(2,318)
Total nonoperating revenues (expenses)	226	(2,070)	(1,844)
Income (loss) before transfers	(176,587)	(223,840)	(400,427)
Transfers (out)	(30,046)	—	(30,046)
Change in net assets	(206,633)	(223,840)	(430,473)
Net assets, beginning of year	2,087,297	1,930,060	4,017,357
Net assets, end of year	\$ 1,880,664	1,706,220	3,586,884

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, 2010

	<u>Public Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,156,897	778,522	1,935,419
Payments to suppliers	(241,018)	(341,187)	(582,205)
Payments to employees	(900,063)	(466,692)	(1,366,755)
Net cash provided by (used in) operating activities	<u>15,816</u>	<u>(29,357)</u>	<u>(13,541)</u>
Cash flows from noncapital financing activities:			
Transfers out	<u>(30,046)</u>	<u>—</u>	<u>(30,046)</u>
Cash flows from investing activities:			
Receipt of interest and dividends	226	325	551
Sales of investments	<u>—</u>	<u>99,921</u>	<u>99,921</u>
Net cash provided by (used in) investing activities	<u>226</u>	<u>100,246</u>	<u>100,472</u>
Net increase (decrease) in cash	(14,004)	70,889	56,885
Cash and cash equivalents, beginning of year	<u>281,717</u>	<u>261,974</u>	<u>543,691</u>
Cash and cash equivalents, end of year	<u>\$ 267,713</u>	<u>332,863</u>	<u>600,576</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (176,813)	(221,770)	(398,583)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	148,329	189,058	337,387
Other income	—	(2,318)	(2,318)
Change in:			
Accounts receivable	(5,246)	—	(5,246)
Inventories of supplies	—	(1,589)	(1,589)
Accounts payable	(2,722)	(686)	(3,408)
Accrued payroll	1,771	905	2,676
Accrued vacation and sick pay	30,105	6,309	36,414
Net OPEB obligation	<u>20,392</u>	<u>734</u>	<u>21,126</u>
Total adjustments	<u>192,629</u>	<u>192,413</u>	<u>385,042</u>
Net cash provided by (used in) operating activities	<u>\$ 15,816</u>	<u>(29,357)</u>	<u>(13,541)</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, 2010

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 298,630	25,767	3,496,955	3,821,352
Investments	—	—	5,000,750	5,000,750
Receivables:				
Accounts	289,479	—	45,484	334,963
Accrued interest	—	—	3,029	3,029
Inventories	300,641	6,930	—	307,571
Total current assets	<u>888,750</u>	<u>32,697</u>	<u>8,546,218</u>	<u>9,467,665</u>
Capital assets				
Buildings and improvements	674,819	—	—	674,819
Equipment	312,924	—	—	312,924
Accumulated depreciation	(692,082)	—	—	(692,082)
Total capital assets	<u>295,661</u>	<u>—</u>	<u>—</u>	<u>295,661</u>
Total assets	<u>\$ 1,184,411</u>	<u>32,697</u>	<u>8,546,218</u>	<u>9,763,326</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable	\$ 39,067	—	297,161	336,228
Claims payable	—	—	582,356	582,356
Accrued payroll	34,844	—	—	34,844
Accrued vacation and sick pay	71,822	—	—	71,822
Total current liabilities	<u>145,733</u>	<u>—</u>	<u>879,517</u>	<u>1,025,250</u>
Noncurrent liabilities - compensated absences	<u>88,500</u>	<u>—</u>	<u>—</u>	<u>88,500</u>
Total liabilities	<u>234,233</u>	<u>—</u>	<u>879,517</u>	<u>1,113,750</u>
Net assets:				
Invested in capital assets, net of debt	295,661	—	—	295,661
Unrestricted	654,517	32,697	7,666,701	8,353,915
Total net assets	<u>950,178</u>	<u>32,697</u>	<u>7,666,701</u>	<u>8,649,576</u>
Total liabilities and net assets	<u>\$ 1,184,411</u>	<u>32,697</u>	<u>8,546,218</u>	<u>9,763,326</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, 2010

	Central Maintenance	Stores	Health Insurance	Total
Operating revenues - charges for services	\$ 3,294,554	5,080	8,727,628	12,027,262
Operating expenses:				
Continuing operations	3,493,064	6,147	—	3,499,211
General administration	—	—	48,548	48,548
Health insurance claims	—	—	8,121,711	8,121,711
Depreciation and amortization	22,145	—	—	22,145
Total operating expenses	3,515,209	6,147	8,170,259	11,691,615
Operating income (loss)	(220,655)	(1,067)	557,369	335,647
Nonoperating revenues (expenses)				
Interest income	355	—	13,422	13,777
Federal grants	11,213	—	—	11,213
Gain (loss) on sale of capital assets	1,291	—	—	1,291
Other	2,797	—	—	2,797
Total nonoperating revenues (expenses)	15,656	—	13,422	29,078
Income (loss) before transfers	(204,999)	(1,067)	570,791	364,725
Transfers out	(7,000)	—	—	(7,000)
Change in net assets	(211,999)	(1,067)	570,791	357,725
Net assets (deficit), beginning of year	1,162,177	33,764	7,095,910	8,291,851
Net assets (deficit), end of year	\$ 950,178	32,697	7,666,701	8,649,576

