

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2002

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





City of Lawrence KANSAS

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CITY COMMISSION
MAYOR
DAVID M. DUNFIELD

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

April 30, 2003

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2002 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. To the best of our knowledge, the data is accurate in all respects and is reported in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of the funds and account groups. All disclosures necessary to enable the reader to gain an understanding of the City's financial statements are presented with the general purpose financial statements and are an integral part of the CAFR. They should be read for a fuller understanding of the statements.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes this transmittal letter, the City's organizational chart and a list of principal officials. The Financial Section includes the auditor's report, general purpose financial statements, the combining and individual fund and account group financial statements, supplementary schedules, and the notes to the general purpose financial statements. The Statistical Section includes selected financial and demographic information, generally presented on a multiyear basis. The Single Audit includes the reports required under OMB Circular A-133 covering federal grant recipients.

The report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; water and sewer services; construction and maintenance of streets and infrastructure; community development and planning; and recreational activities and cultural events.

In addition to the general governmental activities, the City Commission appoints the governing body and influences the decisions of the Lawrence Memorial Hospital and the Lawrence Housing Authority. However, for reporting purposes they are considered a legally separate entity. The Lawrence Public Library is also a legally separate entity, but receives a significant amount of funding from the City. All three are reported as discretely presented component units.

Economic Condition and Outlook

The City of Lawrence is located in Douglas County, Kansas. The City's location, thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, Kansas, the state capitol, makes it currently one of the fastest growing cities in Kansas. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. Other major employers include Hallmark Cards, K-Mart Corporation, Allied Signal, DST, and Berry Plastics. The average civilian labor force in Douglas County during 2002 was 58,778. An average of 4.2%, or 2,485 people, was unemployed during 2002. The state and local governments employed the largest number of employees (14,883), followed by the services sector (13,592), and the retail



sector (10,408). All employment categories, with the exception of the government sector, construction, and services experienced a reduction in the number of employees during 2002.

U. S. Census figures indicate Lawrence is one of the fastest growing metropolitan areas in Kansas. The total valuation of City building permits issued was \$141.1 million in 1998, \$149.7 million in 1999, \$175.0 million in 2000, \$152.2 million in 2001 and \$141.6 million in 2002. Combined city and countywide sales tax collections in 2002 represent a 0.8% decrease from 2001. A total of 1,480 single-family homes were sold in 2002. While local economic activity was subdued in 2002, Lawrence continued to grow in population.

A major economic event was the decision by Seralogicals to build a \$28 million facility in Lawrence to manufacture biological products. The firm will initially employ 18 with an additional 22 planned for 2004. Seralogicals was granted an 80% property tax abatement. As an example of the slowing local economy, Sprint PCS closed its customer service center in Lawrence. The center's 500 jobs were eliminated. In addition, Davol, a manufacturer of medical devices, announced it would close its Lawrence plant in 2003. The closure will result in the elimination of 130 jobs. On the positive side, NCS Pearson, a call center operator, announced the planned addition of 150 employees.

The City has sufficient water capacity to meet current needs. However, an expansion of the Clinton water treatment plant is being constructed to accommodate future growth. The City is currently constructing an expansion of its wastewater treatment plant. The wastewater expansion should be completed in mid-2003. The construction of a second wastewater treatment plant is being considered.

Major Initiatives

During 2002, the City undertook a variety of activities to improve services and enhance economic development.

A total of \$12,105,000 in general obligation bonds was issued in 2002 to obtain long-term financing of improvements in benefit districts, construction of City projects and the refunding of prior debt. City projects included construction of various street and building projects. In addition, \$22,270,000 in temporary construction notes was issued during the year. The notes provide financing until the projects are complete. The notes are then retired with the proceeds of a general obligation bond, revenue bond or prepayments from special benefit districts. In early 2003, the City refunded two additional general obligation bonds.

The City anticipates the need to issue approximately \$3.3 million in general obligation bonds to finance Lawrence's fifth Fire Station in 2004. The relocation of Fire Station 4 is also planned at a cost of \$3.3 million in 2005. A widening of 6th Street (US Highway 40) is planned for 2004, with the City share of the project cost estimated to be slightly more than \$3 million.

Financial Information

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended December 31, 2002 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Kansas law prescribes the policies and procedures by which the City prepares its annual budget. The City maintains budgetary control to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The annual budget contains an itemized estimate of the anticipated revenue and the proposed expenditures necessary to meet the City's financial needs, detailed by program and object of expenditures. The annual budget must be balanced so that total resources equal obligations. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts not disbursed are carried over as a designation of fund balance for the following year.

The Governmental, Expendable Trust, and Agency Funds follow the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when they are both measurable and available within a certain time period. Expenditures, other than interest on long-term debt, are recorded as liabilities when incurred. The accrual basis of accounting is used for Proprietary and Nonexpendable Trust Funds. Revenues are recognized when earned and expenses when incurred.

The following schedule presents a summary of General Fund, Special Revenue Funds and Debt Service Fund revenues for the fiscal year ended December 31, 2002 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount*	Percent of Total	Increase (Decrease) From 2001	Percent of Increase (Decrease)
Taxes	\$ 30,545	54.1%	\$ 1,674	5.8%
Licenses and permits	786	1.3	110	16.3
Special assessments	641	1.1	(62)	(8.8)
Charges for service	4,508	8.0	375	9.1
Fines	1,776	3.2	339	23.6
Interest	1,188	2.1	(596)	(33.4)
Intergovernmental	16,116	28.6	(3,337)	(17.2)
Miscellaneous	928	1.6	(249)	(2.1)
 Total	 \$ 56,488	 100.0%	 \$ (1,746)	

*In thousands of dollars.

Taxes increased due to an 5.5% increase in assessed valuation and a 4.8% increase in franchise fees. The increase in licenses and permits is because an increase in building permit fees offset a 7.0% reduction in the value of building permits issued and the implementation of the new rental housing registration program. Special assessments decreased because of prior year prepayments. Charges for services were more because of increased reimbursements for ambulance service. Fines are greater due to an increase in the number of traffic tickets issued and an increase in the court fees. Interest revenues were less due to the historical low interest rates. Intergovernmental revenue decreased because of the elimination of State revenue sharing and lower reimbursements for the public transit operations. Several buses were purchased in 2001 as the transit system was still getting started.

The following schedule presents a summary of General Fund, Special Revenue Funds and Debt Service Fund expenditures for the fiscal year ended December 31, 2002 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount*	Percent of Total	Increase (Decrease) From 2001	Percent of Increase (Decrease)
Current:				
General Government	\$ 11,281	19.4%	\$ (2,093)	(15.6)%
Public Safety	19,413	33.2	2,052	11.8
Public Works	6,410	11.0	694	12.1
Health	1,271	2.2	70	5.8
Social Services	2,222	3.8	167	8.1
Culture and Recreation	5,389	9.3	248	4.8
Tourism	464	0.8	21	4.7
Airport	94	0.2	15	19.0
Capital Outlay	3,313	5.7	(600)	(15.3)
Debt Service:				
Principal	5,450	9.4	130	2.4
Interest and fiscal charges	2,904	5.0	259	9.8
Total	\$ 58,211	100.0%	\$ 963	

*In thousands of dollars.

General Government expenditures decreased due to lower expenditures for the mass transportation system. Significant start up expenditures were made in 2001. Expenditures for Public Safety show an increase because of cost of living increases and the hiring of seven police officers. Public Works increased because of cost of living increases and greater expenditures for street maintenance. Social Services increased due to greater CDBG and HOME program activity. Culture and Recreation expenditures increased due to the cost of living wage adjustment. Capital outlay expenditures decreased because of an increase in the capitalization level to \$5000 from \$1000.

The unreserved fund balance of the General Fund decreased by 14.0% when compared to 2001. The 2002 unreserved General Fund balance of \$8,919,482 represented 24.8% of expenditures.

A five-year plan of capital improvements was developed for the Water and Sewer Fund in 1999. The plan called for the issuance of revenue bonds to expand and maintain water and sewer facilities. A new rate study was also completed in 1999. The plan calls for no increase in water rates and 6.0% annual increase in sanitary sewer rates from 2000-2004.

The City is cooperating with the County to operate a Household Hazardous Waste Disposal Facility. In addition, a cardboard recycling center has started. A facility that includes sufficient space for recycling activities was purchased in 1995.

The City is responsible for several trust funds. Included are trust funds established for cemetery maintenance and park maintenance.

At December 31, 2002, the City had a number of debt issues outstanding. These issues included \$68,720,000 of general obligation bonds and \$10,510,000 of revenue bonds. The City has an Aa2 rating from Moody's Investors Service on general obligation bond issues and A1 on revenue bond issues. Under current statutes, the general obligation debt cannot exceed 30% of assessed valuation. As of December 31, 2002, the City's net general obligation bonded debt was

11.35% of the assessed property value, well below the legal limit of 30.0%, and net bonded debt per capita equaled \$837.44.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U. S. Treasury. The average yield on investments was 2.7%. The City earned interest revenue of \$2,446,332 on all investments for the year ended December 31, 2002.

The City's investment policy is to minimize credit and market risks, while maintaining a competitive yield on its portfolio. Accordingly, deposits were insured by federal depository insurance, collateralized, or held by the City's agent. All collateral on deposits was held either by a federal reserve bank or a dealer bank's trust department, as required by Kansas Statutes. The City's agent holds securities such as treasury bills and federal agencies. As a result, all of the City's uncollateralized investments were in the third credit risk category as defined by the Governmental Accounting Standards Board. In addition, in 1999 the City became the third local government to be given expanded investment powers by the State Treasurer.

The City is self-insured for its workers' compensation, automobile liability, and general liability. An umbrella policy is in effect for worker's compensation risks above \$100,000 up to \$1,000,000. The self-funding of insurance for the City has proven to be a cost-effective way to provide coverage for the types of insurance needs described above.

Other Information

State Statutes require an annual audit by an independent certified public accounting firm. Lowenthal Singleton Webb & Wilson, P.A, performed the 2002 annual audit. In addition to meeting the requirements set forth in State Statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act and related OMB Circular A-133. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its CAFR for the fiscal year ended December 31, 2001. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles 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.

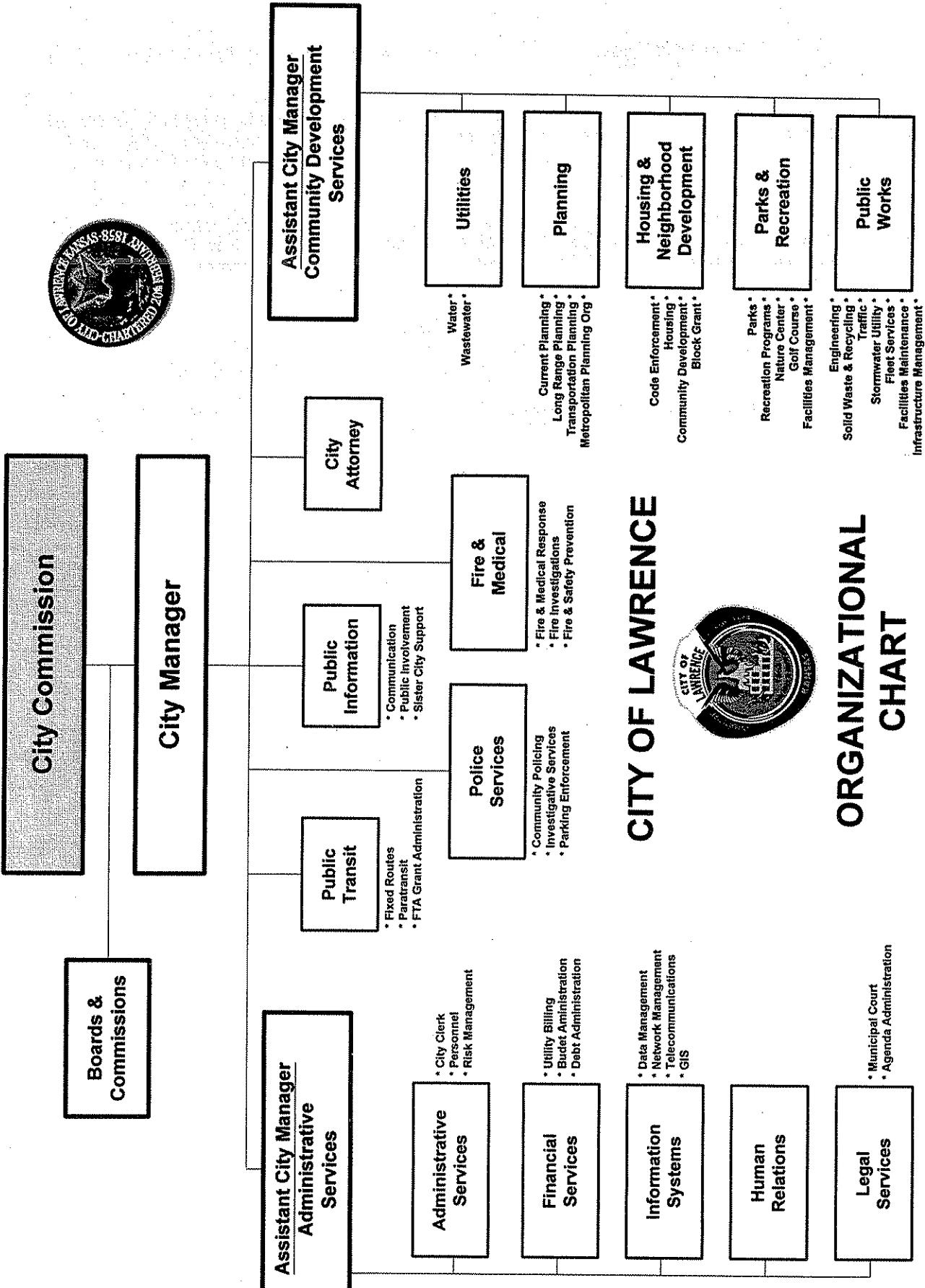
The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department, in close cooperation with the independent auditors. Each member of the Finance Department has our sincere appreciation for the contributions made in the preparation of the report, especially 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.

Sincerely,



A. Ed Mullins, CPA
Finance Director



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2002

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

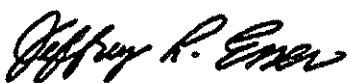
City of Lawrence, Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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



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

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Members of American Institute
and Kansas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

Mayor and City Commission
City of Lawrence, Kansas

We have audited the accompanying general purpose financial statements of City of Lawrence, Kansas, (the City) as of and for the year ended December 31, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Lawrence's management. Our responsibility is to express an opinion 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 \$95,286,102 as of December 31, 2002 and total revenues of \$90,367,908 for the year then ended, and the Housing Authority of the City of Lawrence which statements reflect total assets of \$13,176,787 as of December 31, 2002 and total revenues of \$5,512,468 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Housing Authority of the City of Lawrence, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Lawrence, Kansas, as of December 31, 2002, and the result of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated April 30, 2003, on our consideration of City of Lawrence, Kansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs are 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 are not a required part of the general purpose financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Lawrence, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore, we express no opinion thereon.

Lowenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit A

CITY OF LAWRENCE, KANSAS
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units

December 31, 2002

	Assets	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Proprietary Internal Service	Fiduciary Fund Type	Account Groups		Primary Government (Memorandum Only)	Combined Component Units	Totals Reporting Entity (Memorandum Only)			
									General							
									Fisted	Assets						
Cash	\$ 1,904,398	654,073	24,258	1,045,827	675,584	416,168	359,376	-	-	-	4,705,134	7,373,052	12,078,186			
Investments	8,826,465	14,783,957	7,379,927	15,475,022	32,205,292	1,839,926	579,928	-	-	-	81,090,517	12,791,841	93,882,358			
Receivables (net of allowances for uncollectibles):																
Taxes	9,001,393	2,057,385	4,061,406	-	-	-	-	-	-	-	16,020,184	-	16,020,184			
Special assessments	-	-	7,376,613	-	-	-	-	-	-	-	7,376,613	-	7,376,613			
Intergovernmental Accounts	-	1,387,377	-	-	-	-	-	-	-	-	1,387,377	-	1,387,377			
Franchise fees	763,529	133,449	165,949	-	2,398,612	222,153	-	-	-	-	3,684,692	16,333,911	20,018,603			
Loans	323,453	-	-	-	-	-	-	-	-	-	323,453	-	323,453			
Accrued interest	49,939	244,389	32,274	56,194	155,034	7,833	662	-	-	-	244,589	-	244,589			
Due from other funds	646,000	39,672	-	-	-	-	-	-	-	-	381,648	2,599	384,247			
Inventories	-	-	-	-	-	489,934	174,375	-	-	-	664,000	-	664,000			
Prepaid items	-	-	-	-	-	173,448	-	-	-	-	664,309	517,231	1,181,540			
Restricted assets	-	-	-	-	-	-	-	-	-	-	173,448	1,762,130	1,935,578			
Cash	-	-	-	-	81,783	-	48,233	-	-	-	132,016	-	132,016			
Investments	-	-	-	-	5,799,378	-	-	-	-	-	5,799,378	12,458,789	18,238,167			
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	142,380,833	131,583	-	99,163,096	-	-	241,674,512	58,098,474	299,772,986			
Deferred bond issue costs	-	-	-	-	-	-	-	-	-	-	743,867	-	743,867			
Other assets	-	-	-	-	-	-	-	-	-	-	261,910	-	261,910			
Other debts:																
Amount available in Debt Service Fund																
Amount to be provided for retirement of general long-term debt																
Total assets	\$ 21,515,197	20,200,502	19,040,427	16,617,043	184,362,898	2,417,508	988,199	99,163,096	64,312,954	428,616,824	110,404,344	539,021,168	\$ 57,366,859			

CITY OF LAWRENCE, KANSAS

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units, Continued

Exhibit A, Cont.