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, 2010

	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,403,968	5,080	8,727,879	12,136,927
Payments to suppliers	(2,313,327)	(8,829)	(7,827,730)	(10,149,886)
Payments to employees	(1,119,987)	—	—	(1,119,987)
Net cash provided by (used in) operating activities	(29,346)	(3,749)	900,149	867,054
Cash flows from noncapital financing activities:				
Transfers out	(7,000)	—	—	(7,000)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(51,546)	—	—	(51,546)
Proceeds from sales of capital assets	1,291	—	—	1,291
Proceeds from capital grant	11,213	—	—	11,213
Net cash provided by (used in) capital and related financing activities	(39,042)	—	—	(39,042)
Cash flows from investing activities:				
Receipt of interest and dividends	355	—	17,594	17,949
Purchases of investments	—	—	(11,999,521)	(11,999,521)
Sales of investments	—	—	14,099,532	14,099,532
Net cash provided by (used in) investing activities	355	—	2,117,605	2,117,960
Net increase (decrease) in cash	(75,033)	(3,749)	3,017,754	2,938,972
Cash and cash equivalents, beginning of year	373,663	29,516	479,201	882,380
Cash and cash equivalents, end of year	\$ 298,630	25,767	3,496,955	3,821,352
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (220,655)	(1,067)	557,369	335,647
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	22,145	—	—	22,145
Other income	2,797	—	—	2,797
Change in:				
Accounts receivable	106,617	—	251	106,868
Inventories of supplies	14,621	(2,682)	—	11,939
Accounts payable	35,689	—	215,286	250,975
Claims payable	—	—	127,243	127,243
Accrued payroll	(1,012)	—	—	(1,012)
Accrued vacation and sick pay	10,452	—	—	10,452
Total adjustments	191,309	(2,682)	342,780	531,407
Net cash provided by (used in) operating activities	\$ (29,346)	(3,749)	900,149	867,054

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, 2010

		Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010
Payroll Clearing					
Assets:					
Cash	\$	32,481	20,969,760	20,884,248	117,993
Accounts receivable		<u>277</u>	<u>—</u>	<u>—</u>	<u>277</u>
	\$	<u><u>32,758</u></u>	<u><u>20,969,760</u></u>	<u><u>20,884,248</u></u>	<u><u>118,270</u></u>
Liabilities:					
Accounts payable	\$	<u><u>32,758</u></u>	<u><u>20,969,760</u></u>	<u><u>20,884,248</u></u>	<u><u>118,270</u></u>
Municipal Court					
Assets:					
Cash	\$	334,700	1,045,047	1,025,085	354,662
Restricted assets - court receivables		<u>70,683</u>	<u>60,718</u>	<u>—</u>	<u>131,401</u>
	\$	<u><u>405,383</u></u>	<u><u>1,105,765</u></u>	<u><u>1,025,085</u></u>	<u><u>486,063</u></u>
Liabilities:					
Accounts payable	\$	334,700	1,045,047	1,025,085	354,662
Payable from restricted assets		<u>70,683</u>	<u>60,718</u>	<u>—</u>	<u>131,401</u>
	\$	<u><u>405,383</u></u>	<u><u>1,105,765</u></u>	<u><u>1,025,085</u></u>	<u><u>486,063</u></u>
KPRF					
Assets:					
Cash	\$	<u><u>291</u></u>	<u><u>5,565</u></u>	<u><u>5,565</u></u>	<u><u>291</u></u>
Liabilities:					
Accounts payable	\$	<u><u>291</u></u>	<u><u>5,565</u></u>	<u><u>5,565</u></u>	<u><u>291</u></u>

(Continued)

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2010

Fire Insurance Proceeds Fund	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010
Assets:				
Cash	\$ 105,904	42,870	148,774	----
Liabilities:				
Accounts payable	\$ 105,904	42,870	148,774	—
Totals - All Agency Funds				
Assets:				
Cash	\$ 473,376	22,063,242	22,063,672	472,946
Accounts receivable	277	—	—	277
Restricted assets - court receivables	70,683	60,718	—	131,401
Total assets	\$ 544,336	22,123,960	22,063,672	604,624
Liabilities:				
Accounts payable	\$ 473,653	22,063,242	22,063,672	473,223
Court bonds payable	70,683	60,718	—	131,401
Total liabilities	\$ 544,336	22,123,960	22,063,672	604,624

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

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STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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

SCHEDULES OF FINANCIAL TRENDS INFORMATION

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

Table 1

CITY OF LAWRENCE, KANSAS

Net Assets by Component

Last Eight Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities								
Invested in capital assets, net of related debt \$	95,987,404	96,155,168	88,244,646	93,600,687	94,219,394	98,756,330	102,317,087	120,684,461
Restricted	14,384,175	15,400,474	16,818,165	17,954,391	22,969,523	31,135,946	30,181,056	31,067,667
Unrestricted	23,957,026	29,880,265	42,743,594	36,620,613	38,700,080	30,196,881	31,166,420	30,723,645
Total governmental activities net assets \$	<u>134,328,605</u>	<u>141,435,907</u>	<u>147,806,405</u>	<u>148,175,691</u>	<u>155,888,997</u>	<u>160,089,157</u>	<u>163,664,563</u>	<u>182,475,773</u>
Business-type activities								
Invested in capital assets, net of related debt \$	86,737,639	87,256,373	74,845,227	91,982,752	100,856,193	130,121,705	131,255,940	131,412,998
Restricted	5,909,170	6,906,197	17,732,915	16,877,071	27,230,548	19,865,967	-	-
Unrestricted	34,841,198	39,199,131	47,994,157	42,242,043	26,203,996	4,813,863	24,874,340	26,602,323
Total business-type activities net assets \$	<u>127,488,007</u>	<u>133,361,701</u>	<u>140,572,299</u>	<u>151,101,866</u>	<u>154,290,737</u>	<u>154,801,535</u>	<u>156,130,280</u>	<u>158,015,321</u>
Primary government								
Invested in capital assets, net of related debt \$	182,725,043	183,411,541	163,089,873	185,583,439	195,075,587	228,878,035	233,573,027	252,097,459
Restricted	20,293,345	22,306,671	34,551,080	34,831,462	50,200,071	51,001,913	30,181,056	31,067,667
Unrestricted	58,798,224	69,079,396	90,737,751	78,862,656	64,904,076	35,010,744	56,040,760	57,325,968
Total primary government net assets \$	<u>261,816,612</u>	<u>274,797,608</u>	<u>288,378,704</u>	<u>299,277,557</u>	<u>310,179,734</u>	<u>314,890,692</u>	<u>319,794,843</u>	<u>340,491,094</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 Eight Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses								
Governmental activities								
General government	\$ 13,529,468	14,403,955	15,787,385	17,850,454	19,365,613	19,330,700	20,602,910	23,127,748
Public safety	21,444,143	22,024,175	23,958,869	26,850,570	28,091,852	28,450,607	29,739,788	28,650,139
Public works	10,389,739	12,755,790	13,152,884	16,608,613	14,467,570	15,402,053	17,343,296	16,549,924
Health	1,382,529	888,333	897,509	976,258	992,789	1,039,965	1,075,320	1,919,306
Social services	2,882,748	2,678,321	3,330,734	2,651,489	1,917,240	1,841,798	2,448,630	1,915,284
Culture and recreation	6,543,285	6,211,637	7,145,971	8,205,079	7,834,774	8,058,955	8,080,566	8,125,600
Tourism	490,053	663,943	680,490	675,797	779,687	818,561	771,534	885,555
Airport	191,661	192,485	188,284	201,034	212,253	248,014	242,517	318,403
Interest on long-term debt	3,842,917	3,164,980	2,838,234	3,175,178	2,655,108	3,232,294	3,231,513	2,813,274
Total governmental activities expenses	<u>60,696,543</u>	<u>62,983,619</u>	<u>67,980,360</u>	<u>77,194,472</u>	<u>76,316,886</u>	<u>78,422,947</u>	<u>83,536,074</u>	<u>84,305,233</u>
Business-type activities:								
Water & sewer	16,561,112	17,079,804	18,439,977	21,182,353	23,578,051	25,644,004	25,862,716	26,269,408
Sanitation	7,218,375	7,817,606	8,395,807	9,146,491	9,593,230	10,048,229	9,689,799	9,202,456
Parking	912,248	935,905	962,303	934,309	1,110,029	1,259,311	1,299,618	1,329,347
Stormwater	1,121,598	1,209,570	1,527,637	1,710,016	1,778,006	1,776,832	1,867,219	1,695,136
Golf course	1,049,496	1,094,435	992,548	817,710	925,676	999,551	1,016,011	998,557
Total business-type activities expenses	<u>26,862,829</u>	<u>28,137,320</u>	<u>30,318,272</u>	<u>33,790,879</u>	<u>36,984,992</u>	<u>39,727,927</u>	<u>39,735,363</u>	<u>39,494,904</u>
Total primary government expenses	\$ <u>87,559,372</u>	<u>91,120,939</u>	<u>98,298,632</u>	<u>110,985,351</u>	<u>113,301,878</u>	<u>118,150,874</u>	<u>123,271,437</u>	<u>123,800,137</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 719,087	886,557	1,164,158	1,151,175	1,213,241	1,244,723	1,457,934	8,518,656
Public safety	5,597,535	6,403,610	6,523,480	6,745,201	6,390,357	7,371,902	6,746,080	398,548
Culture and recreation	1,563,897	1,408,227	1,554,583	1,642,377	1,764,266	1,911,786	1,952,858	2,379,992
Other activities	530,016	608,024	598,888	693,927	550,054	382,777	442,116	547,979
Operating grants and contributions	8,690,675	8,068,395	8,645,939	8,296,784	8,107,569	7,049,610	8,614,974	10,417,284
Capital grants and contributions	4,703,593	4,476,161	4,298,427	7,464,153	6,982,954	3,502,047	3,912,656	14,676,844
Total governmental activities program revenues	<u>21,804,803</u>	<u>21,850,974</u>	<u>22,785,475</u>	<u>25,993,617</u>	<u>25,008,441</u>	<u>21,462,845</u>	<u>23,126,618</u>	<u>36,939,303</u>
Business-type activities:								
Charges for services:								
Water & sewer	22,731,523	21,980,918	24,666,589	27,625,934	27,702,909	27,953,735	29,099,969	30,362,409
Sanitation	7,859,391	8,069,691	8,350,141	8,738,585	8,980,990	9,281,014	9,658,845	10,002,337
Parking	896,694	831,787	871,504	954,766	876,578	1,018,472	1,013,596	1,162,143
Stormwater	2,677,414	2,728,541	2,767,975	2,794,985	2,836,484	2,890,385	2,919,032	2,948,627
Golf course	896,158	912,526	935,964	971,712	923,375	916,239	919,416	780,840

(continued)