December 31, 2002

Liabilities, Equity and Other Credits	Fiduciary Fund Type										Totals Reporting Entity (Memorandum Only)			
	Proprietary Internal Service			General Assets			Account Groups			Totals				
	General	Capital Projects	Enterprise	General Fixed	Long-term Assets	Debt	General	Long-term Debt	Primary Government (Memorandum Only)	Combined Component Units	Reporting Entity (Memorandum Only)			
Liabilities:														
Accounts payable:	\$ 979,413	71,095	—	1,038,950	2,823,472	12,616	274,756	—	—	5,200,302	3,418,092	8,618,394		
Accrued expenses	—	—	—	107,689	535,405	—	—	—	—	—	3,409,116	3,409,116		
Accrued interest payable	893,818	139,301	—	—	353,225	24,989	—	—	643,994	879,998	1,523,092	1,523,092		
Accrued payroll	1,320,223	185,086	—	—	788,114	80,639	—	—	1,411,333	—	1,411,333	—		
Accrued vacation and sick pay	—	599,000	—	—	—	47,000	—	—	3,561,931	119,093	3,681,024	3,681,024		
Due to other funds	—	—	—	—	—	—	—	—	646,000	—	646,000	—		
Payable from restricted assets:	—	—	—	—	—	743,920	—	48,233	—	—	792,153	83,772	875,925	
Customer deposits and court bond payable	—	—	—	—	—	1,035,000	—	—	—	—	1,035,000	1,885,446	2,920,446	
Current portion of revenue bonds	—	—	—	—	—	601,1367	—	—	—	—	601,367	—	601,367	
Estimated claims and judgments payable	28,036	—	—	—	—	14,406	594,674	—	—	397,198	1,034,314	—	1,034,314	
Temporary notes payable	—	—	—	22,270,000	—	—	—	—	—	22,270,000	—	—	22,270,000	
Notes payable	—	—	—	—	—	42,601,580	—	—	—	91,499	42,693,079	—	42,693,079	
General obligation bonds payable	—	—	—	—	—	5,482,245	—	—	—	62,636,388	68,118,633	—	68,118,633	
Revenue bonds payable	—	—	—	—	—	9,475,000	—	—	—	9,475,000	28,042,164	37,517,164	37,517,164	
Capital lease payable	—	—	—	—	—	18,797	—	—	—	18,797	2,891,226	2,910,023	2,910,023	
Net pension obligation	—	—	—	—	—	—	—	—	—	—	2,104,778	—	2,104,778	
Deferred revenue	8,646,316	4,397,450	12,031,322	—	—	22,853	—	—	—	—	25,100,441	40,048	25,140,489	
Total liabilities	11,867,806	5,391,932	12,933,322	23,416,639	64,472,531	782,771	322,389	—	64,312,954	182,601,444	42,873,733	225,475,177		
Equity and other credits:														
Contributed capital	—	—	—	—	—	2,491,603	59,678	—	—	99,162,096	—	2,551,281	9,421,982	11,973,263
Investment in general fixed assets	—	—	—	—	—	—	—	—	—	95,162,096	—	1,271,564	1,271,564	100,433,660
Retained earnings	—	—	—	—	—	5,139,241	1,575,059	—	—	—	5,139,241	—	5,139,241	
Reserves for revenue bond requirements	—	—	—	—	—	112,259,523	—	—	—	—	113,834,582	56,278,380	56,278,380	170,112,962
Unreserved	—	—	—	—	—	—	—	—	—	—	—	—	(6,799,596)	(6,799,596)
Fund balances:														
Reserved for improvements	—	—	—	(6,799,596)	—	—	—	—	—	—	—	—	—	(6,799,596)
Reserved for donor restriction	—	—	—	—	—	—	—	522,000	—	—	523,000	—	523,000	
Reserved for encumbrances	727,909	446,650	—	—	—	—	—	—	—	—	1,174,559	—	1,174,559	
Reserved for debt service	—	—	7,006,605	—	—	—	—	—	—	—	7,006,605	—	7,006,605	
Reserved for loans	—	244,589	—	—	—	—	—	—	—	—	244,589	—	244,589	
Unreserved:	—	—	—	—	—	—	—	—	—	—	—	—	—	
Designated for losses	—	2,135,473	—	—	—	—	—	—	—	—	2,135,473	—	2,135,473	
Undesignated	8,919,482	11,981,858	—	—	—	—	—	—	—	—	21,043,550	558,685	558,685	21,602,235
Total fund balances	9,647,391	14,808,570	7,006,605	(6,799,596)	—	—	665,210	—	—	—	25,328,180	558,685	25,886,865	
Total equity and other credits	9,647,391	14,808,570	7,006,605	(6,799,596)	119,890,367	1,634,737	665,210	99,162,096	—	—	246,015,380	67,530,611	313,545,991	
Total liabilities, equity and other credits	\$ 21,515,197	20,209,562	19,040,427	16,617,043	184,362,398	2,417,508	938,195	99,162,096	64,312,954	428,616,824	110,404,344	539,021,168		

See accompanying notes to general purpose financial statements

CITY OF LAWRENCE, KANSAS

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units

Year Ended December 31, 2002

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Primary Government (Memorandum Only)	Totals		
	General Revenue	Special Revenue	Service			Component Unit	Lawrence Public Library	Reporting Entity (Memorandum Only)
Revenues:								
Taxes	\$ 22,028,664	3,935,125	4,580,759	929,312	—	30,544,548	—	30,544,548
Special assessments	783,543	—	640,943	—	—	1,570,255	—	1,570,255
Licenses and permits	3,159,433	1,348,567	—	—	—	783,543	—	783,543
Charges for services	1,776,155	—	—	—	—	4,508,000	9,103	4,517,103
Fines, forfeitures and penalties	637,996	297,709	252,804	276,141	1,055	1,776,155	83,976	1,860,131
Interest	8,787,440	7,309,715	18,448	1,385,187	—	1,465,705	12,030	1,477,735
Intergovernmental	—	—	—	1,757,694	—	17,500,790	159,766	17,660,535
Reimbursements	276,348	536,306	115,577	—	4,114	5,922,545	1,043	1,758,737
Miscellaneous	37,451,579	13,427,622	5,608,551	4,348,334	5,169	—	137,386	1,069,931
Total revenues							403,304	61,244,539
Expenditures:								
Current:								
General government	8,219,914	3,060,531	—	—	—	11,280,445	—	11,280,445
Public safety	19,303,309	110,057	—	—	—	19,413,366	—	19,413,366
Public works	3,941,163	2,478,374	—	—	—	6,409,537	—	6,409,537
Health	745,372	525,790	—	—	—	1,271,162	—	1,271,162
Social services	297,100	1,925,132	—	—	—	2,222,232	—	2,222,232
Culture and recreation	2,574,906	2,814,246	—	—	5,413	5,394,565	2,170,013	7,564,578
Tourism	—	463,922	—	—	—	463,622	—	463,622
Airport	94,373	—	—	—	—	94,373	—	94,373
Capital outlay	787,070	2,525,876	—	11,990,651	—	15,303,597	—	15,303,597
Debt service:	—	—	—	—	—	—	—	—
Principal retirement	19,276	1,308,230	4,122,832	—	—	5,450,338	—	5,450,338
Interest and fiscal charges	—	786,605	2,117,164	324,593	—	3,228,362	—	3,228,362
Total expenditures	35,972,483	15,998,463	6,239,996	12,315,244	5,413	70,531,599	2,170,013	72,701,612
Excess (deficiency) of revenues over (under) expenditures	1,479,096	(2,570,841)	(631,465)	(7,966,910)	(244)	(9,590,364)	(1,766,709)	(11,457,079)
Other financing sources (uses):								
Operating transfers in	1,156,150	4,487,950	—	400,000	—	6,044,100	4,996	6,049,096
Operating transfers out	(4,150,000)	(627,950)	—	—	(4,777,950)	(4,996)	(4,782,946)	(4,782,946)
Operating transfers to component units	—	(1,693,319)	—	—	(1,693,319)	—	(1,693,319)	(1,693,319)
Operating transfers from primary government	—	—	—	—	—	1,693,319	—	1,693,319
Proceeds of general obligation bonds	—	—	—	10,324,101	—	—	—	10,324,101
Total other financing sources (uses)	(2,993,850)	2,166,681	—	10,724,101	—	8,896,932	1,693,319	11,390,251
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,514,754)	(404,160)	(631,465)	2,757,191	(244)	206,568	(73,390)	133,178
Fund balance, beginning of year	11,162,145	15,212,730	7,638,070	(9,556,787)	41,089	24,497,247	632,075	25,129,322
Fund balance, end of year	\$ 9,647,391	14,808,570	7,006,605	(6,729,596)	40,845	24,703,815	558,685	25,762,500

See accompanying notes to general purpose financial statements

CITY OF LAWRENCE, KANSAS

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Statutory Basis) - General, Special Revenue and Debt Service Fund Types

Year Ended December 31, 2002

	General Fund			Budgeted Special Revenue Funds			Budgeted Debt Service Fund			
	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)	Budget	Actual	Variance (Unfavorable)	
Revenues:										
Taxes	\$ 21,254,359	22,028,664	774,305	3,909,898	3,935,125	25,227	4,566,424	4,580,759	14,335	
Special assessments	-	785,543	79,543	-	-	-	568,576	640,943	72,367	
Licenses and permits	3,116,500	3,159,433	42,933	1,252,690	1,248,567	95,877	-	-	-	
Charges for services	1,350,000	1,776,155	426,155	-	-	-	-	-	-	
Fines, forfeitures and penalties	900,000	637,996	(262,004)	(167,337)	3,784,000	3,974,030	-	200,000	252,804	52,804
Interest	8,954,777	8,787,440	213,348	172,715	119,116	(53,599)	-	18,448	18,448	
Intergovernmental	-	-	-	-	-	-	-	-	110,577	
Miscellaneous	63,000	276,348	-	-	-	-	-	-	-	
Total revenues	36,344,636	37,451,579	1,106,943	9,119,303	9,376,838	257,535	5,340,000	5,608,531	268,531	
Expenditures:										
Expenditures:										
Current:										
General government	8,829,902	8,172,471	657,431	1,652,000	999,265	652,735	-	-	-	
Public safety	19,514,372	19,148,146	366,226	-	-	-	-	-	-	
Public works	4,627,855	3,936,747	691,108	2,944,713	2,815,230	129,483	-	-	-	
Health	844,979	753,374	91,605	49,786	451,432	40,354	-	-	-	
Social services	289,464	297,100	2,364	-	-	-	-	-	-	
Culture and recreation	2,615,998	2,634,081	(18,083)	3,369,323	3,062,829	306,694	-	-	-	
Tourism	-	-	-	402,050	402,050	-	-	-	-	
Airport	104,557	91,973	12,584	-	-	-	-	-	-	
Capital outlay	925,210	859,414	65,796	-	-	-	-	-	-	
Debt service	-	-	-	-	-	-	-	-	-	
Principal retirement	20,000	19,276	724	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	
Total expenditures	37,782,337	35,912,582	1,869,755	8,860,072	7,730,806	1,129,266	8,487,000	6,259,996	2,247,004	
Excess (deficiency) of revenues over (under) expenditures	(1,437,701)	1,538,997	2,976,698	259,231	1,646,032	1,386,801	(3,147,000)	(631,465)	2,515,535	
Other financing sources (uses):										
Operating transfers in	1,149,150	1,156,150	7,000	922,573	922,573	-	-	-	-	
Operating transfers out	(4,150,000)	(4,150,000)	-	(227,950)	(227,950)	-	-	-	-	
Operating transfers to component units	-	-	-	(1,693,319)	(1,693,319)	-	-	-	-	
Total other financing uses	(3,900,850)	(2,993,850)	7,000	(998,696)	(998,696)	-	-	-	-	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ (4,438,551)	(1,454,853)	2,983,698	(739,465)	647,336	1,386,801	(3,147,000)	(631,465)	2,515,535	
Fund balance, beginning of year		11,162,145	-							
Net change in fund balance of nonbudgeted funds		(787,810)	-							
Encumbrances, beginning of year		727,908	-							
Encumbrances, end of year		-	-							
Fund balance, end of year	\$ 2,647,391	\$ 14,808,570	\$ 7,006,605	\$ 14,808,570	\$ 7,006,605	\$ 14,808,570	\$ 7,006,605	\$ 14,808,570	\$ 7,006,605	

See accompanying notes to general purpose financial statements

CITY OF LAWRENCE, KANSAS

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/
Fund Balances - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely
Presented Component Units

For the Year Ended December 31, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Combined Component Units
	Enterprise Funds	Internal Service	Nonexpendable Trust Funds	Housing Authority & Hospital
Operating revenues:				
Charges for services	\$ 32,952,980	5,719,040	—	94,882,332
Other sales	269,540	—	—	998,044
Interest income	—	—	18,833	—
Total operating revenues	<u>33,222,520</u>	<u>5,719,040</u>	<u>18,833</u>	<u>95,880,376</u>
Operating expenses:				
Continuing operations	7,757,119	1,880,488	—	84,678,278
Transmission and distribution	8,878,249	—	—	—
General administration	1,731,193	554,344	—	—
Health insurance claims	—	3,583,121	—	—
Depreciation and amortization	4,607,413	41,202	—	6,379,394
Total operating expenses	<u>22,973,974</u>	<u>6,059,155</u>	<u>—</u>	<u>91,057,672</u>
Operating income (loss)	<u>10,248,546</u>	<u>(340,115)</u>	<u>18,833</u>	<u>4,822,704</u>
Other income (expense):				
Interest income	919,514	61,113	—	632,549
Interest expense and fiscal charges	(2,156,489)	—	—	(1,903,729)
Gain on sale of fixed assets	10,974	3,907	—	(5,551)
Federal and state grant	65,985	—	—	—
Other items	257,389	365	—	2,555,190
Total other income (expense)	<u>(902,627)</u>	<u>65,385</u>	<u>—</u>	<u>1,278,459</u>
Income (loss) before operating transfers	<u>9,345,919</u>	<u>(274,730)</u>	<u>18,833</u>	<u>6,101,163</u>
Operating transfers:				
Operating transfers in	—	—	10,000	—
Operating transfers (out)	(1,269,150)	(7,000)	—	—
Total operating transfers	<u>(1,269,150)</u>	<u>(7,000)</u>	<u>10,000</u>	<u>—</u>
Net income (loss)	<u>8,076,769</u>	<u>(281,730)</u>	<u>28,833</u>	<u>6,101,163</u>
Depreciation on fixed assets acquired by contributions	<u>227,228</u>	<u>12,490</u>	<u>—</u>	<u>—</u>
Increase (decrease) in retained earnings	<u>8,303,997</u>	<u>(269,240)</u>	<u>28,833</u>	<u>6,101,163</u>
Retained earnings/fund balance, beginning of year	<u>109,094,767</u>	<u>1,844,299</u>	<u>595,532</u>	<u>59,599,199</u>
Retained earnings/fund balance, end of year	<u>\$ 117,398,764</u>	<u>1,575,059</u>	<u>624,365</u>	<u>65,700,362</u>

See accompanying notes to general purpose financial statements

CITY OF LAWRENCE, KANSAS

Combined Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable
Trust Funds and Discretely Presented Component Units

For the Year Ended December 31, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Combined Component Units
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	Housing Authority & Hospital
Cash flows from operating activities:				
Operating income (loss)	\$ 10,248,546	(340,115)	28,833	4,822,704
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	4,437,658	41,202	—	6,379,394
Interest income	—	—	(18,833)	—
Other items	257,389	365	—	2,555,190
Change in:				
Accounts receivable	26,412	(67,143)	—	(1,698,913)
Inventories of supplies	89,948	24,426	—	(61,162)
Prepaid items and other	—	—	—	(1,670,841)
Other assets	—	—	—	3,083,983
Due from other funds	270,500	—	—	—
Accounts payable	(3,393,372)	(34,468)	—	(258,704)
Claims payable	—	(53,801)	—	—
Accrued payroll	22,707	3,015	—	—
Customer deposits	61,570	—	—	4,197
Accrued vacation and sick pay	49,487	8,122	—	53,551
Estimated claims and judgements payable	10,450	—	—	—
Accrued expenses	—	—	—	257,754
Deferred costs	—	—	—	30,793
Net pension obligation	—	—	—	1,158,556
Due to other funds	—	21,000	—	—
Deferred revenue	—	85	—	(2,308)
Total adjustments	1,832,749	(57,197)	(18,833)	9,831,490
Net cash provided by (used in) operating activities	12,081,295	(397,312)	10,000	14,654,194
Cash flows from noncapital financing activities:				
Operating transfers out	(1,269,150)	(7,000)	—	—
Grant proceeds	65,985	—	—	—
Increase in receivables from dissolution of pension plan	—	—	—	(2,069,178)
Net cash used in noncapital financing activities	(1,203,165)	(7,000)	—	(2,069,178)

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units, Continued

For the Year Ended December 31, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Combined Component Units Housing Authority & Hospital
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (24,177,683)	(27,486)	—	(5,355,132)
Proceeds from sales of capital assets	12,724	3,907	—	3,864
Proceeds from notes	22,898,240	—	—	—
Principal payments on debt	(4,352,914)	—	—	(1,632,772)
Interest payments on debt	(1,872,389)	—	—	(1,876,650)
Net cash used in capital and related financing activities	<u>(7,492,022)</u>	<u>(23,579)</u>	<u>—</u>	<u>(8,860,690)</u>
Cash flows from investment activities:				
Receipt of interest and dividends	990,381	71,410	21,741	743,685
Net change in investments	—	—	—	(3,590,115)
Purchases of investments	(105,453,364)	(7,226,638)	(2,828,377)	—
Sales of investments	<u>99,698,633</u>	<u>7,518,628</u>	<u>2,837,569</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>(4,764,350)</u>	<u>363,400</u>	<u>30,933</u>	<u>(2,846,430)</u>
Net increase (decrease) in cash	(1,378,242)	(64,491)	40,933	877,896
Cash and cash equivalents, beginning of year	<u>2,137,609</u>	<u>106,109</u>	<u>32,982</u>	<u>5,932,412</u>
Cash and cash equivalents, end of year	<u>\$ 759,367</u>	<u>41,618</u>	<u>73,915</u>	<u>6,810,308</u>
Components of cash and cash equivalents at end of year:				
Cash	\$ 675,584	41,618	359,376	7,373,052
Restricted cash	83,783	—	—	—
Less Lawrence Public Library Cash	—	—	—	(562,744)
Less Agency and Expendable Trust Cash	—	—	(285,461)	—
	<u>\$ 759,367</u>	<u>41,618</u>	<u>73,915</u>	<u>6,810,308</u>

See accompanying notes to general purpose financial statements

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(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 general purpose 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 general purpose financial statements to emphasize they are legally separate. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund or account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the general purpose financial statements. The following fund types and account groups are utilized by the City:

GOVERNMENTAL FUND TYPES

Governmental Funds are those in which the measurement focus is upon determination of financial position, rather than upon net income. The following are the Governmental Fund Types:

- *General Fund* is the principal operating fund of the City and accounts for all financial transactions not accounted for in other funds. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.
- *Special Revenue Funds* are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities.
- *Debt Service Fund* is used to account for the accumulation of resources and payment of principal, interest and other related costs of the City's general obligation debt other than bonds payable from an Enterprise Fund.
- *Capital Projects Fund* is used to account for financial resources designated for the acquisition or construction of general fixed assets which by their nature take more than one budgetary cycle to complete.

PROPRIETARY FUND TYPES

Proprietary Funds are those which the measurement focus is based upon determination of net income. The City's Proprietary Fund Types are:

- *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

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

be financed or recovered primarily through user charges, or where the periodic determination of net income is deemed appropriate. In reporting its financial activity, the City applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

- *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 City on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a Nonexpendable Trust Fund or an Expendable Trust Fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. Agency Funds generally are used to account for assets that the City holds on behalf of others as their agent. The measurement focus is based upon changes in current financial resources for Expendable Trust Funds and flow of economic resources for Nonexpendable Trust Funds.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used by all Governmental, Expendable Trust, Agency Funds and the Lawrence Public Library Component Unit. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period.

Significant revenues susceptible to accrual are property taxes, utility franchise taxes, special assessments, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

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The accrual basis of accounting is utilized by Proprietary Fund Types, Nonexpendable Trust Funds, and two component units: Lawrence Housing Authority and Lawrence Memorial Hospital. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

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 or Trust Funds 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
Summer Youth Fund
Outside Agency Fund
Wee Folks Scholarship Fund
Fair Housing Assistance Fund
Community Development Fund
Rehabilitation Escrow Fund
Home Program Fund
Transportation Planning Fund
Law Enforcement Trust Fund

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

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

City of Lawrence, Kansas

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

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

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

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

E. Property, Plant and Equipment

Property, plant and equipment owned by the Proprietary Funds are stated at actual or estimated historical cost. Contributed assets are recorded at fair value at the time received. 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

Maintenance and repairs are charged to expenses. Major expenditures for renewals and betterments are capitalized and depreciated over their estimated useful lives.

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

F. General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Fund Types and capitalized at

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

actual or estimated historical cost in the General Fixed Assets Account Group. In the case of gifts or contributions, such assets are recorded in General Fixed Assets Account Group at fair value at the time received.

Public domain (infrastructure) fixed assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated and interest is not capitalized.

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

H. 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. The costs of vacation and sick leave are accrued and recorded when earned. Only the current portion of accrued vacation and sick leave is recorded in the Governmental Fund Types and the remainder of the liability is reported in the General Long-term Debt Account Group. Accrued vacation and sick leave related to Proprietary Funds is recorded entirely within those funds.