CITY OF LAWRENCE, KANSAS

Changes in Net Assets, Continued

Last Eight Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Operating grants and contributions	27,173	33,826	-	-	16,844	-	-	-
Capital grants and contributions	-	-	60,944	85,160	-	-	-	-
Total business-type activities program revenues	35,090,356	34,559,293	37,655,122	41,173,148	41,337,180	42,059,845	43,610,858	45,256,356
Total primary government program revenues	\$ 56,895,159	56,410,267	60,440,597	67,166,765	66,345,621	63,522,690	66,737,476	82,195,659
Net (expense)/revenue								
Governmental activities	\$ (38,891,740)	(41,132,645)	(45,194,885)	(51,200,855)	(51,308,445)	(56,960,102)	(60,409,456)	(47,365,930)
Business-type activities	8,227,527	6,421,973	7,336,850	7,382,269	4,352,188	2,331,918	3,875,495	5,761,452
Total primary government net expense	\$ (30,664,213)	(34,710,672)	(37,858,035)	(43,818,586)	(46,956,257)	(54,628,184)	(56,533,961)	(41,604,478)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 17,604,825	20,911,051	22,059,715	22,525,407	23,768,769	24,836,509	24,673,704	24,689,288
Franchise taxes	3,660,489	3,684,941	3,754,184	3,986,982	4,784,605	5,543,194	5,872,925	6,300,184
Sales taxes	18,893,835	20,740,306	21,318,108	21,733,540	22,172,560	23,133,235	27,025,710	29,499,359
Unrestricted grants and contributions	518,024	530,786	530,707	543,415	548,596	740,882	760,511	723,125
Investment earnings	1,107,797	980,553	1,912,596	3,144,551	3,290,116	2,890,086	1,177,409	337,284
Miscellaneous	86,437	(49,408)	98,035	140,358	187,713	125,372	31,107	6,512
Transfers	1,288,000	1,441,718	1,892,038	2,102,194	4,269,392	3,890,984	4,297,080	4,621,388
Total governmental activities	43,159,407	48,239,947	51,565,383	54,176,447	59,021,751	61,160,262	63,838,446	66,177,140
Business-type activities:								
Unrestricted grants and contributions	-	-	-	-	-	-	6,325	5,148
Investment earnings	657,587	531,703	1,449,433	2,666,000	2,464,859	1,489,597	206,643	44,953
Miscellaneous	-	363,740	318,358	268,427	641,216	580,267	399,962	509,320
Transfers	(1,288,000)	(1,441,718)	(1,892,038)	(2,102,194)	(4,269,392)	(3,890,984)	(4,297,080)	(4,621,388)
Total business-type activities	(630,413)	(546,275)	(124,247)	832,233	(1,163,317)	(1,821,120)	(3,684,150)	(4,061,967)
Total primary government	\$ 42,528,994	47,693,672	51,441,136	55,008,680	57,858,434	59,339,142	60,154,296	62,115,173
Change in Net Assets								
Governmental activities	\$ 4,267,667	7,107,302	6,370,498	2,975,592	7,713,306	4,200,160	3,428,990	18,811,210
Business-type activities	7,597,114	5,875,698	7,212,603	8,214,502	3,188,871	510,798	191,345	1,699,485
Total primary government	\$ 11,864,781	12,983,000	13,583,101	11,190,094	10,902,177	4,710,958	3,620,335	20,510,695

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

SCHEDULES OF REVENUE CAPACITY INFORMATION

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

Table 3

CITY OF LAWRENCE, KANSAS

General Government Tax Revenues by Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

Year	Property Tax	Sales Tax (1)	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
2001	\$ 12,773,484	\$10,997,729	\$ 3,466,443	\$ 1,528,257	\$ 105,418	\$ 28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548
2003	15,814,366	11,392,376	3,660,488	1,665,149	125,307	32,657,686
2004	18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387
2008	22,790,512	14,027,094	5,543,194	1,943,132	102,866	44,406,798
2009	22,616,220	18,416,379	5,872,925	1,951,303	106,181	48,963,008
2010	22,656,849	20,863,865	6,300,184	1,936,585	95,855	51,853,338

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

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

		Fiscal Year									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund											
Reserved	\$	787,810	727,909	1,014,374	905,414	854,863	850,300	807,314	919,854	266,473	556,401
Unreserved		10,374,335	8,919,482	8,164,583	12,922,924	14,472,880	11,083,748	11,449,526	12,224,367	12,564,947	12,747,754
Total General Fund	\$	11,162,145	9,647,391	9,178,957	13,828,338	15,327,743	11,934,048	12,256,840	13,144,221	12,831,420	13,304,155
All other governmental funds											
Reserved	\$	8,300,491	7,720,844	8,098,465	9,072,450	8,596,569	7,858,766	8,366,671	17,918,096	17,239,307	17,615,379
Unreserved, reported in:											
Special revenue funds		15,186,930	14,759,541	14,299,935	14,501,703	15,253,024	15,959,348	15,389,830	16,938,468	18,602,507	18,002,435
Capital projects funds		(9,556,787)	(7,091,096)	5,652,282	1,618,585	(10,419,107)	(6,221,334)	(745,650)	(2,938,975)	(9,271,901)	(1,871,354)
Total all other governmental fund	\$	13,930,634	15,389,289	28,050,682	25,192,738	13,430,486	17,596,780	23,010,851	31,917,589	26,569,913	33,746,460

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

Unaudited

		Fiscal Year									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues											
Taxes	\$	28,871,331	30,544,548	32,657,686	37,011,976	38,579,594	39,659,301	42,028,387	44,406,798	48,963,008	51,853,338
Special assessments		864,399	1,570,255	1,758,046	1,333,030	1,350,375	1,623,980	1,955,841	3,172,277	2,856,257	2,736,562
Licenses and permits		675,677	785,543	1,024,587	1,121,828	1,082,191	1,128,747	928,922	1,018,198	810,916	871,264
Charges for services		4,132,558	4,508,000	4,534,620	4,743,123	5,344,865	5,922,240	5,762,447	6,601,944	6,276,057	6,506,432
Fines, forfeitures and penalties		1,437,216	1,776,155	2,012,187	2,321,690	2,637,520	2,610,627	2,650,819	2,632,493	2,613,613	3,101,898
Interest		2,559,969	1,484,538	1,107,797	955,756	1,824,288	2,965,144	3,083,321	1,775,604	316,185	322,758
Intergovernmental		22,465,623	17,500,790	18,965,245	19,144,592	18,346,114	19,796,516	17,396,256	19,757,194	19,522,422	22,662,507
Reimbursements		261,166	1,757,694	555,980	397,638	178,665	1,321,000	70,834	196,262	375,161	138,393
Miscellaneous		1,182,145	932,545	1,926,446	1,360,067	1,020,492	1,465,378	640,488	1,054,806	1,018,877	9,514,236
Total Revenues		62,450,084	60,860,068	64,542,594	68,389,700	70,364,104	76,492,933	74,517,315	80,615,576	82,752,496	97,707,388
Expenditures											
General government		14,967,398	12,973,764	14,226,198	14,713,277	16,427,044	18,676,882	19,512,299	18,968,987	19,891,053	22,358,619
Public safety		17,360,889	19,413,366	20,760,197	20,620,805	23,418,252	26,134,660	27,193,045	27,816,793	29,187,921	28,074,410
Public works		5,715,798	6,409,537	6,554,869	6,213,701	6,896,815	8,360,862	7,969,457	8,258,922	8,778,751	8,648,070
Health		1,200,890	1,271,162	1,369,492	883,005	895,344	974,790	990,668	1,037,952	1,074,666	1,917,525
Social services		2,055,147	2,222,232	2,881,262	2,399,935	2,878,949	2,238,416	1,519,399	1,452,893	2,089,963	1,533,790
Culture and recreation		5,141,485	5,394,565	5,993,346	5,869,793	6,651,247	7,694,559	7,289,612	7,465,092	7,534,689	7,658,288
Tourism		443,181	463,622	486,845	660,735	677,282	674,777	779,687	818,561	771,534	885,555
Airport		79,691	94,373	75,885	76,708	72,507	85,290	96,545	132,237	126,740	201,889
Capital outlay		28,048,467	15,595,097	9,424,358	9,011,818	19,851,587	18,680,282	7,734,897	8,650,245	14,155,573	15,486,693
Debt service:											
Principal retirement		5,319,983	5,450,338	10,523,666	18,349,028	8,121,337	7,942,194	8,602,024	8,729,882	9,064,166	16,923,114
Interest and fiscal charges		3,172,476	3,228,362	3,913,517	3,077,458	2,719,188	3,283,518	2,710,971	3,274,481	3,288,693	2,890,327
Total expenditures		83,505,405	72,516,418	76,209,635	81,876,263	88,609,552	94,746,230	84,398,604	86,606,045	95,963,749	106,578,280
Excess of revenues over (under) expenditures		(21,055,321)	(11,656,350)	(11,667,041)	(13,486,563)	(18,245,448)	(18,253,297)	(9,881,289)	(5,990,469)	(13,211,253)	(8,870,892)
Other financing sources (uses)											
Transfers in		5,547,420	6,054,100	5,999,389	5,895,767	7,964,846	7,926,774	9,608,664	10,959,158	13,469,563	17,113,409
Transfers out		(4,616,970)	(4,777,950)	(4,704,389)	(4,450,767)	(6,069,321)	(5,821,112)	(5,335,512)	(7,064,570)	(9,168,787)	(12,488,235)
Proceeds of general obligation bonds		4,260,000	10,324,101	22,565,000	13,833,000	6,087,076	16,920,234	11,345,000	11,890,000	3,250,000	11,895,000
Total other financing sources (uses)		5,190,450	11,600,251	23,860,000	15,278,000	7,982,601	19,025,896	15,618,152	15,784,588	7,550,776	16,520,174
Net change in fund balances		(15,864,871)	(56,099)	12,192,959	1,791,437	(10,262,847)	772,599	5,736,863	9,794,119	(5,660,477)	7,649,282
Debt service as a percentage of noncapital expenditures											
		15.3%	15.2%	23.4%	29.1%	15.8%	14.2%	14.6%	15.2%	14.7%	21.4%

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		
2001	\$ 516,933,790	\$3,712,803,804	\$58,430,000	\$233,720,000	\$20,607,464	\$61,822,392	\$ 595,971,254	\$4,008,346,196	14.9	24.77
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9	24.77
2003	598,234,485	4,296,734,542	54,874,350	219,497,400	21,244,347	63,733,041	674,353,182	4,579,964,983	14.9	25.56
2004	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	64,783,923	718,149,570	4,908,004,044	14.9	28.10
2005	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	68,225,046	776,860,997	5,312,461,858	14.9	27.86
2006	750,379,180	5,389,492,978	53,579,845	214,319,380	20,406,899	61,220,697	824,365,924	5,665,033,055	15.0	26.36
2007	783,604,390	5,628,128,379	48,783,695	195,134,780	21,163,388	63,490,164	853,551,473	5,886,753,323	15.0	26.79
2008	804,814,245	5,780,465,181	38,094,360	152,377,440	19,128,981	57,386,943	862,037,586	5,990,229,564	14.5	26.65
2009	802,842,525	5,766,303,579	33,097,400	132,389,600	17,736,945	53,210,835	853,676,870	5,951,904,014	14.3	26.69
2010	805,513,584	5,785,488,085	29,111,051	116,444,204	17,962,282	53,886,846	852,586,917	5,955,819,135	14.3	26.70

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

Table 7

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates							Total Direct & Overlapping Rates
	Operating Millage	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	
2001	17.65	7.12	24.77	24.51	3.38	24.32	45.70	9.64	55.34	1.50	105.93
2002	18.43	7.13	24.77	27.82	0.00	27.89	39.03	10.81	49.84	1.50	104.00
2003	20.99	7.11	25.56	28.65	1.21	27.82	36.71	10.94	47.65	1.50	102.52
2004	20.79	7.07	28.10	29.19	0.67	29.86	39.95	6.76	46.71	1.50	106.17
2005	19.32	7.04	27.86	30.05	0.05	29.86	42.05	10.03	52.08	1.50	111.30
2006	19.36	7.00	26.36	29.96	0.05	30.10	47.01	10.79	57.80	1.50	115.76
2007	19.78	7.01	26.79	29.95	0.05	30.00	48.36	9.20	57.56	1.50	115.85
2008	19.56	7.09	26.65	32.77	0.05	32.82	47.59	9.81	57.40	1.50	118.37
2009	19.69	7.00	26.69	32.80	0.00	32.80	46.17	11.72	57.89	1.50	118.89
2010	19.70	7.00	26.70	35.75	0.00	35.75	47.50	12.15	59.65	1.50	123.59