I. 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 2002.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

K. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposit accounts and investments with an original maturity of three months or less. Investments are stated at cost, which approximates fair value.

L. 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.

M. Deferred Revenue

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

N. Memorandum Only – Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

O. Comparative Data / Reclassifications

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

(2) Reporting Entity

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

This consideration relied on the underlying concept that elected officials are accountable for the actions of those they appoint to govern other organizations and that the City's financial statements should report this accountability. Although elected officials are accountable for the actions of all appointees, governmental accounting standards establish financial accountability as the threshold for including an organization in the financial statements of the reporting entity. Generally, financial accountability results from one of the following criteria:

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

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

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

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

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

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

Lawrence Housing Authority
1600 Haskell Avenue
Lawrence, Kansas 66044

Lawrence Memorial Hospital
325 Maine
Lawrence, Kansas 66044

Lawrence Public Library
707 Vermont
Lawrence, Kansas 66044

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Below is the condensed combining information for all component units:

Combining balance sheet - all component units

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Assets:				
Current assets	\$ 2,939,874	35,231,539	609,351	38,780,764
Restricted assets	-	12,458,789	-	12,458,789
Property, plant and equipment, net	10,145,031	46,681,879	1,271,564	58,098,474
Noncurrent assets	91,882	913,895	-	1,005,777
Amount to be provided for the retirement of general long-term debt	-	-	60,540	60,540
	<u>\$ 13,176,787</u>	<u>95,286,102</u>	<u>1,941,455</u>	<u>110,404,344</u>
Liabilities and equity:				
Current liabilities	\$ 216,620	7,498,473	111,206	7,826,299
Liabilities payable from restricted assets	83,772	1,885,446	-	1,969,218
Long-term liabilities	40,048	33,038,168	-	33,078,216
Fund equity	12,836,347	52,864,015	1,830,249	67,530,611
	<u>\$ 13,176,787</u>	<u>95,286,102</u>	<u>1,941,455</u>	<u>110,404,344</u>

Combining Statement of Revenues, Expenses and Changes in Equity - Proprietary Fund Type Component Units

	Lawrence Housing Authority	Lawrence Memorial Hospital	Total Component Units
Operating revenues	\$ 5,512,468	90,367,908	95,880,376
Operating expenses	<u>5,519,109</u>	<u>85,538,563</u>	<u>91,057,672</u>
Operating income	(6,641)	4,829,345	4,822,704
Other income (expense)	<u>27,978</u>	<u>1,250,481</u>	<u>1,278,459</u>
Net income (loss)	<u>\$ 21,337</u>	<u>6,079,826</u>	<u>6,101,163</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(3) 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.

(4) Deposits and Investments

Deposits – At December 31, 2002 cash on hand, deposits, including accrued interest, and bank balances covered by FDIC insurance or collateral, is as follows:

	<u>Primary Government</u>
Cash and deposits, including certificates of deposit:	
Carrying amount	\$ <u>29,523,026</u>
Bank balance	\$ <u>31,465,677</u>
FDIC insurance	\$ <u>239,197</u>
Collateral pledged and held at the Federal Reserve in the City's name or at a third-party bank under joint custody	
Agreements	28,095,894
Letters of credit issued by the Federal Home Loan Bank in the City's name	11,000,000
Uncollateralized	<u>—</u>
	<u>\$ 39,335,091</u>

Investments – Kansas Statutes authorize the City to invest the U. S. treasury bills and notes, repurchase agreements and the State Treasurer's investment pool. All investments must be insured, registered or held by the City or its agent in the City's name. The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the municipality. The investments of the State Treasurer's investment pool are held in the name of the state in the state's account at the Federal Reserve. These investments are reported to the City at fair value on a monthly basis. State statutes established the Pooled Money Investment Board to oversee the activities of the pool.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Type	Risk Category			Carrying Amount	Fair Value
	1	2	3		
U. S. government securities	\$	—	—	<u>55,249,895</u>	<u>55,249,895</u>
State Treasurer's investment pool				<u>6,400,000</u>	<u>6,400,000</u>
Total				<u>\$ 61,649,895</u>	<u>61,649,895</u>

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

	Primary Government
Petty cash	\$ 4,250
Total deposits, including accrued interest	4,832,900
Total investments, including accrued interest	<u>87,271,543</u>
Total	<u>\$ 92,108,693</u>

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

	Primary Government
Cash	\$ 4,705,134
Investments	81,090,517
Accrued interest	381,648
Restricted:	
Cash	132,016
Investments	<u>5,799,378</u>
	<u>\$ 92,108,693</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(5) Tax Revenue

Tax revenue for the year ended December 31, 2002 is as follows:

	Primary Government			
	General Fund	Special Revenue Funds	Debt Service Funds	Total
Property taxes	\$ 6,662,160	3,506,874	4,112,405	14,281,439
Motor vehicle tax	732,643	413,568	451,185	1,597,396
Payment in lieu of tax	43,497	14,683	17,169	75,349
Utility franchise taxes	3,632,803	-	-	3,632,803
Sales taxes	<u>10,957,561</u>	<u>-</u>	<u>-</u>	<u>10,957,561</u>
 Tax revenue	 <u>\$ 22,028,664</u>	 <u>3,935,125</u>	 <u>4,580,759</u>	 <u>30,544,548</u>

The City's property tax is levied and a lien attached each November 1 on the assessed value as of the prior January 1 for all property located in the City. Assessed values are established by the County Appraiser. The assessed value for property located in the City as of January 1, 2001, on which the 2002 levy was based, was \$629,033,427.

Property taxes are due in total by December 31 following the levy date, or may be paid in equal installments if paid by December 20 (first installment) and the following June 20 (second installment). They are remitted by the County Treasurer to the City subsequent to collection.

Taxes receivable represent property taxes levied on November 1, 2002 for 2003 which have been recorded as deferred revenue, and sales taxes and utility franchise taxes which have been recorded as revenues.

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2002 were as follows:

Fund	Levy
Primary government:	
General	\$ 13.263
Library	2.973
Public Transportation	1.228
Recreation	.982
Debt Service	<u>7.127</u>
 Total primary government	 <u>\$ 25.573</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(6) Intergovernmental Revenue

Intergovernmental revenue during the year ended December 31, 2002 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Enterprise Funds	Total Primary Government
Federal:						
CDBG	\$ -	819,412	-	-	-	819,412
Home	-	673,777	-	-	-	673,777
HUD	-	64,735	-	-	-	64,735
FFA	-	-	-	1,101,994	-	1,101,994
FTA	-	1,531,486	-	-	-	1,531,486
	-	3,089,410	-	1,101,994	-	4,191,404
Pass-through:						
Commerce and Housing	-	56,095	-	-	-	56,095
DOT	-	143,071	-	-	-	143,071
	-	199,166	-	-	-	199,166
State:						
DOR	1,476,014	3,974,030	-	-	-	5,450,044
SRS	27,955	17,500	-	-	-	45,455
DOT	141,900	29,609	18,448	283,193	-	473,150
Health & Environment	-	-	-	-	65,985	65,985
	1,645,869	4,021,139	18,448	283,193	65,985	6,034,634
County:						
Sales Tax	6,961,063	-	-	-	-	6,961,063
Use Tax	180,508	-	-	-	-	180,508
	7,141,571	-	-	-	-	7,141,571
Total	\$ 8,787,440	7,309,715	18,448	1,385,187	65,985	17,566,775

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(7)Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2001:

Type of Issue	Beginning Balance	Discount Amortization/ Additions	Reductions	Ending Balance
General obligation bonds, to be paid with:				
Tax levies	\$ 55,962,449	11,240,000	4,566,061	62,636,388
Enterprise revenues	6,652,551	-	568,939	6,083,612
Revenue bonds	11,855,000	-	1,345,000	10,510,000
Long term notes payable	22,219,438	22,898,240	2,424,599	42,693,079
Temporary notes	14,850,000	22,270,000	14,850,000	22,270,000
Capital lease obligations	48,835	-	30,038	18,797
Estimated claims and judgements payable	835,619	198,695	-	1,034,314
Accrued vacation and sick pay	1,069,413	118,456	-	1,187,869
Total primary government	<u>\$ 113,493,305</u>	<u>56,725,391</u>	<u>23,784,637</u>	<u>146,434,059</u>

Debt payable, other than capital lease obligations, claims and judgments and compensated absences, at December 31, 2002 is composed of the following:

Debt Issue	Date Issued	Interest Rate	Original Amount	Balance At End of Year
Revenue bonds:				
Water and sewerage improvement	1994	4.7-6.7	\$ 4,200,000	\$ 525,000
Water and sewerage improvement	1996	4.9-6.9	6,390,000	4,685,000
Water and sewerage improvement	1997	4.5-6.5	6,900,000	<u>5,300,000</u>
				<u>10,510,000</u>
Long term notes payable -				
Kansas Partnership Fund	1998		290,127	91,499
Kansas Public Wastewater Loan	2000		38,356,483	35,947,547
Kansas Public Water Supply Loan	2001		6,027,697	6,027,697
Kansas Public Water Supply Loan	2002		626,337	<u>626,336</u>
				<u>42,693,079</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Debt Issue	Date Issued	Interest Rate	Original Amount	Balance At End of Year
General obligation bonds:				
Internal improvement	1994	4.6-6.6	\$ 1,990,000	\$ 225,000
Street & internal improvement	1995	4.6-6.25	3,065,000	720,000
Street & internal improvement	1995	4.0-6.25	2,445,000	845,000
Internal improvement	1995	4.4-6.2	295,000	85,000
Internal improvement	1996	4.5-6.5	9,240,000	4,940,000
Internal improvement	1996	4.6-6.5	540,000	245,000
Internal improvement	1996	4.8-6.8	16,465,000	11,670,000
Internal improvement	1996	4.8-6.8	390,000	180,000
Internal improvement	1997	4.45-6.45	2,930,000	1,260,000
Internal improvement	1997	4.2-4.7	2,900,000	1,615,000
Internal improvement	1998	3.6-4.4	5,325,000	2,850,000
Internal improvement	1999	3.15-4.2	4,405,000	2,780,000
Internal improvement	1999	4.5-6.0	2,110,000	1,705,000
Internal improvement	1999	7.25-8	2,505,000	2,245,000
Internal improvement	2000	4.875-6.25	2,450,000	2,120,000
Internal improvement	2000	4.25-5.95	2,455,000	2,050,000
Internal improvement	2000	4.5-5.75	560,000	450,000
Internal improvement	2000	4.5-6.5	4,280,000	4,150,000
Refunding	2000	4.625-5	4,990,000	4,990,000
Internal improvement	2000	4.7-5.75	8,645,000	8,645,000
Internal improvement	2001	4.375-6.125	2,840,000	2,385,000
Internal improvement	2001	4.375-6.125	2,840,000	1,325,000
Internal improvement	2002	3.5-4.25	8,205,000	8,205,000
Refunding	2002	3.9-4.95	2,115,000	2,115,000
Internal improvement	2002	2.8-3.7	920,000	<u>920,000</u>
				<u>68,720,000</u>
Temporary notes:				
Internal improvement	2002	2.45	10,185,000	10,185,000
Internal improvement	2002	2.25	11,290,000	11,290,000
Internal improvement	2002	1.30	795,000	<u>795,000</u>
				<u>22,270,000</u>
Total primary government				<u>\$ 144,193,079</u>

In 2002, the City issued \$11,240,000 of general obligation bonds for paying the costs of certain street, building, sanitary sewer, stormwater, traffic signal, and other improvements and doing a cross-over refunding of the Series 1999-C. The General Obligation Bonds, Series 2002-A, are due in annual installments of \$600,000 to \$940,000 with interest due in semiannual installments at rates of 3.50% to 4.25% through September 1, 2013. Series 2002-B is due in annual installments of \$125,000 to \$150,000 with interest due in semiannual installments at rates of 3.9% to 4.95% through September 1, 2019. The Series 2002-B was issued to refund the Series 1999-C bonds on the call date of September 1, 2004. The refunding was undertaken to reduce total debt service over the next 17 years by \$550,210 and resulted in

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

an economic gain of \$379,951. Series 2002-C is due in annual installments of \$60,000 to \$100,000 with interest in semiannual installments at rates of 2.80% to 3.70% through September 1, 2014.

In 2002, the City issued \$10,185,000 of temporary notes for the purpose of temporarily financing the costs of a major benefit district project at 6th & Wakarusa Street, various building improvements, intersection improvements, and a sanitary sewer project in Westwood Hills. The Temporary Notes, Series 2002-I, bear interest of 2.25% and mature June 1, 2003.

In 2002, the City issued \$11,290,000 of temporary notes for the purpose of temporarily financing the costs of certain street, traffic signal and stormwater improvements. The Temporary Notes, Series 2002-II, bear interest of 2.25% and mature October 1, 2003.

In 2002, the City issued \$795,000 of temporary notes for the purpose of temporarily financing the costs of airport improvements. The Temporary Notes, Series 2002-III, bear interest of 1.30% and mature October 1, 2003.

The City intends to redeem all temporary notes in 2003 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
2003	\$	6,058,633	3,056,445	9,115,078
2004		5,706,306	2,743,609	8,449,915
2005		6,575,211	2,776,083	9,351,294
2006		6,014,159	2,169,470	8,183,629
2007		5,263,588	1,908,173	7,171,761
Thereafter		<u>33,018,491</u>	<u>8,979,007</u>	<u>41,997,498</u>
Total	\$	<u>62,636,388</u>	<u>21,632,787</u>	<u>84,269,175</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

General obligation bonds to be paid with enterprise revenues:

Year	Principal Due	Interest Due	Total Due
2003	\$ 601,367	294,396	895,763
2004	628,694	267,910	896,604
2005	654,789	239,889	894,678
2006	685,841	210,451	896,292
2007	721,412	179,570	900,982
Thereafter	<u>2,791,509</u>	<u>678,263</u>	<u>3,469,772</u>
Total	\$ 6,083,612	1,870,479	7,954,091

Total general obligation bonds:

Year	Principal Due	Interest Due	Total Due
2003	\$ 6,660,000	3,350,841	10,010,841
2004	6,335,000	3,011,519	9,346,519
2005	7,230,000	3,015,972	10,245,972
2006	6,700,000	2,379,921	9,079,921
2007	5,985,000	2,087,743	8,072,743
Thereafter	<u>35,810,000</u>	<u>9,657,270</u>	<u>45,467,270</u>
Total	\$ 68,720,000	23,503,266	92,223,266

Revenue bonds:

Year	Principal Due	Interest Due	Total Due
2003	\$ 1,035,000	545,970	1,580,970
2004	540,000	494,720	1,034,720
2005	570,000	468,958	1,038,958
2006	600,000	441,338	1,041,338
2007	635,000	411,663	1,046,663
Thereafter	<u>7,130,000</u>	<u>1,953,203</u>	<u>9,083,203</u>
Total	\$ 10,510,000	4,315,852	14,825,852

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Long-term notes payable:

Year	Principal Due	Interest Due	Total Due
2003	\$ 16,215	3,062	19,277
2004	16,787	2,489	19,276
2005	17,380	1,897	19,277
2006	17,993	1,283	19,276
2007	18,629	648	19,277
Thereafter	<u>4,495</u>	<u>79</u>	<u>4,574</u>
Total	\$ 91,499	9,458	100,957

The 2000 Kansas Wastewater Loan in the amount of \$38,356,483 is a partial draw on a loan commitment of \$46,093,953. The 2001 Kansas Water Supply Loan in the amount of \$6,027,697 is a partial draw on a loan commitment of \$7,000,000. The 2002 Kansas Water Supply Loan in the amount of \$626,337 is a partial draw on a loan commitment of \$5,620,015. Amortization of these loans will be determined when the draws are complete.

Temporary notes:

Year	Principal Due	Interest Due	Total Due
2003	\$ 22,270,000	384,820	22,654,820

The Water and Sewage System Revenue Refunding Bonds Series 1992 require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due be set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 140% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Reserved Retained Earnings and Restricted Asset Accounts:

Account	Restricted Assets		Reserved Retained Earnings/ Fund Balance
	Proprietary Funds	Fiduciary Funds	
Revenue bond requirements	\$ 5,139,241	-	5,139,241
Donor restriction	-	-	523,000
Customer deposit and court bonds	743,920	48,233	-
Improvements	-	-	(6,799,596)
Encumbrances	-	-	1,174,559
Loans	-	-	244,589
 Total primary government	 \$ 5,883,161	 48,233	 281,793

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, 2002, total outstanding conduit debt was \$54,305,000.

Lawrence Memorial Hospital Component Unit Debt:

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

Changes in long term debt transactions:

Type of Issue	Beginning Balance	Discount Amortization/ Additions			Ending Balance
		Reductions	Reductions	Reductions	
Revenue bonds	\$ 30,792,986	24,624	890,000	29,927,610	
Capital lease obligations	1,899,527	1,734,471	742,772	2,891,226	
Total Lawrence Memorial Hospital	\$ 32,692,513	1,759,096	1,632,772	32,818,836	

The City has issued Series 1994, Series 1997 and Series 1999 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

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

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 therefor or to make any appropriation for their payment.

Debt Issue	Interest Rate	Original Amount	Balance at End of Year
Revenue bonds:			
Series 1994	5.35-6.20%	\$ 16,060,000	13,345,000
Series 1997	5.00-5.35	8,000,000	7,020,000
Series 1999	5.00-6.00	10,180,000	9,750,000
Unamortized discounts			(187,390)
			\$ 29,927,610

Annual debt service requirements for hospital revenue bonds as of December 31, 2002 are as follows:

Year	Principal Due	Interest Due	Total Due
2003	\$ 965,000	1,741,549	2,706,549
2004	975,000	1,689,111	2,664,111
2005	1,045,000	1,622,410	2,667,410
2006	1,110,000	1,555,336	2,665,336
2007	1,155,000	1,497,795	2,652,795
Thereafter	24,865,000	12,124,918	36,989,918
Total	\$ 30,115,000	20,231,119	50,346,119

(8) Lease Obligations

A summary of capitalized lease commitments at December 31, 2002 follows:

Year ending December 31:	
2003	\$ 20,354
Total minimum lease payments	20,354
Less amount representing interest	1,557
Present value of future minimum lease payments	\$ 18,797

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(9) Property, Plant and Equipment

(a) Proprietary Funds

A summary of property, plant and equipment at December 31, 2002 follows:

Account	Enterprise Funds						Internal Service Fund
	Water and Sewer Fund	Sanitation	Public Parking System	Storm- water Utility	Golf Course	Total	
Land	\$ 492,773	-	479,055	1,137,681	-	2,109,509	-
Buildings and Improvements	96,125,168	1,226,979	3,982,814	4,133,906	3,616,125	109,084,992	398,961
Machinery and equipment	6,675,664	6,066,692	442,981	404,929	266,223	13,856,489	440,505
	<u>103,293,605</u>	<u>7,293,671</u>	<u>4,904,850</u>	<u>5,676,516</u>	<u>3,882,348</u>	<u>125,050,990</u>	<u>839,466</u>
Less accumulated depreciation	(33,994,407)	(4,050,644)	(1,880,840)	(591,816)	(967,204)	(41,484,911)	(707,883)
	<u>69,299,198</u>	<u>3,243,027</u>	<u>3,024,010</u>	<u>5,084,700</u>	<u>2,915,144</u>	<u>83,566,079</u>	<u>131,583</u>
Construction in progress	<u>58,073,885</u>	-	-	740,869	-	<u>58,814,754</u>	-
Net property, plant and equipment	\$ <u>127,373,083</u>	<u>3,243,027</u>	<u>3,024,010</u>	<u>5,825,569</u>	<u>2,915,144</u>	<u>142,380,833</u>	<u>131,583</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(b) General Fixed Assets Account Group

A summary of changes in general fixed assets for the year ended December 31, 2002 follows:

	Building	Machinery	Construction	Total
	Land	and Improvements	and Equipment	
Beginning of year	\$ 6,204,573	47,348,319	22,902,742	16,453,837 92,909,471
Additions:				
Expenditures from:				
General Fund	-	40,498	824,756	865,254
Special Revenue Funds	338,991	85,702	1,345,364	1,813,664
Capital Projects Fund	-	17,362,013	218,649	3,531,905 21,112,567
Total additions	338,991	17,488,213	2,388,769	3,575,512 23,791,485
Deletions:				
General Fund	-	-	213,127	213,127
Special Revenue Funds	-	-	137,670	170,705 308,375
Capital Projects Fund	-	-	-	17,017,358 17,017,358
Total deletions	-	-	350,797	17,188,063 17,538,860
End of year	\$ 6,543,564	64,836,532	24,940,714	2,841,286 99,162,096

(10) Defined Benefit Pension Plan

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

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2002 was 3.52% from January 1 to June 30 and 2.92% from July 1 to December 31. The City's employer contributions to KPERS for the years ending December 31, 2002, 2001, and 2000 were \$491,007, \$432,913, and \$386,832, respectively, equal to the required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2002 is 6.79%. Employers participating in KP&F also make contributions to amortize the liability

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

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, 2002, 2001, and 2000 were \$1,028,854, \$964,330, and \$952,855, respectively, equal to the required contributions for each year.

(11) Interfund Transactions

Interfund Operating Transfers

A summary of operating transfers for the year ended December 31, 2002 follows:

Receiving Fund	Transfers In	Transfers Out
General	\$ 1,156,150	4,150,000
Special Revenue Funds:		
Guest Tax	-	27,950
Library Fund	-	200,000
Recreation	922,573	-
Airport Reserve	15,000	-
Capital Improvement Reserve	350,000	-
Equipment Reserve	100,000	-
Guest Tax Reserve	27,950	-
Sales Tax Reserve	2,902,427	400,000
Workers Comp Reserve	170,000	-
	4,487,950	627,950
Capital Projects Fund	400,000	-
Enterprise Funds:		
Water and Sewer System	-	1,080,650
Sanitation	-	128,500
Storm Water Utility	-	60,000
	-	1,269,150
Internal Service – Central Maintenance	-	7,000
Nonexpendable Trust – Housing Trust Fund	10,000	-
	\$ 6,054,100	6,054,100

Additionally, the Library (Special Revenue) Fund transferred \$1,693,319 to the Lawrence Public Library Component Unit.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Interfund Receivables and Payables

At December 31, 2002, the following funds had interfund receivables and payables to the following funds:

Due From		General Fund
Special Revenue Funds:		
Special Gas Tax	\$	58,000
Library		78,000
Sales Tax Reserve		257,000
Outside Agency Fund		23,000
Community Development		79,000
Home Program		47,000
Transportation Planning		57,000
		<u>599,000</u>
Internal Service Fund – Health Insurance		<u>47,000</u>
Totals	\$	<u>646,000</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(12) Segments of Enterprise Activities

Water, sewer and sanitation services and the operations of the public parking system and golf course are financed by user charges and are accounted for as Enterprise Funds. Additional financial data for the year ended December 31, 2002 for these five funds is as follows:

	Water and Sewer System	Sanitation	Public Parking System	Storm- water Utility	Golf Course	Total
Assets:						
Current assets	\$ 30,228,935	3,973,530	413,699	1,315,845	166,895	36,098,904
Restricted assets	5,880,714	2,447	-	-	-	5,883,161
Property, plant and equipment, net	<u>127,373,083</u>	<u>3,243,027</u>	<u>3,024,010</u>	<u>5,825,569</u>	<u>2,915,144</u>	<u>142,380,833</u>
	<u>\$ 163,482,732</u>	<u>7,219,004</u>	<u>3,437,709</u>	<u>7,141,414</u>	<u>3,082,039</u>	<u>184,362,898</u>
Liabilities and equity:						
Current liabilities	\$ 3,735,379	540,583	63,692	89,617	85,351	4,514,622
Liabilities payable from restricted assets	1,776,473	2,447	-	446,367	155,000	2,380,287
Long-term liabilities	52,076,580	-	-	2,587,245	2,895,000	57,577,622
Fund equity	<u>105,894,300</u>	<u>6,675,974</u>	<u>3,374,017</u>	<u>4,018,185</u>	<u>(72,109)</u>	<u>119,890,367</u>
	<u>\$ 163,482,732</u>	<u>7,219,004</u>	<u>3,437,709</u>	<u>7,141,414</u>	<u>3,082,039</u>	<u>184,362,898</u>
Operating revenues	\$ 22,210,827	7,417,991	747,521	1,876,794	969,387	33,222,520
Operating expenses	13,372,496	6,967,615	931,534	769,739	932,590	22,973,974
Operating income	<u>8,838,331</u>	<u>450,376</u>	<u>(184,013)</u>	<u>1,107,055</u>	<u>36,797</u>	<u>10,248,546</u>
Operating grants		65,985	-	-	-	65,985
Other income (expense)	(920,515)	170,227	22,917	(79,563)	(161,678)	(968,612)
Total other income (expense)	<u>(920,515)</u>	<u>236,212</u>	<u>22,917</u>	<u>(79,563)</u>	<u>(161,678)</u>	<u>(902,627)</u>
Income before operating transfers	7,917,816	686,588	(161,096)	1,027,492	(124,881)	9,345,919
Net operating transfers	(1,080,650)	(128,500)	-	(60,000)	-	(1,269,150)
Net income (loss)	<u>\$ 6,837,166</u>	<u>558,088</u>	<u>(161,096)</u>	<u>967,492</u>	<u>(124,881)</u>	<u>8,076,769</u>
Changes in contributed capital - depreciation add-back	\$ 111,349	-	115,879	-	-	227,228
Property, plant and equipment additions, net of retirements	\$ 22,159,385	652,042	56,050	866,355	(6,000)	23,727,832
Net working capital	<u>\$ 26,493,556</u>	<u>3,432,947</u>	<u>350,007</u>	<u>1,226,228</u>	<u>81,544</u>	<u>31,584,282</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(13) Commitments and Contingencies

A. Contract Commitments

At December 31, 2002, the City had construction contract commitments totaling approximately \$4,675,000. The City expects to receive the contracted services during fiscal year 2003.

At year-end, capital project authorizations compared with expenditures from inception are as follows:

Project	Description	Resolution Number	Authorized	Expenditures to Date
01A02S	2002 KLINK, 6th St, Monterey to Wakarusa	6373	\$ 300,000	\$ 170,544
01CP8S	W. 6th St., Wakarusa to SLT	6374	3,295,000	427,319
03P02B	Monterey Way, Stetson Dr	6363	2,100,000	81,341
04B01C	2001 Building Renovations	6294	600,000	568,855
04P00B	24th, Crossgate to Inverness	6137 6226	1,853,000	1,099,093
04P02C	31st & Iowa	6370	1,650,000	889,951
05P00B	Inverness, Clinton Parkway to 24th	6138 6298	800,210	730,919
06A01C	2001 Overlay	6283	600,000	564,426
06W00B	Inverness Park Drainage	6140	1,045,000	589,894
07ST9B	6th & Maine Medical Plaza	6059 6134	730,000	407,758
07T00B	Clinton Parkway & Crossgate	6141	440,000	61,449
09P00B	Crossgate, Clinton Parkway to 24th	6153 6301	660,500	339,431
10A02C	2002 Mill, overlay, phase I	6372	600,000	8,563
11A02C	2002 Overlay, Curb repair	6372	600,000	140,077
15S01B	Westwood Hills Sanitary Sewer	6349	1,300,000	973,647
16B02C	2002 Building Renovation	6376	400,000	391,753
19W01C	13th & Oregon Stormwater Improvements	6399	3,620,000	165,481
20T02C	2002 Traffic Signals	6368	200,000	55,942
21W01C	21st Kentucky to Barker	6399	2,360,000	3,000
22C02C	2002 Curb Repair	6372	600,000	142,539
22W01C	21st Stewart to Naismith	6399	1,600,000	1,018,689
23P02B	Overland, Congressional to Queens	6364	1,314,000	105,800
24P02B	Congressional, North of 6th	6365	670,640	54,997
26T01C	6th & Lawrence Traffic Signal	6314	200,600	13,570
27A02C	Overlay, Lawrence Ave & Alva	6372	600,000	317,384
27T01C	Clinton Parkway, Lawrence Ave	6314	200,600	121,028
30B00C	Harper Fire Station Construction	6132 6276	1,785,000	1,729,714
34S02B	Riverside Business Park Sanitary Sewer	6402	900,000	50,351
35E02B	31st & Nieder Rd	6427	600,000	14,377
44CP9B	27th St, Bluestem to Scottsdale	6088 6218	310,000	197,286

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

Project	Description	Resolution Number	Authorized	Expenditures to Date
45AP9B	Scottsdale, 26th to 27th St.	6090 6219	165,000	89,712
47Z01C	Airport Improvements	6335	350,000	239,767
50CP9B	George Williams Way	6085	950,000	771,553
53G01S	6th & Kasold Geometric Imps	6412	47,000	41,321
54GI9S	23rd & Barker Geometric Imps & Traffic Study	6129 6286	150,000	144,645
55P01B	Wakarusa North of 6th Street	6350 6360	2,150,000	1,381,503
56P01C	19th & Barker Roundabout	6338	550,000	33,823
58CP9B	Parkside Addition #2	6156	145,000	145,104
60SS8B	Western Hills Sanitary Sewer Improvements	6028	1,400,000	1,380,384
61CP8S	Riverridge, Iowa to Michigan	6053	450,000	441,271
62G00B	22nd & Kasold Geometric Improvements	6213	300,000	216,874
62P01B	George Williams Way – South 15th	6345	200,000	170,504
64CP9S	N. Michigan, Riverridge to W. 2nd	6182	958,000	764,371
64T00B	Clinton Parkway/Hawthorne	6287 6303	400,000	298,208
65GI9S	27th & Iowa Geometric Imps & Traffic Study	6130 6286	187,300	148,013
65P00B	Clinton Place Streets	6305	55,000	56,282
74D00C	Louisiana, 18th to Bap	6275	350,000	223,277
81CP9B	27th & Wakarusa Improvements	6121	150,000	142,021
85S00B	Westwood Sewers	6278	150,000	107,468
86SS9B	Langston Hughes Sanitary Sewer	6146	60,000	50,666
87P00B	Inverness, 24th to 27th	6273	850,000	680,365
88P00B	Crossgate, 24th to 27th	6282 6271	985,000	632,470
89W00B	27th & Crossgate Culvert	6285	1,300,000	981,545
98ARTC	Art Center Expansion	6241	7,350,000	5,360,991
TIF9NH	900 New Hampshire TIF District	6242	8,650,000	89,712

Expenditures may exceed authorized amounts by up to 10%.

In addition to the above capital projects, the City has an ongoing Wastewater Treatment Plant expansion project and water supply projects in the Water and Sewer fund for a total cost of approximately \$58,700,000, of which \$13,690,000 remains available at December 31, 2002.

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.

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

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 \$2,135,473 at December 31, 2002 and is reported as a designation of the Special Revenue fund balance. The City's claims liability reported in the General, Special Revenue, Enterprise and Internal Service Funds and in the general long-term debt account group at December 31, 2002 was \$1,034,314. The liability reported in the financial statements at December 31, 2002 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. Changes in the claims liability in 2001 and 2002 were:

	Claims and Changes in 2000			Claims and Changes in 2001			December 31, 2002 Balance
	December 31, 2000 Balance	Estimates	Payments	December 31, 2001 Balance	Estimates	Payments	
General Fund	\$ 23,966	388,607	354,470	58,103	424,160	454,227	28,036
Special Revenue Funds	-	341,258	341,258	-	181,185	181,185	-
Enterprise Funds	-	58,298	54,342	3,956	46,302	35,852	14,406
Internal Service Fund	359,121	3,998,400	3,709,046	648,475	3,529,320	3,583,121	594,674
General Long-term Debt							
Account Group	101,300	23,785	-	125,085	272,113	-	397,198
	\$ 484,387	4,810,348	4,459,116	835,619	4,453,080	4,254,385	1,034,314

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

	<u>2002</u>	<u>2001</u>
Unpaid claims, January 1	\$ 648,475	359,121
Incurred claims (including IBNRs)	3,529,320	3,998,400
Claim payments	3,583,121	3,709,046
Unpaid claims, December 31	<u>\$ 594,674</u>	<u>648,475</u>

City of Lawrence, Kansas

Notes to General Purpose Financial Statements

December 31, 2002

(14) Fund Deficit

At December 31, 2002, the Capital Project Fund had a deficit of \$6,799,596. The deficit is a result of multiple projects currently financed through temporary notes. In addition, the Home Program and Transportation Planning Funds had deficits respectively of \$69 and \$20,095. The deficits are a result of program expenditures for which reimbursements have not yet been requested. Also, the Golf Course Fund had a deficit of \$240,029 due to an excess of expenditures not covered by revenues.

(15) Contributed Capital

During 2002, changes in contributed capital were as follows:

	Enterprise Funds	Internal Service Funds	Total
Balances, beginning of year	\$ 2,718,832	72,168	2,791,000
Deductions – depreciation	<u>227,229</u>	<u>12,490</u>	<u>239,719</u>
Balances, end of year	<u><u>\$ 2,491,603</u></u>	<u><u>59,678</u></u>	<u><u>2,551,281</u></u>

(16) New Governmental Accounting Standards

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

Statement No. 34 – “Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments” which establishes a new financial reporting model for state and local governments.

Statement No. 37 – “Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments: Omnibus” which changes the reporting of escheat property to coincide with Statement No. 34, clarifies provisions of Statement No. 34 which are not sufficiently clear, and modifies provisions of Statement No. 34 which have unintended consequences.

Statement No. 38 – “Certain Financial Statement Note Disclosures” which modifies, establishes, and rescinds certain financial statement disclosure requirements.

Statements 34, 37, 38 will become effective for the period beginning January 1, 2003. Management has not yet completed their assessment of these statements, however, they will have a material effect on the financial statement presentation for the City.

GENERAL FUND

The 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.

Schedule 1**CITY OF LAWRENCE, KANSAS****Balance Sheets – General Fund**

December 31, 2002
(With Comparative Amounts for 2001)

	Assets	2002	2001
Cash		\$ 1,904,398	1,517,953
Investments		8,826,465	11,517,170
Receivables:			
Taxes		9,001,393	7,764,336
Accounts		763,529	140,181
Franchise fees		323,453	255,256
Accrued interest		49,959	105,031
Due from other funds		<u>646,000</u>	<u>—</u>
 Total assets		<u>\$ 21,515,197</u>	<u>21,299,927</u>

Liabilities and Fund Balances

Liabilities:			
Accounts payable		\$ 979,413	1,015,881
Accrued payroll		893,818	827,426
Accrued vacation and sick leave		1,320,223	1,218,088
Estimated claims and judgments		28,036	58,103
Deferred revenue		<u>8,646,316</u>	<u>7,018,284</u>
 Total liabilities		<u>11,867,806</u>	<u>10,137,782</u>
 Fund balances:			
Reserved for encumbrances		727,909	787,810
Unreserved		<u>8,919,482</u>	<u>10,374,335</u>
 Total fund balance		<u>9,647,391</u>	<u>11,162,145</u>
 Total liabilities and fund balance		<u>\$ 21,515,197</u>	<u>21,299,927</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – General FundYear Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 21,254,359	22,028,664	774,305	21,074,610
Licenses and permits	706,000	785,543	79,543	675,677
Charges for services	3,116,500	3,159,433	42,933	2,942,328
Fines, forfeitures and penalties	1,350,000	1,776,155	426,155	1,437,216
Interest	900,000	637,996	(262,004)	884,648
Intergovernmental	8,954,777	8,787,440	(167,337)	9,154,446
Miscellaneous	63,000	276,348	213,348	392,376
Total revenues	36,344,636	37,451,579	1,106,943	36,561,301
Expenditures:				
General government	8,829,902	8,172,471	657,431	7,488,707
Public safety	19,514,372	19,148,146	366,226	17,337,635
Public works	4,627,855	3,936,747	691,108	3,094,326
Health	844,979	753,374	91,605	650,302
Social services	299,464	297,100	2,364	283,272
Culture and recreation	2,615,998	2,634,081	(18,083)	2,457,563
Airport	104,557	91,973	12,584	80,625
Capital outlay	925,210	859,414	65,796	876,578
Debt service:				
Principal retirement	20,000	19,276	724	19,276
Total expenditures	37,782,337	35,912,582	1,869,755	32,288,284
Excess of revenues over expenditures	(1,437,701)	1,538,997	2,976,698	4,273,017
Other financing sources (uses):				
Operating transfers in	1,149,150	1,156,150	7,000	830,450
Operating transfers out	(4,150,000)	(4,150,000)	—	(4,307,000)
Total other financing sources (uses)	(3,000,850)	(2,993,850)	7,000	(3,476,550)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (4,438,551)	(1,454,853)	2,983,698	796,467
Fund balance, beginning of year		11,162,145		11,036,798
Net change in reserve for encumbrances		(59,901)		(671,120)
Fund balance, end of year	\$ 9,647,391			11,162,145

See independent auditor's report on the general purpose financial statements.

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

SPECIAL REVENUE FUNDS

Fund Descriptions

BUDGETED FUNDS

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

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

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

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

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

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

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

NONBUDGETED FUNDS

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

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

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

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

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

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

SPECIAL REVENUE FUNDS

Fund Descriptions, Continued

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

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

Summer Youth Fund - This fund is used to account for a donation received from Hallmark Foundation to provide employment opportunities to youth in the community through the Parks and Recreation Department (K.S.A. 79-2925).