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2010

Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2010 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>	<u>2001 Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Westar Energy	Electric Utility	\$ 8,584,825	1	1.01 %	\$ 8,395,838	3	1.41 %
Walmart	Retail Outlet	5,318,487	2	0.62	-		—
Southwestern Bell	Telephone Utility	4,490,302	3	0.53	8,563,971	2	1.44
Packerware Corp	Plastics Manufacturer	4,777,935	4	0.56	3,874,045	7	0.65
Hallmark Cards	Card Manufacturer	4,203,429	5	0.49	4,660,505	4	0.78
Lawrence Paper Co.	Paper Manufacturer	4,101,255	6	0.48	4,276,105	5	0.72
Inland Western Lawrence	Retail Center	4,048,602	7	0.47	-		—
Black Hills	Gas Utility	3,218,875	8	0.38	-		—
Fairfield Exchange	Retail Center	2,802,839	9	0.33	-		—
Westgate	Retail Center	2,561,408	10	0.30	-		—
Kresge	District Warehouse	-		—	9,020,045	1	1.51
Oread Labs	Research Lab	-		—	4,153,795	6	0.70
NCS	Computer Services	-		—	3,221,480	8	0.54
Lawrence Technology	Computer Services	-		—	2,454,055	10	0.41
Honeywell	Radio Manufacturer	-		—	2,545,905	9	0.43
Total		\$ <u>44,107,957</u>		<u>5.17 %</u>	\$ <u>51,165,744</u>		<u>8.59 %</u>

Source: Douglas County Clerk.

Table 9

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
2001	\$13,038,707	\$12,545,282	96.22	\$ 228,202	\$ 12,773,484	97.97	\$ 1,034,640	7.94 %
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11
2003	16,086,484	15,512,068	96.43	302,298	15,814,366	98.31	1,761,930	10.95
2004	18,960,069	18,537,307	97.77	417,228	18,954,535	99.97	1,767,464	9.32
2005	20,035,547	19,622,524	97.94	308,969	19,931,493	99.48	1,871,518	9.34
2006	20,523,463	19,996,080	97.43	345,973	20,342,053	99.12	2,052,928	10.00
2007	21,763,984	21,381,266	98.24	300,356	21,681,622	99.62	2,135,290	9.81
2008	22,970,715	22,478,666	97.86	311,846	22,790,512	99.22	2,315,493	10.08
2009	22,999,657	22,389,667	97.35	226,552	22,616,219	98.33	2,698,931	11.73
2010	22,816,080	22,254,534	97.54	402,315	22,656,849	99.30	2,858,162	12.53

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

SCHEDULES OF DEBT CAPACITY INFORMATION

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

Table 10

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
2001 \$	55,962,449	107,161	-	11,855,000	6,652,551	22,112,277	-	96,689,438	3.70	1,207.14
2002	62,636,388	91,499	-	10,510,000	6,083,612	42,601,580	18,797	121,941,876	4.51	1,460.47
2003	72,638,936	75,285	-	9,475,000	5,486,064	49,470,892	-	137,146,177	4.88	1,608.15
2004	68,139,695	58,498	-	8,935,000	6,745,305	49,114,320	-	132,992,818	4.63	1,545.71
2005	66,122,813	41,118	-	25,910,000	10,957,187	46,970,878	-	150,001,996	4.86	1,694.15
2006	75,118,846	23,125	-	24,860,000	9,951,154	44,542,451	-	154,495,576	4.71	1,710.25
2007	80,240,451	4,496	-	43,465,000	6,534,549	42,447,047	-	172,691,543	4.97	1,912.19
2008	83,405,065	-	-	46,290,000	5,504,935	40,144,404	-	175,344,404	4.75	1,929.70
2009	77,590,899	-	-	54,990,000	4,839,101	37,758,506	-	175,178,506	4.69	1,921.74
2010	72,562,785	-	-	53,025,000	12,582,215	26,957,125	-	165,127,125	4.42	1,780.79

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

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

Table 11

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
2001	80,098	595,971	\$ 74,470,000	\$ 7,638,070	\$ 66,831,930	11.21	834.38
2002	83,495	629,033	79,230,000	7,006,605	72,223,395	11.48	865.00
2003	85,282	674,353	87,600,000	7,537,669	80,062,331	11.87	938.80
2004	86,040	718,150	83,820,000	8,296,387	75,523,613	10.52	877.77
2005	88,541	776,861	102,990,000	7,774,005	95,215,995	12.26	1,075.39
2006	90,335	824,366	109,930,000	7,289,502	102,640,498	12.45	1,136.22
2007	90,311	853,551	130,240,000	7,736,675	122,503,325	14.35	1,356.46
2008	90,866	862,036	135,200,000	17,270,832	117,929,168	13.68	1,297.84
2009	91,156	853,677	137,420,000	16,428,662	120,991,338	14.17	1,327.30
2010	92,727	852,587	138,170,000	7,907,864	130,262,136	15.28	1,404.79

(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, 2010

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	\$ 85,145,000	\$ 7,907,864	\$ 77,237,136	100 %	\$ 77,237,136
Overlapping:					
Douglas County	21,811,000	471,963	21,339,037	76	16,217,668
Unified School District No. 497	96,040,000	4,569,482	91,470,518	87	79,579,351
	<u>117,851,000</u>	<u>5,041,445</u>	<u>112,809,555</u>		<u>95,797,019</u>
	<u>\$ 202,996,000</u>	<u>12,949,309</u>	<u>190,046,691</u>		<u>\$ 173,034,155</u>

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

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

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

Table 13

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

Unaudited

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Assessed Valuation of Taxable Property	\$ 660,853,207	\$ 696,271,456	\$ 743,219,623	\$ 789,003,475	\$ 848,569,778	\$ 897,731,218	\$ 927,782,509	\$ 935,616,472	\$ 926,499,469	\$ 908,351,890
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	198,255,962	208,881,437	222,965,887	236,701,043	254,570,933	269,319,365	278,334,753	280,684,942	277,949,841	272,505,567
Total net debt applicable to limit (includes temporary notes)	<u>77,465,000</u>	<u>90,990,000</u>	<u>97,110,000</u>	<u>90,630,000</u>	<u>99,208,000</u>	<u>101,415,000</u>	<u>97,000,000</u>	<u>99,545,000</u>	<u>96,550,000</u>	<u>92,610,000</u>
Legal Debt Margin	\$ <u>120,790,962</u>	\$ <u>117,891,437</u>	\$ <u>125,855,887</u>	\$ <u>146,071,043</u>	\$ <u>155,362,933</u>	\$ <u>167,904,365</u>	\$ <u>181,334,753</u>	\$ <u>181,139,942</u>	\$ <u>181,399,841</u>	\$ <u>179,895,567</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	39.07%	43.56%	43.55%	38.29%	38.97%	37.66%	34.85%	35.47%	34.74%	33.98%

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

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2001	\$ 21,312,400	\$ 12,512,695	\$ 8,799,705	\$1,285,000	\$ 874,322	\$2,159,322	4.08
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.51
2003	22,726,952	14,344,670	8,382,282	1,035,000	545,970	1,580,970	5.30
2004	21,980,918	14,931,102	7,049,816	540,000	494,720	1,034,720	6.81
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958	7.86
2006	27,625,934	18,473,120	9,152,814	1,050,000	1,329,563	2,379,563	3.85
2007	27,702,909	20,329,515	7,373,394	1,195,000	1,357,400	2,552,400	2.89
2008	27,953,735	22,377,560	5,576,175	1,445,000	1,862,600	3,307,600	1.69
2009	29,099,969	21,809,300	7,290,669	1,685,000	1,987,298	3,672,298	1.99
2010	30,362,409	22,906,455	7,455,954	1,965,000	2,586,534	4,551,534	1.64

SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION

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

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2001	80,098	2,613,168,000	25,540	25.30	10,273	4.4 %
2002	83,495	2,704,107,000	25,885	25.30	10,154	4.2
2003	85,282	2,812,689,000	26,453	25.30	9,919	4.7
2004	86,040	2,870,819,000	26,455	25.30	9,946	4.2
2005	88,541	3,084,501,000	27,659	25.30	10,003	4.0
2006	90,335	3,279,665,000	29,137	25.30	10,228	3.3
2007	90,311	3,472,000,000	30,594	25.30	10,303	3.6
2008	90,866	3,691,791,296	31,721	25.30	10,700	3.9
2009	91,156	3,732,401,000	32,070	25.30	11,007	5.5
2010	92,727	3,732,401,000	32,070	25.30	11,158	6.2

Data Sources:

- (1) Planning Department estimates, except 2001 which is from the 2000 census
- (2) 2001-2003 data from 2000 census, 2004-2009 data from BEA. 2010 information was not yet available at the report date.
- (3) From U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

Table 16

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2010		Percentage of Total City Employment	2001
	<u>Employees</u>	<u>Rank</u>		
The University of Kansas	9,872	1	16.62%	Information Not Available
Lawrence Public Schools	1,634	2	2.75%	
Vangent	1,500	3	2.53%	
Lawrence Memorial Hospital	1,279	4	2.15%	
City of Lawrence	1,020	5	1.72%	
Berry Plastics	739	6	1.24%	
Hallmark Card, Inc.	510	7	0.86%	
Amarr Garage Doors	497	8	0.84%	
Douglas County	396	9	0.67%	
K-Mart Distribution Center	350	10	0.59%	
Total	<u>17,797</u>		<u>29.96%</u>	

Sources: Lawrence Chamber of Commerce
Kansas Department of Human Resources

SCHEDULES OF OPERATING INFORMATION

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

Table 17**CITY OF LAWRENCE, KANSAS**

Full Time Equivalent Employees by Function

Last Ten Fiscal Years

Unaudited

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	57.70	63.93	62.63	64.63	67.63	73.76	79.63	89.75	81.08	77.69
Public Safety	297.55	308.25	323.25	328.50	329.00	341.00	342.25	321.00	321.00	321.00
Public Works	167.00	174.50	173.00	173.00	175.50	181.00	188.00	173.75	172.75	172.75
Culture & Recreation	77.00	75.50	75.00	74.63	75.13	75.28	75.28	76.28	71.78	70.78
Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Services	6.80	10.25	10.25	10.00	9.00	8.95	8.75	8.75	8.75	8.75
Water & Sewer	<u>106.00</u>	<u>109.00</u>	<u>111.63</u>	<u>111.76</u>	<u>113.26</u>	<u>120.26</u>	<u>133.76</u>	<u>135.26</u>	<u>135.26</u>	<u>128.26</u>
Total	<u>713.05</u>	<u>742.43</u>	<u>756.76</u>	<u>763.52</u>	<u>770.52</u>	<u>801.25</u>	<u>828.67</u>	<u>805.79</u>	<u>791.62</u>	<u>780.23</u>