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet – All Special Revenue Funds

December 31, 2002

Schedule 3

Assets	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve
Cash	\$ 635	521	40,730	152,170	42,881	24,909	31,667	6,348	98,760	13,715	29,156	34,471	747
Investments	110,000	300,000	2,079,876	369,976	174,992	849,825	414,932	10,000	3,389,945	1,799,870	30,000	1,234,889	3,119,712
Receivables:													
Taxes	—	1,693,307	703,821	559,757	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	34	3,033	—	—	—	—	—	—	—	—
Accounts	—	—	—	—	—	—	—	—	385	1,550	123,414	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	15,530	6,613	132	4,959	10,614
Total assets	\$ 110,685	1,994,328	2,824,461	1,084,936	217,873	874,734	446,599	16,733	3,505,785	1,943,612	59,288	1,274,319	3,131,073
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ —	—	—	764	30,195	—	—	1,350	15,955	—	—	—	—
Accrued payroll	—	—	—	1,841	62,215	—	—	42,046	—	—	—	—	2,453
Accrued vacation/sick pay	—	—	—	3,861	64,266	—	—	66,104	—	—	—	—	—
Due to other funds	58,000	78,000	—	—	—	—	—	—	—	—	—	—	—
Deferred revenue	—	1,873,669	773,585	622,199	—	—	—	—	—	385	1,550	1,750	257,000
Total Liabilities	\$ 58,000	1,951,669	780,051	778,875	—	109,500	15,955	385	1,550	1,750	—	—	259,453
Fund balances:													
Reserved for encumbrances	—	—	—	137,930	31,839	—	180,270	88,123	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:													
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—
Undesignated	52,685	42,659	1,906,480	274,222	217,873	584,964	342,521	16,348	3,504,235	1,941,862	59,288	1,274,319	2,871,620
Total fund balances	52,685	42,659	2,044,410	306,061	217,873	765,234	430,644	16,348	3,504,235	1,941,862	59,288	1,274,319	2,871,620
Total Liabilities and fund balances	\$ 110,685	1,994,328	2,824,461	1,084,936	217,873	874,734	446,599	16,733	3,505,785	1,943,612	59,288	1,274,319	3,131,073

(Continued)

Schedule 3 (Cont'd)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet – All Special Revenue Funds, Continued

December 31, 2002

	Assets	Law Enforcement Grant	Workers' Compensation Reserve	Summer Youth	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Totals
Cash Investments	\$ 30,559	39,177	819,957	—	262	4,483	5,629	477	9,525	135	337	86,729	654,073
Receivables: Taxes	—	—	—	—	24,990	54,993	—	—	—	—	—	—	14,783,957
Intergovernmental Accounts	—	—	—	180,203	—	—	—	1,119,280	—	—	46,796	41,098	2,997,385
Loans	—	—	—	—	—	—	—	5,033	—	—	—	—	1,387,377
Accrued interest	—	—	1,478	—	—	—	—	244,589	—	—	—	—	133,449
Total assets	\$ 30,559	3860,612	—	180,465	29,482	60,959	1,369,379	9,525	46,931	41,435	86,729	—	39,672
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ —	55	—	9,252	—	1,415	728	8,928	—	—	—	—	71,095
Accrued payroll	—	—	18,803	—	826	11,184	—	—	—	—	—	—	139,301
Accrued vacation/sick pay	—	—	33,886	—	—	14,825	—	—	—	—	—	—	185,086
Due to other funds	—	—	23,000	—	—	79,000	—	—	—	47,000	—	—	599,000
Deferred revenue	—	—	—	—	—	—	1,124,312	—	—	—	—	—	4,397,450
Total liabilities	\$ —	55	—	84,941	—	2,241	1,230,049	8,928	47,000	61,530	—	—	5,391,932
Fund balances:													
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	438,162
Reserved for loans	—	—	—	—	—	—	—	244,589	—	—	—	—	244,589
Unreserved:													
Designated for losses	30,559	860,557	—	95,524	29,482	58,718	(105,259)	—	597	(62)	(20,095)	86,729	2,135,473
Undesignated	—	—	—	—	—	—	—	—	—	—	—	—	11,990,346
Total fund balances	\$ 30,559	860,557	—	95,524	29,482	58,718	139,330	—	597	(69)	(20,095)	86,729	14,808,570
Total liabilities and fund balances	\$ 30,559	860,612	—	180,465	29,482	60,959	1,369,379	9,525	46,931	41,435	86,729	—	20,200,502

See independent auditor's report on the general purpose financial statements.

Schedule 4

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
All Special Revenue Funds

Year ended December 31, 2002

	<u>Guest Tax</u>	<u>Library</u>	<u>Transportation</u>	<u>Recreation</u>	<u>Special Alcohol</u>	<u>Special Gas Tax</u>	<u>Special Recreation</u>	<u>Airport Improvement</u>	<u>Capital Improvement Reserve</u>	<u>Equipment Reserve</u>	<u>Guest Tax Reserve</u>	<u>Liability Reserve</u>	<u>Sales Tax Reserve</u>
Revenues:													
Taxes	\$ 1,897,138		1,627,902	410,085	—	—	—	—	—	—	—	—	—
Charges for services	—	—	125,876	1,222,691	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	482,942	2,562,487	482,942	—	88,017	55,487	2,247	35,751	85,886
Intergovernmental	445,639	—	—	—	101,660	—	17,456	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	24,372	8,500	58,123	—	—	8
Total revenues	445,639	1,897,138	1,753,778	1,734,436	482,942	2,579,943	482,942	24,372	96,517	113,610	2,247	35,751	85,894
Expenditures:													
General government	—	—	1,147,872	—	—	—	—	—	—	—	—	44,274	—
Public safety	—	—	—	—	—	—	—	—	—	—	—	—	—
Public works	—	—	—	—	—	2,395,130	—	—	83,244	—	—	—	—
Health	—	—	—	—	451,990	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	2,545,503	—	—	256,795	—	—	—	—	—	—
Tourism	402,050	—	—	—	45,048	—	322,100	152,384	—	330,422	635,834	—	951,702
Capital outlay	—	—	—	—	—	—	—	—	—	—	61,572	—	—
Debt service:	—	—	—	—	—	—	—	—	—	—	—	—	—
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—
Total expenditures	402,050	—	1,147,872	2,590,551	451,990	2,717,230	409,179	—	83,244	330,422	635,834	61,572	44,274
Excess (deficiency) of revenues over (under) expenditures	43,609	1,897,138	605,906	(856,115)	30,952	(137,287)	73,763	(58,872)	(233,905)	(522,224)	(59,325)	(8,523)	(2,960,643)
Other financing sources (uses):													
Operating transfers in	(27,550)	—	—	—	922,573	—	—	—	15,000	350,000	100,000	27,950	—
Operating transfers out	—	(200,000)	—	—	—	—	—	—	—	—	—	—	2,902,427
Operating transfers to component units	—	(1,693,319)	—	—	—	—	—	—	—	—	—	—	(400,000)
Total other financing sources (uses)	(27,950)	(1,893,319)	—	922,573	—	—	—	—	15,000	350,000	100,000	27,950	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	15,659	3,819	605,906	66,458	30,952	(137,287)	73,763	(43,872)	116,095	(422,224)	(31,375)	(8,523)	(458,216)
Fund balance, beginning of year	37,026	38,840	1,438,504	239,803	186,921	90,521	356,881	60,220	3,388,140	2,364,086	90,663	1,282,842	3,329,836
Fund balance, end of year	\$ 52,685	42,659	2,044,410	306,061	217,873	765,234	430,644	16,348	3,504,235	1,941,862	59,288	1,274,319	2,871,620

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances —
All Special Revenue Funds, Continued

Year ended December 31, 2002

Schedule 4 (Cont'd)

	<u>Law Enforcement Grant</u>	<u>Workers' Compensation Reserve</u>	<u>Summer Youth Agency</u>	<u>Outside Agency</u>	<u>WEE Folks Scholarship</u>	<u>Fair Housing Assistance</u>	<u>Community Development</u>	<u>Rehabilitation Escrow</u>	<u>Home Program</u>	<u>Transportation Planning</u>	<u>Law Enforcement Trust</u>	<u>Total</u>
Revenues:												
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	3,935,125
Charges for services	285	23,864	—	—	1,078	3,479	—	—	—	—	—	1,348,567
Interest	—	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	1,649,504	64,735	819,412	—	673,777	128,257	1,615	297,709
Miscellaneous	—	—	—	—	—	—	176,653	—	85,714	—	—	7,309,715
Total revenues	285	23,864	—	—	1,649,504	1,078	68,214	996,055	759,491	128,257	64,920	536,506
Expenditures:												
General government	—	136,702	—	—	1,455,924	—	151,664	—	—	124,095	—	3,060,531
Public safety	—	—	—	—	110,057	—	—	—	—	—	—	110,057
Public works	—	—	—	—	—	—	—	—	—	—	—	2,478,374
Health	—	—	—	—	73,800	—	—	—	—	—	—	525,790
Social services	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	5,578	—	6,370	—	—	—	—	1,925,132
Tourism	—	—	—	—	—	—	—	—	—	—	—	2,814,246
Capital outlay	75,469	—	—	—	—	—	—	6,548	6,429	—	—	463,622
Debt service:	—	—	—	—	—	—	—	—	—	—	—	2,525,876
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	1,308,230
Total expenditures	75,469	136,702	5,578	1,639,781	6,370	158,212	1,169,729	—	761,832	124,095	—	786,605
Excess (deficiency) of revenues over (under) expenditures	(75,469)	(112,838)	(5,578)	9,723	(6,292)	(89,998)	(173,664)	(2,341)	—	4,162	65,635	(2,570,841)
Other financing sources (uses):												
Operating transfers in	—	170,000	—	—	—	—	—	—	—	—	—	—
Operating transfers (out)	—	—	—	—	—	—	—	—	—	—	—	4,487,950
Operating transfers to component units	—	—	—	—	—	—	—	—	—	—	—	(627,950)
Total other financing sources (uses)	—	170,000	—	—	—	—	—	—	—	—	—	(1,693,319)
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	(75,469)	57,162	(5,578)	9,723	(5,292)	(89,998)	(173,664)	(2,341)	—	4,162	65,635	(404,160)
Fund balance, beginning of year	105,583	803,305	5,578	85,801	34,774	148,716	312,994	597	2,272	(24,257)	21,094	15,212,730
Fund balance, end of year	\$ 30,559	860,557	—	95,524	29,482	58,718	139,330	597	162	(20,095)	86,729	14,808,570

See independent auditor's report on the general purpose financial statements.

Schedule 5**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual - Guest Tax Fund****Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
Revenues – intergovernmental	\$ 430,000	445,659	15,659	446,841
Expenditures:				
Tourism – contractual services	402,050	402,050	—	421,841
Excess (deficiency) of revenues over (under) expenditures	27,950	43,609	15,659	25,000
Other financing (uses) – operating transfers out	(27,950)	(27,950)	—	(25,000)
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ —	15,659	15,659	—
Fund balance, beginning of year		37,026		37,026
Fund balance, end of year	\$ 52,685			37,026

See independent auditor's report on the general purpose financial statements.

Schedule 6**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Library Fund****Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues – taxes	\$ <u>1,881,879</u>	<u>1,897,138</u>	<u>15,259</u>	<u>1,579,883</u>
Other financing uses – operating				
Operating transfers out	200,000	200,000	—	—
Operating transfers to component units	<u>1,693,319</u>	<u>1,693,319</u>	—	<u>1,593,914</u>
	<u>1,893,319</u>	<u>1,893,319</u>	—	<u>1,593,914</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(11,440)</u>	3,819	<u>15,259</u>	(14,031)
Fund balance, beginning of year		<u>38,840</u>		<u>52,871</u>
Fund balance, end of year	\$ <u>42,659</u>			<u>38,840</u>

See independent auditor's report on the general purpose financial statements.

Schedule 7

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Transportation FundYear Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 1,619,828	1,627,902	8,074	1,614,201
Charges for services	32,172	125,876	93,704	97,474
Miscellaneous	—	—	—	2,500
Total revenues	1,652,000	1,753,778	101,778	1,714,175
Expenditures:				
General government				
Personal services	47,630	52,379	(4,749)	35,884
Contractual service	1,587,180	949,216	637,964	545,275
Commodities	5,090	5,431	(341)	9,575
Capital outlay	12,100	(7,761)	19,861	19,860
Total expenditures	1,652,000	999,265	652,735	610,594
Excess (deficiency) of revenues over (under) expenditures	\$ —	754,513	<u>754,513</u>	1,103,581
Fund balance, beginning of year				
Net change in reserve for encumbrances		1,438,504		858,135
		(148,607)		(523,212)
Fund balance, end of year		\$ 2,044,410		<u>1,438,504</u>

See independent auditor's report on the general purpose financial statements.

Schedule 8

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Recreation FundYear Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 408,191	410,085	1,894	550,854
Charges for services	1,220,518	1,222,691	2,173	1,074,104
Miscellaneous	<u>172,715</u>	<u>101,660</u>	<u>(71,055)</u>	<u>138,807</u>
Total revenues	<u>1,801,424</u>	<u>1,734,436</u>	<u>(66,988)</u>	<u>1,763,765</u>
Expenditures:				
Culture and recreation:				
Personal services	2,174,585	2,102,286	72,299	1,893,275
Contractual service	322,220	271,980	50,240	230,079
Commodities	204,775	179,768	25,007	197,034
Capital outlay	23,125	45,048	(21,923)	33,328
Other	<u>120,518</u>	<u>—</u>	<u>120,518</u>	<u>—</u>
Total expenditures	<u>2,845,223</u>	<u>2,599,082</u>	<u>246,141</u>	<u>2,353,716</u>
Excess (deficiency) of revenues over (under) expenditures	(1,043,799)	(864,646)	179,153	(589,951)
Other financing sources – operating transfers in	<u>922,573</u>	<u>922,573</u>	<u>—</u>	<u>572,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(121,226)</u>	57,927	<u>179,153</u>	(17,951)
Fund balance, beginning of year		239,603		265,502
Net change in reserve for encumbrances		<u>8,531</u>		<u>(7,948)</u>
Fund balance, end of year		\$ <u>306,061</u>		<u>239,603</u>

See independent auditor's report on the general purpose financial statements.

Schedule 9

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Special Alcohol Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues – intergovernmental	\$ 382,000	482,942	100,942	453,925
Expenditures:				
Health:				
Personal services	—	(7,219)	7,219	144,840
Contractual service	454,718	458,651	(3,933)	339,327
Commodities	—	—	—	16
Capital outlay	—	—	—	19,481
Other	37,068	—	37,068	—
Total expenditures	491,786	451,432	40,354	503,664
Excess (deficiency) of revenues over (under) expenditures	\$ (109,786)	31,510	141,296	(49,739)
Fund balance, beginning of year		186,921		237,451
Net change in reserve for encumbrances		(558)		(791)
Fund balance, end of year	\$ 217,873			186,921

See independent auditor's report on the general purpose financial statements.

Schedule 10

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Special Gas Tax FundYear Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues				
Intergovernmental	\$ 2,590,000	2,562,487	(27,513)	2,572,332
Miscellaneous	—	17,456	17,456	—
Total revenues	<u>2,590,000</u>	<u>2,579,943</u>	<u>(10,057)</u>	<u>2,572,332</u>
Expenditures:				
Public works:				
Personal services	1,202,013	1,172,121	29,892	1,130,279
Contractual service	1,700	618	1,082	—
Commodities	1,391,815	1,320,391	71,424	1,008,799
Capital outlay	<u>349,185</u>	<u>322,100</u>	<u>27,085</u>	<u>355,288</u>
Total expenditures	<u>2,944,713</u>	<u>2,815,230</u>	<u>129,483</u>	<u>2,494,366</u>
Excess (deficiency) of revenues over (under) expenditures	(354,713)	(235,287)	119,426	77,966
Other financing (uses) – operating transfers out	—	—	—	<u>(84,593)</u>
Excess of revenues over (under) expenditures and other uses	\$ <u>(354,713)</u>	<u>(235,287)</u>	<u>119,426</u>	(6,627)
Fund balance, beginning of year	902,521			1,121,835
Net change in reserve for encumbrances	<u>98,000</u>			<u>(212,687)</u>
Fund balance, end of year	\$ <u>765,234</u>			<u>902,521</u>

See independent auditor's report on the general purpose financial statements.

Schedule 11

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Special Recreation Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues – intergovernmental	\$ 382,000	482,942	100,942	453,925
Expenditures:				
Culture and recreation:				
Personal services	37,582	37,582	—	37,092
Contractual service	248,541	245,580	2,961	271,187
Commodities	26,716	26,301	415	26,470
Capital outlay	185,095	152,384	32,711	97,262
Other	26,366	1,900	24,466	—
Total expenditures	524,300	463,747	60,553	432,011
Excess (deficiency) of revenues over (under) expenditures	\$ (142,300)	19,195	161,495	21,914
Fund balance, beginning of year		356,881		380,778
Net change in reserve for encumbrances		54,568		(45,811)
Fund balance, end of year	\$ 430,644			356,881

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 12

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Airport Improvement Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Charges for services	\$ —	18,652
Miscellaneous	<u>24,372</u>	<u>6,585</u>
Total revenues	<u>24,372</u>	<u>25,237</u>
 Expenditures - public works		
Excess (deficiency) of revenues (under) expenditures	(58,872)	(92,843)
 Other financing sources - operating transfers in		
Excess (deficiency) of revenues over (under) expenditures and other uses	(43,872)	(77,843)
 Fund balance, beginning of year	<u>60,220</u>	<u>138,063</u>
 Fund balance, end of year	<u>\$ 16,348</u>	<u>60,220</u>

See independent auditor's report on the general purpose financial statements.

Schedule 13**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Capital Improvement Reserve Fund****Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 88,017	138,735
Miscellaneous	<u>8,500</u>	<u>65,283</u>
Total revenues	<u>96,517</u>	<u>204,018</u>
Expenditures:		
Public works:		
Contractual service	243,756	23,547
Capital outlay	<u>86,666</u>	<u>420,211</u>
Total expenditures	<u>330,422</u>	<u>443,758</u>
Excess of revenues over (under) expenditures	<u>(233,905)</u>	<u>(239,740)</u>
Other financing sources - operating transfers in	<u>350,000</u>	<u>799,799</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>116,095</u>	<u>560,059</u>
Fund balance, beginning of year	<u>3,388,140</u>	<u>2,828,081</u>
Fund balance, end of year	<u>\$ 3,504,235</u>	<u>3,388,140</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 14

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Equipment Reserve Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues		
Interest	\$ 55,487	99,071
Miscellaneous	<u>58,123</u>	—
Total revenues	<u>113,610</u>	<u>99,071</u>
Expenditures		
Contractual service	7,438	—
Commodities	34,809	49,157
Capital outlay	<u>593,587</u>	<u>186,399</u>
Total expenditures	<u>635,834</u>	<u>235,556</u>
Excess (deficiency) of revenues (under) expenditures	(522,224)	(136,485)
Other financing sources – operating transfers in	<u>100,000</u>	<u>145,833</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(422,224)	9,348
Fund balance, beginning of year	<u>2,364,086</u>	<u>2,354,738</u>
Fund balance, end of year	\$ <u>1,941,862</u>	<u>2,364,086</u>

See independent auditor's report on the general purpose financial statements.

Schedule 15**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Guest Tax Reserve Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 2,247	2,758
Miscellaneous	<u>—</u>	<u>2,000</u>
Total revenues	<u>2,247</u>	<u>4,758</u>
Expenditures – tourism:		
Contractual services	61,226	12,782
Commodities	<u>346</u>	<u>8,558</u>
Total expenditures	<u>61,572</u>	<u>21,340</u>
Excess (deficiency) of revenues (under) expenditures	(59,325)	(16,582)
Other financing sources – operating transfers in	<u>27,950</u>	<u>25,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(31,375)	8,418
Fund balance, beginning of year	<u>90,663</u>	<u>82,245</u>
Fund balance, end of year	\$ <u>59,288</u>	<u>90,663</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 16

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Liability Reserve Fund**

**Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	2002	2001
Revenues - interest	\$ 35,751	54,292
Expenditures – general government	<u>44,274</u>	<u>23,645</u>
Excess (deficiency) of revenues over (under) expenditures	(8,523)	30,647
Other financing sources – operating transfers in	<u>—</u>	<u>50,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(8,523)	80,647
Fund balance, beginning of year	<u>1,282,842</u>	<u>1,202,195</u>
Fund balance, end of year	<u>\$ 1,274,319</u>	<u>1,282,842</u>

See independent auditor's report on the general purpose financial statements.

Schedule 17**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Sales Tax Reserve Fund****Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	2002	2001
Revenues:		
Interest	\$ 85,886	126,018
Intergovernmental	—	220,563
Miscellaneous	<u>8</u>	<u>6,053</u>
Total revenues	<u>85,894</u>	<u>352,634</u>
Expenditures:		
Capital outlay	951,702	1,317,761
Debt service:		
Principal retirement	1,308,230	1,254,125
Interest and fiscal charges	<u>786,605</u>	<u>827,059</u>
Total expenditures	<u>3,046,537</u>	<u>3,398,945</u>
Excess (deficiency) of revenues (under) expenditures	(2,960,643)	(3,046,311)
Other financing sources uses		
Operating transfers in	2,902,427	2,908,000
Operating transfers out	<u>(400,000)</u>	<u>—</u>
Total other financing sources (uses)	<u>2,502,427</u>	<u>2,908,000</u>
Excess of revenues over (under) expenditures and other uses	(458,216)	(138,311)
Fund balance, beginning of year	<u>3,329,836</u>	<u>3,468,147</u>
Fund balance, end of year	\$ <u>2,871,620</u>	<u>3,329,836</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 18

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Law Enforcement Grant Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 285	629
Intergovernmental	—	<u>166,343</u>
Total revenues	<u>285</u>	<u>166,972</u>
Expenditures – public safety		
Excess (deficiency) of revenues over (under) expenditures	(75,124)	105,683
Fund balance, beginning of year	<u>105,683</u>	—
Fund balance, end of year	<u>\$ 30,559</u>	<u>105,683</u>

See independent auditor's report on the general purpose financial statements.

Schedule 19**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Workers' Compensation Reserve Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues - interest	\$ 23,864	41,784
Expenditures – general government	<u>136,702</u>	<u>447,501</u>
Excess (deficiency) of revenues over (under) expenditures	(112,838)	(405,717)
Other financing sources – operating transfers in	<u>170,000</u>	<u>150,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	57,162	(255,717)
Fund balance, beginning of year	<u>803,395</u>	<u>1,059,112</u>
Fund balance, end of year	<u>\$ 860,557</u>	<u>803,395</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 20

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Summer Youth Fund**

**Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	<u>2002</u>	<u>2001</u>
Revenues - interest	\$ <u>—</u>	<u>96</u>
Expenditures – culture and recreation	<u>5,578</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,578)</u>	<u>96</u>
Fund balance, beginning of year	<u>5,578</u>	<u>5,482</u>
Fund balance, end of year	<u>—</u>	<u>5,578</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 21

**Schedule of Revenues, Expenditures and Changes in Fund Balance -
Outside Agency Fund**

**Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	<u>2002</u>	<u>2001</u>
Revenues - intergovernmental	<u>\$ 1,649,504</u>	<u>4,121,440</u>
Expenditures:		
General government	1,455,924	4,028,338
Public safety	110,057	—
Health	<u>73,800</u>	<u>53,882</u>
Total expenditures	<u>1,639,781</u>	<u>4,082,220</u>
Excess (deficiency) of revenues over (under) expenditures	9,723	39,220
Fund balance, beginning of year	<u>85,801</u>	<u>46,581</u>
Fund balance, end of year	<u>\$ 95,524</u>	<u>85,801</u>

See independent auditor's report on the general purpose financial statements.

Schedule 22**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Wee Folks Scholarship Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 1,078	1,447
Miscellaneous	<u>—</u>	<u>250</u>
Total revenues	1,078	1,697
Expenditures – culture and recreation	<u>6,370</u>	<u>3,647</u>
Excess (deficiency) of revenues over (under) expenditures	(5,292)	(1,950)
Fund balance, beginning of year	<u>34,774</u>	<u>36,724</u>
Fund balance, end of year	<u>\$ 29,482</u>	<u>34,774</u>

See independent auditor's report on the general purpose financial statements.

Schedule 23

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Fair Housing Assistance Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest	\$ 3,479	6,431
Intergovernmental	<u>64,735</u>	<u>78,638</u>
Total revenues	<u>68,214</u>	<u>85,069</u>
Expenditures:		
General government	151,664	85,037
Capital outlay	<u>6,548</u>	<u>774</u>
Total expenditures	<u>158,212</u>	<u>85,811</u>
Excess (deficiency) of revenues over (under) expenditures	(89,998)	(742)
Fund balance, beginning of year	<u>148,716</u>	<u>149,458</u>
Fund balance, end of year	\$ 58,718	<u>148,716</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 24

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Community Development Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues:		
Intergovernmental	\$ 819,412	1,062,238
Miscellaneous	<u>176,653</u>	<u>130,078</u>
Total revenues	<u>996,065</u>	<u>1,192,316</u>
Expenditures:		
Social services	1,163,300	1,058,738
Capital outlay	<u>6,429</u>	<u>5,265</u>
Total expenditures	<u>1,169,729</u>	<u>1,064,003</u>
Excess (deficiency) of revenues over (under) expenditures	(173,664)	128,313
Fund balance, beginning of year	<u>312,994</u>	<u>184,681</u>
Fund balance, end of year	<u>\$ 139,330</u>	<u>312,994</u>

See independent auditor's report on the general purpose financial statements.

Schedule 25

CITY OF LAWRENCE, KANSAS

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Rehabilitation Escrow Fund**

**Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	<u>2002</u>	<u>2001</u>
Revenues – miscellaneous	\$ —	—
Expenditures – capital outlay	—	—
Excess of revenues over expenditures	—	—
Fund balance, beginning of year	<u>597</u>	<u>597</u>
Fund balance, end of year	<u>\$ 597</u>	<u>597</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 26

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Home Program Fund**

**Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)**

	2002	2001
Revenues:		
Intergovernmental	\$ 673,777	615,712
Miscellaneous	<u>85,714</u>	<u>96,327</u>
Total revenues	<u>759,491</u>	<u>712,039</u>
Expenditures – social services		
	<u>761,832</u>	<u>712,039</u>
Excess (deficiency) of revenues over (under) expenditures	(2,341)	—
Fund balance (deficit), beginning of year	<u>2,272</u>	<u>2,272</u>
Fund balance (deficit), end of year	<u>\$ (69)</u>	<u>2,272</u>

See independent auditor's report on the general purpose financial statements.

Schedule 27**CITY OF LAWRENCE, KANSAS****Schedule of Revenues, Expenditures and Changes in Fund Balance –
Transportation Planning Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues – intergovernmental	<u>\$ 128,257</u>	<u>106,867</u>
Expenditures:		
General government	124,095	117,347
Capital outlay	<u>—</u>	<u>3,253</u>
Total expenditures	<u>124,095</u>	<u>120,600</u>
Excess (deficiency) of revenues over (under) expenditures	4,162	(13,733)
Fund balance (deficit), beginning of year	<u>(24,257)</u>	<u>(10,524)</u>
Fund balance (deficit), end of year	<u>\$ (20,095)</u>	<u>(24,257)</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 28

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Law Enforcement Trust Fund**

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>	<u>2001</u>
Revenues		
Interest	\$ 1,615	—
Miscellaneous	<u>64,020</u>	<u>15,370</u>
Total revenues	65,635	15,370
Expenditures:		
Public safety	—	—
Capital outlay	—	—
Total expenditures	—	—
Excess (deficiency) of revenues over (under) expenditures	65,635	15,370
Fund balance, beginning of year	<u>21,094</u>	<u>5,724</u>
Fund balance, end of year	<u>\$ 86,729</u>	<u>21,094</u>

See independent auditor's report on the general purpose financial statements.

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DEBT SERVICE FUND

Bond and Interest Fund – This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies of the primary government when the government is obligated to pledge its full faith and credit for the payment.

Schedule 29**CITY OF LAWRENCE, KANSAS****Balance Sheets – Bond and Interest Fund**

December 31, 2002
(With Comparative Amounts for 2001)

Assets	2002	2001
Cash	\$ 24,258	1,638,780
Investments	7,379,927	6,358,779
Receivables:		
Taxes	4,061,406	3,834,590
Special assessments	7,376,613	2,940,308
Accounts	165,949	179,614
Accrued interest	<u>32,274</u>	<u>49,841</u>
 Total assets	 <u>\$ 19,040,427</u>	 <u>15,001,912</u>

Liabilities and Fund Balances

Liabilities:		
Deferred revenue	\$ 12,033,822	7,363,842
 Total liabilities	 <u>12,033,822</u>	<u>7,363,842</u>
 Fund balances:		
Reserved for debt service	<u>7,006,605</u>	<u>7,638,070</u>
 Total fund balance	 <u>7,006,605</u>	<u>7,638,070</u>
 Total liabilities and fund balances	 <u>\$ 19,040,427</u>	<u>15,001,912</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Bond and Interest Fund

Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	2002		Variance Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 4,566,424	4,580,759	14,335	4,051,783
Special assessments	568,576	640,943	72,367	703,422
Interest	200,000	252,804	52,804	427,890
Intergovernmental	—	18,448	18,448	—
Miscellaneous	5,000	115,577	110,577	320,911
Total revenues	5,340,000	5,608,531	268,531	5,504,006
Expenditures:				
Principal retirement	5,040,000	4,122,832	917,168	4,046,582
Interest and fiscal charges	3,447,000	2,117,164	1,329,836	1,817,718
Total expenditures	8,487,000	6,239,996	2,247,004	5,864,300
Excess (deficiency) of revenues over (under) expenditures	(3,147,000)	(631,465)	2,515,535	(360,294)
Other financing sources – operating transfers in	—	—	—	51,338
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ <u>(3,147,000)</u>	<u>(631,465)</u>	<u>2,515,535</u>	<u>(308,956)</u>
Fund balance, beginning of year		7,638,070		7,947,026
Fund balance, end of year	\$ <u>7,006,605</u>			<u>7,638,070</u>

See independent auditor's report on the general purpose financial statements.

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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.

Water and Sewer Fund – This fund is used to account for the activities of the Utilities Department which provides water and sewer services to residents of the City.

Sanitation Fund – This fund is used to account for the activities of recycling, solid waste and disposal of refuse.

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

Storm Water Utility Fund – This fund is used to record the revenues from the storm water fee assessed each property based on its impervious surface. Expenses for repair and maintenance of the storm water system and debt service are also recorded in this fund.

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

Schedule 31

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet – Enterprise Funds

December 31, 2002

Assets	Water and Sewer	Sanitation	Public Parking	Storm Water Utility	Golf Course	Total
Cash	\$ 397,572	109,487	105,747	39,024	23,754	675,584
Investments	27,435,570	3,265,007	284,937	1,119,791	99,987	32,205,292
Receivables:						
Accounts (net of allowance of \$64,524)	1,639,309	584,244	22,481	153,364	214	2,399,612
Accrued interest	135,342	14,792	534	3,666	700	155,034
Inventories	447,694	—	—	—	42,240	489,934
Prepaid items	173,448	—	—	—	—	173,448
Restricted cash	81,336	2,447	—	—	—	83,783
Restricted investments	5,799,378	—	—	—	—	5,799,378
Property, plant and equipment	161,367,490	7,293,671	4,904,850	6,417,385	3,882,348	183,865,744
Accumulated depreciation	(33,994,407)	(4,050,644)	(1,880,840)	(591,816)	(967,204)	(41,484,911)
Total assets	\$ 163,482,732	7,219,004	3,437,709	7,141,414	3,082,039	184,362,898
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	\$ 2,698,530	108,165	7,669	3,404	5,704	2,823,472
Accrued interest payable	435,057	—	—	46,087	54,261	535,405
Accrued payroll	182,097	129,256	16,465	15,630	9,777	353,225
Accrued vacation and sick pay	417,532	290,919	39,558	24,496	15,609	788,114
Payable from restricted assets:						
Customer deposits	741,473	2,447	—	—	—	743,920
Current portion of revenue bonds	1,035,000	—	—	—	—	1,035,000
Current portion of general obligation bonds	—	—	—	446,367	155,000	601,367
Estimated claims and judgments payable	2,163	12,243	—	—	—	14,406
General obligation bonds payable	—	—	—	2,587,245	2,895,000	5,482,245
Revenue bonds payable	9,475,000	—	—	—	—	9,475,000
Notes payable	42,601,580	—	—	—	—	42,601,580
Capital lease payable	—	—	—	—	18,797	18,797
Total liabilities	57,588,432	543,030	63,692	3,123,229	3,154,148	64,472,531
Fund equity:						
Contributed capital	324,767	—	1,998,916	—	167,920	2,491,603
Retained earnings:						
Reserved for revenue bond requirements	5,139,241	—	—	—	—	5,139,241
Unreserved	100,430,292	6,675,974	1,375,101	4,018,185	(240,029)	112,259,523
Total fund equity	105,894,300	6,675,974	3,374,017	4,018,185	(72,109)	119,890,367
Total liabilities and fund equity	\$ 163,482,732	7,219,004	3,437,709	7,141,414	3,082,039	184,362,898

See independent auditor's report on the general purpose financial statements.

Schedule 32

CITY OF LAWRENCE, KANSAS

**Combining Statement of Revenues, Expenses and
Changes in Retained Earnings – Enterprise Funds**

For the Year Ended December 31, 2002

	Water and Sewer	Sanitation	Public Parking System	Storm Water Utility	Golf Course	Total
Operating revenues:						
Charges for services	\$ 22,128,918	7,230,360	747,521	1,876,794	969,387	32,952,980
Other sales	81,909	187,631	—	—	—	269,540
Total operating revenues	22,210,827	7,417,991	747,521	1,876,794	969,387	33,222,520
Operating expenses:						
Continuing operations	—	6,325,842	730,201	—	701,076	7,757,119
Transmission and distribution	8,254,704	—	—	623,545	—	8,878,249
General administration	1,731,193	—	—	—	—	1,731,193
Depreciation and amortization	3,386,599	641,773	201,333	146,194	231,514	4,607,413
Total operating expenses	13,372,496	6,967,615	931,534	769,739	932,590	22,973,974
Operating income (loss)	8,838,331	450,376	(184,013)	1,107,055	36,797	10,248,546
Other income (expense):						
Interest income	784,839	81,786	11,005	38,748	3,136	919,514
Interest expense and fiscal charges	(1,835,911)	—	—	(150,861)	(169,717)	(2,156,489)
Gain on sale of fixed assets	12,533	191	—	—	(1,750)	10,974
Federal and state grant	—	65,985	—	—	—	65,985
Other	118,024	88,250	11,912	32,550	6,653	257,389
Total other income (expense)	(920,515)	236,212	22,917	(79,563)	(161,678)	(902,627)
Income (loss) before operating transfers	7,917,816	686,588	(161,096)	1,027,492	(124,881)	9,345,919
Operating transfers:						
Operating transfers out	(1,080,650)	(128,500)	—	(60,000)	—	(1,269,150)
Total operating transfers	(1,080,650)	(128,500)	—	(60,000)	—	(1,269,150)
Net income (loss)	6,837,166	558,088	(161,096)	967,492	(124,881)	8,076,769
Depreciation on fixed assets acquired by contributions	111,349	—	115,879	—	—	227,228
Increase (decrease) in retained earnings	6,948,515	558,088	(45,217)	967,492	(124,881)	8,303,997
Retained earnings (deficit), beginning of year	98,621,018	6,117,886	1,420,318	3,050,693	(115,148)	109,094,767
Retained earnings (deficit), end of year	\$ 105,569,533	6,675,974	1,375,101	4,018,185	(240,029)	117,398,764

See independent auditor's report on the general purpose financial statements.

Schedule 33

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows – Enterprise Funds

For the Year Ended December 31, 2002

	Water and Sewer	Sanitation	Public Parking	Storm Water Utility	Golf Course	Total
Cash flows from operating activities:						
Operating income (loss)	\$ 8,838,331	450,376	(184,013)	1,107,055	36,797	10,248,546
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	3,246,081	612,535	201,333	146,195	231,514	4,437,658
Other income	118,024	88,250	11,912	32,550	6,653	257,389
Change in:						
Accounts receivable	65,190	(44,662)	(5,801)	10,776	909	26,412
Inventories of supplies	107,805	—	—	—	(17,857)	89,948
Due from other funds	270,500	—	—	—	—	270,500
Accounts payable	(3,319,989)	(55,677)	407	(15,633)	(2,480)	(3,393,372)
Accrued payroll	9,154	10,638	773	2,878	(736)	22,707
Customer deposits	62,390	(820)	—	—	—	61,570
Accrued vacation and sick pay	30,075	15,949	4,158	1,379	(2,074)	49,487
Estimated claims and judgments payable	(1,793)	12,243	—	—	—	10,450
Total adjustments	587,437	638,456	212,782	178,145	215,929	1,832,749
Net cash provided by (used in) operating activities	9,425,768	1,088,832	28,769	1,285,200	252,726	12,081,295
Cash flows from noncapital financing activities:						
Operating transfers out	(1,080,650)	(128,500)	—	(60,000)	—	(1,269,150)
Grant proceeds	—	65,985	—	—	—	65,985
Net cash provided by (used in) noncapital financing activities	(1,080,650)	(62,515)	—	(60,000)	—	(1,203,165)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(22,257,772)	(997,506)	(56,050)	(866,355)	—	(24,177,683)
Proceeds from sales of capital assets	12,533	191	—	—	—	12,724
Proceeds from notes payable	22,898,240	—	—	—	—	22,898,240
Principal payments on debt	(3,753,937)	—	—	(423,939)	(175,038)	(4,352,914)
Interest payments on debt	(1,543,289)	—	—	(157,160)	(171,940)	(1,872,389)
Net cash used in capital and related financing activities	(4,644,225)	(997,315)	(56,050)	(1,447,454)	(346,978)	(7,492,022)
Cash flows from investing activities:						
Receipt of interest and dividends	842,604	88,913	12,757	43,191	2,916	990,381
Purchases of investments	(89,424,690)	(9,082,066)	(1,334,320)	(4,813,439)	(798,849)	(105,453,364)
Sales of investments	83,982,000	8,739,811	1,394,290	4,783,799	798,733	99,698,633
Net cash provided by (used in) investing activities	(4,600,086)	(253,342)	72,727	13,551	2,800	(4,764,350)
Net increase (decrease) in cash	(899,193)	(224,340)	45,446	(208,703)	(91,452)	(1,378,242)
Cash and cash equivalents, beginning of year	1,378,101	336,274	60,301	247,727	115,206	2,137,609
Cash and cash equivalents, end of year	\$ 478,908	111,934	105,747	39,024	23,754	759,367
Components of cash and cash equivalents at end of year:						
Cash	\$ 397,572	109,487	105,747	39,024	23,754	675,584
Restricted cash	81,336	2,447	—	—	—	83,783
	\$ 478,908	111,934	105,747	39,024	23,754	759,367

See independent auditor's report on the general purpose 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, 2002

Assets	Central Maintenance	Stores	Health Insurance	Total
Cash	\$ 20,084	20,980	554	41,618
Investments	289,976	—	1,549,950	1,839,926
Receivables:				
Accounts	199,300	—	22,853	222,153
Accrued interest	1,102	—	6,751	7,853
Inventories	152,730	21,645	—	174,375
Property, plant and equipment	839,466	—	—	839,466
Accumulated depreciation	(707,883)	—	—	(707,883)
Total assets	\$ 794,775	42,625	1,580,108	2,417,508
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 12,616	—	—	12,616
Claims payable	—	—	594,674	594,674
Accrued payroll	24,989	—	—	24,989
Accrued vacation and sick pay	80,639	—	—	80,639
Due to other funds	—	—	47,000	47,000
Deferred revenue	—	—	22,853	22,853
Total liabilities	118,244	—	664,527	782,771
Fund Equity:				
Contributed capital	59,678	—	—	59,678
Retained earnings	616,853	42,625	915,581	1,575,059
Total fund equity	676,531	42,625	915,581	1,634,737
Total liabilities and fund equity	\$ 794,775	42,625	1,580,108	2,417,508

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings – Internal Service Funds

For the Year Ended December 31, 2002

	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues – charges for services	\$ <u>1,794,406</u>	<u>8,460</u>	<u>3,916,174</u>	<u>5,719,040</u>
Operating expenses:				
Continuing operations	<u>1,875,799</u>	<u>4,689</u>	<u>—</u>	<u>1,880,488</u>
General administration	<u>—</u>	<u>—</u>	<u>554,344</u>	<u>554,344</u>
Health insurance claims	<u>—</u>	<u>—</u>	<u>3,583,121</u>	<u>3,583,121</u>
Depreciation and amortization	<u>41,202</u>	<u>—</u>	<u>—</u>	<u>41,202</u>
Total operating expenses	<u>1,917,001</u>	<u>4,689</u>	<u>4,137,465</u>	<u>6,059,155</u>
Operating income (loss)	<u>(122,595)</u>	<u>3,771</u>	<u>(221,291)</u>	<u>(340,115)</u>
Other income:				
Interest income	<u>11,998</u>	<u>—</u>	<u>49,115</u>	<u>61,113</u>
Gain on sale of fixed assets	<u>3,907</u>	<u>—</u>	<u>—</u>	<u>3,907</u>
Other	<u>365</u>	<u>—</u>	<u>—</u>	<u>365</u>
Total other income	<u>16,270</u>	<u>—</u>	<u>49,115</u>	<u>65,385</u>
Income (loss) before operating transfers	<u>(106,325)</u>	<u>3,771</u>	<u>(172,176)</u>	<u>(274,730)</u>
Operating transfers out	<u>(7,000)</u>	<u>—</u>	<u>—</u>	<u>(7,000)</u>
Net income (loss)	<u>(113,325)</u>	<u>3,771</u>	<u>(172,176)</u>	<u>(281,730)</u>
Depreciation on fixed assets acquired by contributions	<u>12,490</u>	<u>—</u>	<u>—</u>	<u>12,490</u>
Increase (decrease) in retained earnings	<u>(100,835)</u>	<u>3,771</u>	<u>(172,176)</u>	<u>(269,240)</u>
Retained earnings, beginning of year	<u>717,688</u>	<u>38,854</u>	<u>1,087,757</u>	<u>1,844,299</u>
Retained earnings, end of year	\$ <u>616,853</u>	<u>42,625</u>	<u>915,581</u>	<u>1,575,059</u>

See independent auditor's report on the general purpose financial statements.