Source: City of Lawrence Budget Document

Table 18

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fire Protection										
Number of Firefighters and Officers	140	133	137	137	137	138	138	139.5	134.5	139.5
Number of Fire Calls Answered	1,959	2,160	1,896	1,953	1,953	2,154	2,005	2,045	1,864	1,982
Number of Medical Calls Answered	6,612	6,380	6,225	6,700	6,700	6,810	6,858	7,592	7,539	7,763
Number of Medical Transports	4,355	5,679	3,924	3,924	3,924	4,434	4,649	4,789	4,587	4,726
Number of Inspections Conducted	2,685	8,011	5,240	5,240	5,240	5,963	7,065	7,260	6,662	4,643
Police Protection										
Number of Commissioned Police Officers	138	133	138	138	138	142	142	142	142	142
Number of Full Time Civilians	25	34	34	33	34	34	34	34	35	33
Number of Calls for Service	107,856	87,322	86,804	110,192	110,192	121,576	126,874	115,404	107,314	115,383
Arrests Processed through County Jail	2,624	2,882	2,699	2,834	2,834	3,233	2,661	2,775	3,191	4,563
Officer Issued Traffic Violations	19,675	16,460	18,327	24,008	24,008	39,348	40,572	35,543	34,681	39,699
Officer Issued Parking Violations	15,519	15,748	13,417	14,421	14,421	96,739	94,890	92,355	99,091	85,958
Sewerage System										
Number of Service Connections	24,820	28,252	28,252	29,515	29,515	31,499	32,000	32,741	33,063	32,940
Actual Daily Average of Treatment in Million Gallons D	8.9	9.2	9.2	12.5	12.5	10.5	10.6	11.5	10.5	10.5
Water System										
Number of Service Connections	27,850	29,115	28,895	29,770	29,770	32,142	32,522	32,741	33,063	32,940
Daily Average Consumption in Million Gallons	11.6	12.6	13	13	13	12.2	11.4	10.4	9.5	9.9
Maximum Daily Capacity of Plant in Million Gallons	27.5	31.5	31.5	32.5	32.5	32.5	32.5	36.5	36.5	36.5

Sources: Various government departments

Table 19

CITY OF LAWRENCE, KANSAS

Capital Asset Statistics by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Works										
Miles of Streets	275	278	300	300	300	318	318.8	319.6	319.6	321.3
Culture and Recreation										
Recreation Centers	5	5	5	5	5	5	5	5	5	5
Parks	35	50	52	52	52	53	52	52	52	52
Park Acreage	3,398	3,275	3,270	3,275	3,275	3,497	3,497	3,535	3,535	3,535
Tennis Courts	18	18	20	20	20	20	20	19	19	19
Fire Protection										
Number of Stations	4	7	5	5	5	5	5	5	5	5
Police Protection										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	23	24	24	25	25	35	37	35	35	36
Sewerage System										
Miles of Sanitary Sewers	315	425	475	475	475	497	418	425	426.4	429.7
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	40	41	39	39	39	35	36	31	33	34
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	355	385	400	400	400	418	420	440	444	452.4
Number of City owned Fire Hydrants	2,350	2,881	2,944	2,944	2,944	3,008	3,285	3,081	3,146	3,198
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	215,500	254,100	267,134	267,134	297,924	320,705	264,966	230,846	227,503	224,781
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	19	18	16	16	16	16	16	16	16	15
Number of Public Elementary School Instructors	470	386	386	445	445	427	452	480	490	487
Number of Public Secondary Schools	6	7	7	7	7	6	6	6	6	6
Number of Public Secondary School Instructors	394	373	373	433	433	379	374	375	368	362
Number of Universities	2	2	2	2	2	2	2	2	2	2
Hospitals										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	167	177	177	186	186	173	173	191	191	191

Sources: Various government departments

SINGLE AUDIT SECTION

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LOWENTHAL, WEBB & ODERMANN, P.A.

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

Mayor and City Commissioners
City of Lawrence, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lawrence Public Library were not audited in accordance with "Government Auditing Standards."

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Lowenthal, Wett & Odemann, P.A.

June 24, 2011

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

Mayor and City Commissioners
City of Lawrence, Kansas

Compliance

We have audited the compliance of City of Lawrence, KS (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, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

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

Lowenthal, Weth & Odernann, P.A.

June 24, 2011

CITY OF LAWRENCE, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$ 96,847
Federal Transit Formula Grant	20.507	1,947,780
Passed Through Kansas Department of Transportation		
Highway Planning and Construction	20.205	1,647,529
State and Community Highway Safety	20.600	13,615
Total U.S. Department of Transportation		<u>3,705,771</u>
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	1,100,427
Community Development Block Grant - ARRA	14.218R	34,210
Emergency Shelter Grants Program	14.231	22,306
HOME Investments Partnership Program	14.239	410,822
HOME Prevention and Rapid Re-Housing Program - ARRA	14.262R	317,805
Fair Housing Initiatives Program	14.420	16,342
Passed Through Kansas Department of Commerce		
Community Development Block Grant	14.228	561,134
Total U.S. Department of Housing and Urban Development		<u>2,463,046</u>
<u>U.S. Department of Interior</u>		
Save America's Treasurer	15.929	98,768
Passed Through Kansas Historical Society		
Historic Preservation Fund Grants	15.904	29,978
Total U.S. Department of Interior		<u>128,746</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	12,224
Edward Byrne Memorial Justice Assistance Grant Program	16.738	111,333
Passed Through Kansas Governor's Office		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	43,798
Total U.S. Department of Justice		<u>167,355</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through Kansas Adj General		
FEMA	97.unk	13,256
Total U.S. Department of Homeland Security		<u>13,256</u>
<u>U.S. Department of Energy</u>		
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	450,905
Total U.S. Department of Energy		<u>450,905</u>
<u>Environmental Protection Agency</u>		
Passed Through Kansas Department of Health and Environment		
National Clean Diesel Emissions Reduction Program - ARRA	66.039R	11,213
Total Environmental Protection Agency		<u>11,213</u>
Total Expenditures of Federal Awards		<u>\$ 6,940,292</u>

See independent auditor's report on the financial statements and notes to the schedule of expenditures of federal awards.

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.228
14.262
20.507
81.128

Community Development Block Grant
HOME Prevention and Rapid Re-Housing-ARRA
Federal Transit Formula Grant
Energy Efficiency Block Grant-ARRA

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

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2010

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

None Noted

Prior Year Finding

None Noted