Schedule 36

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows – Internal Service Funds

For the Year Ended December 31, 2002

	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:				
Operating income (loss)	\$ (122,595)	3,771	(221,291)	(340,115)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	41,202	—	—	41,202
Other income	365	—	—	365
Change in:				
Accounts receivable	(67,005)	—	(138)	(67,143)
Inventories of supplies	22,223	2,203	—	24,426
Accounts payable	(5,555)	(1,442)	(27,471)	(34,468)
Claims payable	—	—	(53,801)	(53,801)
Accrued payroll	3,015	—	—	3,015
Accrued vacation and sick pay	8,122	—	—	8,122
Due to other funds	—	—	21,000	21,000
Deferred revenue	(53)	—	138	85
Total adjustments	2,314	761	(60,272)	(57,197)
Net cash provided by (used in) operating activities	(120,281)	4,532	(281,563)	(397,312)
Operating transfers out	(7,000)	—	—	(7,000)
Net cash used in noncapital financing activities	(7,000)	—	—	(7,000)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(27,486)	—	—	(27,486)
Proceeds from sales of capital assets	3,907	—	—	3,907
Net cash used in capital and related financing activities	(23,579)	—	—	(23,579)
Cash flows from investing activities:				
Receipt of interest and dividends	11,563	—	59,847	71,410
Purchases of investments	(1,443,946)	—	(5,782,692)	(7,226,638)
Sales of investments	1,513,974	—	6,004,654	7,518,628
Net cash provided by investing activities	81,591	—	281,809	363,400
Net increase (decrease) in cash	(69,269)	4,532	246	(64,491)
Cash and cash equivalents, beginning of year	89,353	16,448	308	106,109
Cash and cash equivalents, end of year	\$ 20,084	20,980	554	41,618

See independent auditor's report on the general purpose financial statements.

TRUST AND AGENCY FUNDS

Trust Funds are used to account for assets held by the government in a trustee capacity. 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.

AGENCY 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.

EXPENDABLE TRUST FUNDS

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

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

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

NONEXPENDABLE TRUST FUNDS

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

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

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

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CITY OF LAWRENCE, KANSAS

Combining Balance Sheet – Trust and Agency Funds

December 31, 2002

Assets	Agency Funds	Expendable Trust Funds	Nonexpendable Trust Funds	Total
Cash	\$ 274,756	10,705	73,915	359,376
Investments	—	29,998	549,930	579,928
Accrued interest receivable	—	142	520	662
Restricted assets – cash	<u>48,233</u>	—	—	<u>48,233</u>
Total assets	\$ 322,989	40,845	624,365	988,199
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 274,756	—	—	274,756
Payable from restricted assets	<u>48,233</u>	—	—	<u>48,233</u>
Total liabilities	<u>322,989</u>	—	—	322,989
Fund Equity:				
Fund balance/Retained earnings:				
Reserved for cemetery care/housing	—	—	523,000	523,000
Unreserved	—	40,845	<u>101,365</u>	<u>142,210</u>
Total fund equity	—	40,845	624,365	665,210
Total liabilities and fund equity	\$ 322,989	40,845	624,365	988,199

See independent auditor's report on the general purpose financial statements.

Schedule 38

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2002

	Payroll Clearing	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
Assets:					
Cash		\$ 32,948	13,091,955	13,050,206	<u>74,697</u>
Liabilities:					
Accounts payable		\$ 32,948	13,091,955	13,050,206	<u>74,697</u>
Municipal Court					
Assets:					
Cash		\$ 138,108	397,868	375,635	<u>160,341</u>
Restricted assets - cash		<u>93,484</u>	<u>447,441</u>	<u>492,692</u>	<u>48,233</u>
		\$ 231,592	845,309	868,327	<u>208,574</u>
Liabilities:					
Accounts payable		\$ 138,108	397,868	375,635	<u>160,341</u>
Payable from restricted assets		<u>93,484</u>	<u>447,441</u>	<u>492,692</u>	<u>48,233</u>
		\$ 231,592	845,309	868,327	<u>208,574</u>
KPRF					
Assets:					
Restricted assets - investments		\$ 305	11,712	11,710	<u>307</u>
Liabilities:					
Accounts payable		\$ 305	11,712	11,710	<u>307</u>

(Continued)

CITY OF LAWRENCE, KANSAS

Schedule 38 (Cont'd)

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

Year Ended December 31, 2002

Fire Insurance Proceeds Fund	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
Assets:				
Cash	\$ 30,180	112,754	103,523	<u>39,411</u>
Liabilities:				
Accounts payable	\$ 30,180	112,754	103,523	<u>39,411</u>
Totals - All Agency Funds				
Assets:				
Cash	\$ 201,541	13,614,289	13,541,074	274,756
Restricted assets - cash	<u>93,484</u>	<u>447,441</u>	<u>492,692</u>	<u>48,233</u>
Total assets	<u>\$ 295,025</u>	<u>14,061,730</u>	<u>14,033,766</u>	<u>322,989</u>
Liabilities:				
Accounts payable	\$ 201,541	13,614,289	13,541,074	274,756
Court bonds payable	<u>93,484</u>	<u>447,441</u>	<u>492,692</u>	<u>48,233</u>
Total liabilities	<u>\$ 295,025</u>	<u>14,061,730</u>	<u>14,033,766</u>	<u>322,989</u>

See independent auditor's report on the general purpose financial statements.

Schedule 39**CITY OF LAWRENCE, KANSAS****Combining Balance Sheet – All Expendable Trust Funds****December 31, 2002**

Assets	City Parks Memorial	Constant Park Trust	City Band	Total
Cash	\$ 2,194	1,996	6,515	10,705
Investments	20,000	—	9,998	29,998
Receivable – accrued interest	<u>114</u>	—	28	<u>142</u>
Total assets	\$ <u>22,308</u>	1,996	16,541	<u>40,845</u>
Liabilities and Fund Balance				
Liabilities - unreserved fund balance	\$ <u>22,308</u>	<u>1,996</u>	<u>16,541</u>	<u>40,845</u>
Total liabilities and fund balance	\$ <u>22,308</u>	<u>1,996</u>	<u>16,541</u>	<u>40,845</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 40

Combining Statement of Revenues, Expenditures and Changes in
Fund Balance – All Expendable Trust Funds

Year Ended December 31, 2002

	<u>City Parks Memorial</u>	<u>Constant Park Trust</u>	<u>City Band</u>	<u>Total</u>
Revenues:				
Interest	\$ 630	—	425	1,055
Miscellaneous	<u>1,114</u>	<u>—</u>	<u>3,000</u>	<u>4,114</u>
Total revenues	1,744	—	3,425	5,169
Expenditures – culture and recreation	<u>2,868</u>	<u>—</u>	<u>2,545</u>	<u>5,413</u>
Excess of revenues over expenditures	(1,124)	—	880	(244)
Fund balance, beginning of year	<u>23,432</u>	<u>1,996</u>	<u>15,661</u>	<u>41,089</u>
Fund balance, end of year	<u>\$ 22,308</u>	<u>1,996</u>	<u>16,541</u>	<u>40,845</u>

See independent auditor's report on the general purpose financial statements.

Schedule 41**CITY OF LAWRENCE, KANSAS****Combining Balance Sheet – All Nonexpendable Trust Funds****December 31, 2002**

Assets	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Total
Cash	\$ 429	4,028	69,458	73,915
Investments	44,988	—	504,942	549,930
Receivable – accrued interest	86	—	434	520
Total assets	\$ 45,503	4,028	574,834	624,365
Liabilities and Fund Balances				
Fund balances:				
Reserved for cemetery care/housing	\$ 22,000	1,000	500,000	523,000
Unreserved	23,503	3,028	74,834	101,365
Total fund balance	45,503	4,028	574,834	624,365
Total liabilities and fund balances	\$ 45,503	4,028	574,834	624,365

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenditures and Changes in
Fund Balance – All Nonexpendable Trust Funds

Year Ended December 31, 2002

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Mausoleum</u>	<u>Housing Trust</u>	<u>Total</u>
Operating revenues:				
Operating revenues - interest	\$ 1,263	75	17,495	18,833
Total revenues	1,263	75	17,495	18,833
Expenditures – general maintenance	—	—	—	—
Excess of revenues over expenditures	1,263	75	17,495	18,833
Other financing sources - operating transfers in	—	—	10,000	10,000
Excess (deficiency) of revenues over (under) expenditures and other uses	1,263	75	27,495	28,833
Fund balance, beginning of year	<u>44,240</u>	<u>3,953</u>	<u>547,339</u>	<u>595,532</u>
Fund balance, end of year	<u>\$ 45,503</u>	<u>4,028</u>	<u>574,834</u>	<u>624,365</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows - All Nonexpendable Trust Funds

For the Year Ended December 31, 2002

	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Total
Cash flows from operating activities:				
Operating income	\$ 1,263	75	27,495	28,833
Adjustments to reconcile operating income to net cash provided by operating activities -				
Interest	(1,263)	(75)	(17,495)	(18,833)
Net cash provided by operating activities	—	—	10,000	10,000
Cash flows from investment activities:				
Receipt of interest	1,310	82	20,349	21,741
Purchases of investments	(172,900)	—	(2,655,477)	(2,828,377)
Sales of investments	164,904	3,003	2,669,662	2,837,569
Net cash provided by (used in) investing activities	(6,686)	3,085	34,534	30,933
Net increase (decrease) in cash	(6,686)	3,085	44,534	40,933
Cash and cash equivalents, beginning of year	7,115	943	24,924	32,982
Cash and cash equivalents, end of year	\$ 429	4,028	69,458	73,915

See independent auditor's report on the general purpose financial statements.

COMPONENT UNITS

Lawrence Housing Authority

Lawrence Memorial Hospital

Lawrence Public Library

Schedule 44

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet - Discretely Presented Component Units

December 31, 2002

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Cash	\$ 1,073,880	5,736,428	562,744	7,373,052
Investments	1,747,833	11,000,000	44,008	12,791,841
Receivables (net of allowances for uncollectibles of \$2,692,395):				
Accounts	118,161	16,215,750	—	16,333,911
Accrued interest	—	—	2,599	2,599
Inventories	—	517,231	—	517,231
Prepaid items	—	1,762,130	—	1,762,130
Restricted assets - investments	—	12,458,789	—	12,458,789
Property, plant and equipment	10,145,031	46,681,879	1,271,564	58,098,474
Deferred costs	91,882	651,985	—	743,867
Other assets	—	261,910	—	261,910
Other debits:				
Amount to be provided for retirement of general long-term debt	—	—	60,540	60,540
Total assets	<u>\$ 13,176,787</u>	<u>95,286,102</u>	<u>1,941,455</u>	<u>110,404,344</u>

Liabilities, Equity and Other Credits

Liabilities:				
Accounts payable	\$ 85,244	3,315,357	17,491	3,418,092
Accrued expenses	72,823	3,336,293	—	3,409,116
Accrued interest payable	—	846,823	33,175	879,998
Accrued vacation and sick pay	58,553	—	60,540	119,093
Payable from restricted assets:				
Customer deposits and court bond payable	83,772	—	—	83,772
Current portion of revenue bonds	—	1,885,446	—	1,885,446
Revenue bonds payable	—	28,042,164	—	28,042,164
Capital lease payable	—	2,891,226	—	2,891,226
Net pension obligation	—	2,104,778	—	2,104,778
Deferred revenue	<u>40,048</u>	<u>—</u>	<u>—</u>	<u>40,048</u>
Total liabilities	<u>340,440</u>	<u>42,422,087</u>	<u>111,206</u>	<u>42,873,733</u>
Equity and other credits:				
Contributed capital	9,421,982	—	—	9,421,982
Investment in general fixed assets	—	—	1,271,564	1,271,564
Retained earnings-unreserved	3,414,365	52,864,015	—	56,278,380
Fund balance - unreserved	—	—	558,685	558,685
Total equity and other credits	<u>12,836,347</u>	<u>52,864,015</u>	<u>1,830,249</u>	<u>67,530,611</u>
Total liabilities, equity and other credits	<u>\$ 13,176,787</u>	<u>95,286,102</u>	<u>1,941,455</u>	<u>110,404,344</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Combining Statement of Revenues, Expenses and Changes in Retained Earnings -
Proprietary Fund Type Component Units

For the Year Ended December 31, 2002

	Enterprise Funds		
	Lawrence Housing Authority	Lawrence Memorial Hospital	Total Component Units
Operating revenues:			
Charges for services	\$ 5,512,468	89,369,864	94,882,332
Other sales	—	998,044	998,044
Total operating revenues	<u>5,512,468</u>	<u>90,367,908</u>	<u>95,880,376</u>
Operating expenses:			
Continuing operations	5,083,564	79,594,714	84,678,278
Depreciation and amortization	435,545	5,943,849	6,379,394
Total operating expenses	<u>5,519,109</u>	<u>85,538,563</u>	<u>91,057,672</u>
Operating income (loss)	<u>(6,641)</u>	<u>4,829,345</u>	<u>4,822,704</u>
Other income (expense):			
Interest income	33,529	599,020	632,549
Interest expense and fiscal charges	—	(1,903,729)	(1,903,729)
Loss on sale of fixed assets	(5,551)	—	(5,551)
Other items	—	2,555,190	2,555,190
Total other income (expense)	<u>27,978</u>	<u>1,250,481</u>	<u>1,278,459</u>
Net income	<u>21,337</u>	<u>6,079,826</u>	<u>6,101,163</u>
Retained earnings/equity, beginning of year	<u>12,815,010</u>	<u>46,784,189</u>	<u>59,599,199</u>
Retained earnings/equity, end of year	<u>\$ 12,836,347</u>	<u>52,864,015</u>	<u>65,700,362</u>

See independent auditor's report on the general purpose financial statements.

CITY OF LAWRENCE, KANSAS

Schedule 46

**Combining Statement of Cash Flows - Proprietary Fund Type
Component Units**

For the Year Ended December 31, 2002

	Enterprise Funds		
	Lawrence Housing Authority	Lawrence Memorial Hospital	Total Component Units
Cash flows from operating activities:			
Operating income (loss)	\$ (6,641)	4,829,345	<u>4,822,704</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	435,545	5,943,849	6,379,394
Other items	—	2,555,190	2,555,190
Change in:			
Accounts receivable	281,197	(1,980,110)	(1,698,913)
Inventories of supplies	—	(61,162)	(61,162)
Prepaid items and other	—	(1,670,841)	(1,670,841)
Other assets	—	3,083,983	3,083,983
Accounts payable	(44,651)	(214,053)	(258,704)
Customer deposits	4,197	—	4,197
Accrued vacation and sick pay	53,551	—	53,551
Accrued expenses	(43,934)	301,688	257,754
Deferred costs	(18,686)	49,479	30,793
Net pension obligation	—	1,158,556	1,158,556
Deferred revenue	(2,308)	—	(2,308)
Total adjustments	<u>664,911</u>	<u>9,166,579</u>	<u>9,831,490</u>
Net cash provided by (used in) operating activities	<u>658,270</u>	<u>13,995,924</u>	<u>14,654,194</u>
Cash flows from noncapital financing activities:			
Increase in receivables from dissolution of pension plan	—	(2,069,178)	(2,069,178)
Net cash used in noncapital financing activities	<u>—</u>	<u>(2,069,178)</u>	<u>(2,069,178)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(432,486)	(4,922,646)	(5,355,132)
Proceeds from sales of capital assets	(5,551)	9,415	3,864
Principal payments on debt	—	(1,632,772)	(1,632,772)
Interest payments on debt	—	(1,876,650)	(1,876,650)
Net cash used in capital and related financing activities	<u>\$ (438,037)</u>	<u>(8,422,653)</u>	<u>(8,860,690)</u>

(continued)

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows - Proprietary Fund Type
Component Units, Continued

For the Year Ended December 31, 2002

	Enterprise Funds		
	Lawrence Housing Authority	Lawrence Memorial Hospital	Total Component Units
Cash flows from investment activities:			
Receipt of interest and dividends	\$ 33,529	710,156	743,685
Change in investments	<u>317,485</u>	<u>(3,907,600)</u>	<u>(3,590,115)</u>
Net cash provided by (used in) investing activities	<u>351,014</u>	<u>(3,197,444)</u>	<u>(2,846,430)</u>
Net increase (decrease) in cash	571,247	306,649	877,896
Cash and cash equivalents, beginning of year	<u>502,633</u>	<u>5,429,779</u>	<u>5,932,412</u>
Cash and cash equivalents, end of year	<u>\$ 1,073,880</u>	<u>5,736,428</u>	<u>6,810,308</u>

See independent auditor's report on the general purpose financial statements.

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STATISTICAL SECTION



Table 1

CITY OF LAWRENCE, KANSAS
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years
 Unaudited

Year	General Government	Public Safety	Public Works	Health	Social Services (2)	Culture and Recreation	Tourism	Airport	Capital Outlay	Debt Service	Total
1993	\$4,278,328	\$8,727,951	\$4,191,760	\$952,891	\$280,278	\$2,630,487	\$320,000	\$54,218	\$1,064,656	\$3,563,190	\$26,063,759
1994	3,645,758	9,950,244	3,996,532	853,868	1,152,267	2,793,890	323,718	55,912	2,418,191	3,751,373	28,941,753
1995	4,085,600	10,870,141	4,072,699	983,610	3,949,855	2,868,026	348,592	60,699	4,960,200	4,120,298	36,319,630
1996	4,320,031	11,721,579	4,282,564	1,064,986	5,691,592	3,085,206	353,455	57,406	3,756,090	4,948,837	39,281,746
1997	5,619,976	13,822,621	4,738,153	893,561	4,926,671	3,307,316	428,369	62,995	4,300,420	6,701,911	44,801,993
1998	6,250,441	14,658,202	4,607,114	1,302,686	5,617,675	3,710,518	431,557	45,959	4,325,993	7,506,654	48,456,799
1999	6,940,177	14,931,935	4,768,079	1,469,277	1,847,584	4,036,175	485,027	52,107	4,120,125	6,832,829	45,483,315
2000	8,054,696	16,002,552	5,286,767	1,110,069	2,195,975	4,248,389	460,605	81,876	4,842,928	7,295,206	49,579,063
2001	13,373,484	17,360,889	5,715,798	1,200,890	2,055,147	5,141,485	443,181	79,691	3,913,454	7,964,760	57,248,779
2002	11,280,445	19,413,366	6,409,537	1,271,162	2,222,232	5,389,152	463,622	94,373	3,312,946	8,354,107	58,210,942

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

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

Table 2

CITY OF LAWRENCE, KANSAS

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Unaudited

Year	Taxes	Licenses and Permits	Inter-governmental (2)	Special Assessments	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous Revenues	Total
1993	\$18,417,058	\$416,335	\$6,038,011	\$1,073,453	\$937,177	\$949,685	\$698,201	\$294,799	\$28,824,719
1994	20,148,469	616,420	6,258,187	935,491	1,024,299	856,312	703,555	355,876	30,898,609
1995	21,382,979	496,153	14,654,866	1,043,432	1,626,418	707,562	1,318,666	946,177	42,176,253
1996	21,298,624	671,309	16,053,548	983,359	1,703,456	857,320	1,345,896	545,758	43,459,270
1997	22,269,525	535,278	17,169,515	943,073	3,819,842	971,397	1,672,692	556,052	47,937,374
1998	23,616,905	614,569	17,389,127	1,077,723	3,986,051	1,053,438	1,885,404	1,154,721	50,777,938
1999	24,812,688	660,835	14,053,307	815,907	3,062,775	1,346,049	1,760,503	1,116,488	47,628,552
2000	27,184,160	593,385	15,474,675	767,942	3,306,559	1,366,765	2,470,106	1,032,534	52,196,126
2001	28,871,331	675,677	19,453,270	703,422	4,132,558	1,437,216	1,783,799	1,176,540	58,233,813
2,002	30,544,548	785,543	16,115,603	640,943	4,508,000	1,776,155	1,188,509	928,431	56,487,732

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

(2) Includes County-wide sales tax from 1995-2000 and Lawrence Housing Authority from 1995-1998

Table 3

CITY OF LAWRENCE, KANSAS

General Governmental Tax Revenues by Source (1)

Last Ten Fiscal Years

Unaudited

Year	Property Tax	Sales Tax	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
1993	\$7,641,889	\$7,280,749	\$2,059,344	\$1,314,003	\$121,073	\$18,417,058
1994	8,102,991	7,918,138	2,423,466	1,461,643	242,231	20,148,469
1995	8,654,079	8,596,944	2,448,127	1,548,682	135,147	21,382,979
1996	8,130,026	8,635,425	2,819,752	1,595,138	118,283	21,298,624
1997	8,732,520	9,126,141	2,921,599	1,369,012	120,253	22,269,525
1998	9,476,465	9,781,233	2,922,099	1,341,665	95,443	23,616,905
1999	10,228,830	10,190,751	2,852,957	1,449,320	90,830	24,812,688
2000	11,844,455	10,660,961	3,247,604	1,364,778	66,362	27,184,160
2001	12,773,484	10,997,729	3,466,443	1,528,257	105,418	28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548

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

Table 4

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Ratio of Delinquent Taxes to Total Tax Levy	
							Outstanding Delinquent Taxes	Outstanding Delinquent Taxes to Total Tax Levy
1993	\$7,648,979	\$7,427,851	97.11%	\$214,038	\$7,641,889	99.91%	\$503,499	6.58%
1994	8,138,455	7,963,487	97.85	139,504	8,102,991	99.56	538,963	6.62
1995	8,749,132	8,511,302	97.28	142,777	8,654,079	98.91	134,016	1.53
1996	8,160,690	7,939,468	97.29	190,558	8,130,026	99.62	164,680	2.02
1997	8,807,831	8,602,435	97.67	130,085	8,732,520	99.14	239,991	2.72
1998	9,557,471	9,337,045	97.69	139,420	9,476,465	99.15	320,997	3.36
1999	10,377,742	10,111,307	97.43	256,943	10,228,830	98.57	469,909	4.53
2000	12,143,963	11,688,149	96.25	156,306	11,844,455	97.53	769,417	6.34
2001	13,038,707	12,545,282	96.22	228,202	12,773,484	97.97	1,034,640	7.94
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11

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

Table 5

CITY OF LAWRENCE, KANSAS
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Fair Market Value
	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	Assessed Value	Estimated Fair Market Value	
1993	\$242,414,200	\$1,842,224,612	\$26,041,830	\$113,434,493	\$17,521,947	\$48,975,895	\$285,977,977	\$2,004,635,000	14.1 %
1994	265,475,125	1,899,457,229	29,224,185	120,448,190	17,374,560	52,650,182	312,073,870	2,072,551,601	15.1 %
1995	306,634,405	2,200,816,704	31,905,265	131,052,435	17,755,345	53,804,076	356,295,015	2,385,673,215	14.9 %
1996	331,776,560	2,375,848,803	37,404,345	153,208,295	18,670,148	55,889,424	387,851,053	2,584,946,522	15.0 %
1997	360,067,050	2,581,012,295	41,742,335	171,013,733	19,709,636	59,128,908	421,519,021	2,811,154,936	15.0 %
1998	396,254,275	2,844,811,518	44,139,690	180,835,431	18,855,954	56,567,862	459,249,919	3,082,214,811	15.0 %
1999	430,724,410	3,093,617,130	49,302,310	197,209,240	18,637,210	55,911,630	498,663,930	3,346,738,000	15.0 %
2000	469,852,465	3,374,649,282	56,523,350	226,093,400	19,076,106	57,228,318	545,451,921	3,657,971,000	14.9 %
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9 %
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9 %

(1) Excludes motor vehicles.

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Table 6

Year	City of Lawrence				Douglas County				School District			
	Operating		Debt		Total		Operating		Service		Total	
	Millage	Millage	Service	Debt	County	Total	Millage	Millage	County	Service	Debt	State of Kansas
1993	19.69	8.77	28.46	25.60	4.22	29.82	48.97	7.97	56.94	1.50	116.72	
1994	19.59	8.44	28.03	25.54	4.34	29.88	53.24	6.78	60.02	1.50	119.43	
1995	14.34	8.44	22.78	23.83	1.69	25.52	56.81	13.29	70.10	1.50	119.88	
1996	14.18	8.49	22.67	21.62	3.57	25.19	56.08	11.51	67.59	1.50	116.95	
1997	14.76	7.91	22.67	22.02	2.64	24.66	52.27	10.09	62.36	1.50	111.19	
1998	15.87	6.73	22.60	22.82	3.02	25.84	39.33	9.17	48.50	1.50	98.43	
1999	17.69	6.67	24.35	22.24	2.38	24.62	43.47	11.05	54.52	1.50	104.99	
2000	17.15	6.75	23.90	24.32	0.00	24.32	39.61	12.17	51.78	1.50	101.51	
2001	17.61	7.12	24.73	24.51	3.38	27.89	45.70	9.64	55.34	1.50	109.46	
2002	18.44	7.13	25.57	27.82	0.00	27.82	39.03	10.81	49.84	1.50	104.72	

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2002

Unaudited

Table 7

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002</u>		<u>Percent of Total Assessed Valuation</u>
		<u>Assessed Valuation</u>	<u>Total Assessed Valuation</u>	
Southwestern Bell	Telephone Utility	\$ 8,961,410		1.42 %
Western Resources	Electric Utility	8,523,742		1.36
K-Mart Warehouse	District Warehouse	7,336,285		1.17
Hallmark Cards, Inc.	Card Manufacturer	5,020,005		0.80
Lawrence Paper Co.	Paper Manufacturer	4,394,410		0.70
Packer Ware	Plastics Manufacturer	3,819,000		0.61
NCS	Computer Services	3,176,885		0.51
World Company	Media	3,119,870		0.50
Lawrence Technology	Electronics	2,517,985		0.40
Star-Kist Foods	Dog Food Manufacturer	2,224,715		0.35
	Total	\$ 49,094,307		7.82 %

Source: Douglas County Clerk.

Table 8
CITY OF LAWRENCE, KANSAS

Special Assessment Billings and Collections

Last Ten Fiscal Years

<u>Year</u>	<u>Special Assessments Due</u>	<u>Special Assessments Collected (1)</u>
1993	\$888,792	\$1,073,453
1994	794,580	935,491
1995	665,300	1,043,432
1996	849,271	983,359
1997	807,215	943,073
1998	748,125	1,077,723
1999	520,620	815,907
2000	594,530	767,942
2001	583,177	703,422
2002	568,576	640,943

(1) Includes prepayments and foreclosures.

Table 9

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

December 31, 2002

Unaudited

Assessed value – January 1, 2002	<u>\$ 696,271,456</u>
Debt limitation (1)	<u>\$ 208,881,437</u>
Total bonded debt (including notes)	101,500,000
Less revenue bonds	<u>10,510,000</u>
Total debt applicable to limitation	<u>90,990,000</u>
Legal debt margin	<u>\$ 117,891,437</u>

(1) Debt limitation is 30% of assessed value

Table 10

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Debt Payable From Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
1993	69,203	\$285,978	\$28,380,000	\$1,990,300	\$6,915,000	\$19,474,700	6.81 %	\$281.41
1994	71,316	312,074	27,360,000	2,461,555	8,935,000	15,963,445	5.12	223.84
1995	74,784	356,295	28,270,000	3,114,847	6,840,000	18,315,153	5.14	244.91
1996	77,325	387,851	56,305,000	3,969,175	11,585,000	40,750,825	11.53	578.34
1997	79,190	421,519	63,250,000	5,078,420	16,620,000	41,551,580	9.86	524.71
1998	80,843	459,250	62,770,000	6,135,157	15,515,000	41,119,843	8.95	508.64
1999	81,560	498,664	65,605,000	7,993,327	14,360,000	43,251,673	8.67	530.30
2000	80,098	545,452	77,340,000	7,947,026	13,140,000	56,252,974	10.31	525.26
2001	83,495	595,971	77,465,000	7,638,070	11,855,000	57,971,930	9.73	658.45
2002	85,282	629,033	90,990,000	7,006,605	10,510,000	73,473,395	11.35	837.44

(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.

CITY OF LAWRENCE, KANSAS

Table 11

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

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	Ratio of Debt Service to Total General Governmental Expenditures		
				<u>Total General Governmental Expenditures (2)</u>	<u>General Expenditures (2)</u>	<u>General Expenditures (2)</u>
1993	\$2,540,000	\$1,023,190	\$3,563,190	\$26,063,759	13.67	%
1994	2,755,000	996,373	3,751,373	28,941,753	12.96	
1995	2,800,000	978,677	3,778,677	36,419,630	10.38	
1996	3,345,000	1,260,859	4,605,859	39,281,746	11.73	
1997	3,920,000	2,422,431	6,342,431	44,801,993	14.16	
1998	4,700,000	2,487,997	7,187,997	48,456,799	14.83	
1999	5,030,000	2,639,541	7,669,541	45,483,315	16.86	
2000	10,530,000	2,681,114	13,211,114	49,579,063	26.65	
2001	5,845,000	3,127,268	8,972,268	57,248,779	15.67	
2002	6,000,000	3,222,847	9,222,847	58,210,942	15.84	

(1) Includes Principal and Interest payments made from Enterprise Funds
(2) Includes General, Special Revenue and Debt Service Funds.

Table 12

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2002

Unaudited

Jurisdiction	Bond Issues Outstanding	Amount Available in Debt Service Fund	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City		Amount Applicable to City
				Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	
Direct – City of Lawrence	\$ 68,720,000	\$ 7,006,605	\$ 61,713,395	100	%	\$ 61,713,395
Overlapping:						
Douglas County	28,280,000	1,975,959	26,304,041	75		19,596,511
Unified School District No. 497	<u>56,790,000</u>	<u>2,050,884</u>	<u>54,739,116</u>	<u>87</u>		<u>47,623,031</u>
	<u><u>\$ 153,790,000</u></u>	<u><u>11,033,448</u></u>	<u><u>142,756,552</u></u>			<u><u>\$ 128,932,936</u></u>

Table 13

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage - Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1993	\$10,602,277	\$7,538,587	\$3,063,690	\$1,070,000	\$373,217	\$1,443,217	2.12
1994	12,554,587	7,633,546	4,921,041	1,610,000	426,823	2,036,823	2.42
1995	13,498,613	8,803,717	4,694,896	1,520,000	420,654	1,940,654	2.42
1996	14,349,648	8,910,558	5,439,090	1,645,000	464,733	2,109,733	3.88
1997	15,456,466	9,618,109	5,838,357	1,290,000	806,524	2,096,524	2.78
1998	17,564,406	10,222,628	7,341,778	1,105,000	874,335	1,979,335	3.71
1999	19,420,407	10,937,931	8,482,476	1,155,000	878,794	2,033,794	4.17
2000	20,886,254	11,564,734	9,321,520	1,220,000	901,286	2,121,286	4.39
2001	21,312,400	12,512,695	8,799,705	1,285,000	874,322	2,159,322	4.08
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.51

Table 14

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1993	69,203	\$11,760	24.70	9,367	5.1 %
1994	71,316	11,760	24.70	9,624	5.4
1995	74,784	11,760	24.70	9,710	4.7
1996	77,325	11,760	24.70	9,957	4.9
1997	79,190	11,760	24.70	10,136	4.2
1998	80,843	11,760	24.70	10,253	4.4
1999	81,560	11,760	24.70	10,371	3.2
2000	80,098	19,952	25.30	10,329	3.6
2001	83,495	19,952	25.30	10,273	4.4
2002	85,282	19,952	25.30	10,154	4.2

Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 1993-1999 Per Capita Income Estimates for Counties and Incorporated Places from 1990 census, 2000-2002 data from 2000 census.
- (3) 1990 Census of Population General Population Characteristics, except 2000-2002 which are from U.S. Census Bureau 2000 census
- (4) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
- (5) Kansas Department of Human Resources: Research and Analysis.

Table 15

CITY OF LAWRENCE, KANSAS

Property Value and Construction

Last Ten Fiscal Years

Unaudited

Year	Real Property	Personal Property	State Assessed Property	Total Property Value		New Construction	Number of Units	Valuation Building Permits		
				Commercial	Multi- family			Duplex	Single Family	
1993	\$242,414,200	\$26,041,830	\$17,521,947	\$285,977,977	31	246	78	389	\$103,511,159	
1994	265,475,125	29,224,185	17,374,560	312,071,870	27	442	77	486	122,806,816	
1995	306,634,405	31,905,265	17,755,345	356,295,015	33	184	55	356	96,513,808	
1996	331,776,560	37,404,345	18,670,148	387,851,053	52	972	122	338	167,505,304	
1997	360,067,050	41,742,335	19,709,636	421,519,021	46	89	37	346	127,422,684	
1998	396,254,275	44,139,690	18,855,954	459,249,919	26	33	75	360	141,064,963	
1999	430,724,410	49,302,310	18,637,210	498,663,930	38	195	62	392	149,742,874	
2000	469,852,465	56,523,350	19,076,106	545,451,921	37	236	46	305	175,039,978	
2001	516,933,790	58,430,000	20,607,464	595,971,254	48	302	168	308	152,209,259	
2002	553,933,830	54,197,260	20,902,337	629,033,427	37	359	119	304	141,596,618	

CITY OF LAWRENCE, KANSAS

Miscellaneous Statistics

December 31, 2002

Unaudited

Table 16

	Date Chartered	1858	Sewerage System	
Form of Government		Commission - Manager	Mile of Sanitary Sewers Number of Treatment Plants Number of Service Connections	425 1 28,252
Number of Employees	739	30.90	Actual Daily Average of Treatment Number of Lift Stations	9.2 MGD * 41
Area in Square Miles				*(MGD= Million Gallons Daily)
City of Lawrence Facilities and Services:				
Miles of Streets	278	5	Water System Number of Water Plants Miles of Water Mains Number of Service Connections	2 385 29,115
Culture and Recreation		50	Number of City Owned Fire Hydrants Daily Average Consumption in Million Gallons	2,881 12.6
Recreation Centers	3,275	18	Maximum Daily Capacity of Plant in Million Gallons	31.5
Parks				
Park Acreage				
Tennis Courts				
Fire Protection				
Number of Stations	7	133	Libraries Public Libraries Number of volumes (approximately)	1 254,100
Number of Firefighters and Officers				
Number of Fire Calls Answered	2,160	6,380	Facilities and Services Not Included in the Reporting Entity:	
Number of Medical Calls Answered				
Number of Medical Transports	5,679	8,011		
Number of Inspections Conducted				
Police Protection				
Number of Stations	2	133	Education Number of Public Elementary Schools Number of Public Secondary Schools	2 18 386
Number of Commissioned Police Officers			Number of Public Secondary Schools Number of Universities	7 373
Number of Full Time Civilians	34	24		2
Number of Patrol Units				
Number of Calls for Service	87,322	133	Hospitals Number of Hospitals Number of Patient Beds	1 177
Arrests Processed through County Jail	2,882	34		
Officer Issued Traffic Violations	16,460	24		
Officer Issued Parking Violations	15,748	24		

SINGLE AUDIT SECTION



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

Mayor and City Commission
City of Lawrence, Kansas

We have audited the general purpose financial statements of the City of Lawrence, Kansas, as of and for the year ended December 31, 2002, and have issued our report thereon dated April 30, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under "Government Auditing Standards."

Internal Control Over Financial Reporting

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

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

Lowenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2003

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

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

Mayor and City Commission
City of Lawrence, Kansas

Compliance

We have audited the compliance of the City of Lawrence, Kansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Lawrence, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

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

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

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

Lowenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2003

CITY OF LAWRENCE, KANSAS
Schedule of Expenditures of Federal Awards
December 31, 2002

Federal Grantor Agency Pass-Through Grantor / Program Name	Federal CFDA Number	Grant Program Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Assistance			
Community Development Block Grant/ Entitlement Grants	14.218	B-01-MC-20-0005	\$ 1,201,124
			<u>1,201,124</u>
Home - Investment Partnerships Program	14.239	M-00-MC-20-0205	169,497
Home - Investment Partnerships Program	14.239	M-01-MC-20-0205	<u>592,335</u>
			<u>761,832</u>
Fair Housing Assistance - State & Local (00)	14.401	FF207K007001	89,999
			<u>89,999</u>
KS Department of Commerce and Housing			
Emergency Shelter Grant (01)	14.231	S-01-DC-20-0001	54,395
Emergency Shelter Grant (02)	14.231	S-02-DC-20-0001	<u>1,700</u>
			<u>56,095</u>
Total U.S. Department of Housing and Urban Development			<u>2,109,050</u>
U. S. Department of Transportation			
Federal Transportation Administration			
Federal Transit Formula Grant	20.507	KS-90-X077-00	4,649
Federal Transit Formula Grant	20.507	KS-90-X087-00	868,750
Federal Transit Formula Grant	20.507	KS-90-X092-00	469,742
Federal Transit Formula 5309 Grant	20.507	KS-03-0022-00	138,891
FAA/Airport Improvement Project Grant (1)	20.106	69AA3052	63,319
FAA/Airport Improvement Project Grant (2)	20.106	69AA3052	75,560
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052	<u>963,115</u>
			<u>2,584,026</u>
KS Department of Transportation			
00 Section 5303 Grant	20.507	00-FTA-5303	2,478
01 Section 5303 Grant	20.507	01-FTA-5307	22,341
Transportation Planning Grant (00)	20.205	00 P.L. Contract Funds	41,708
Transportation Planning Grant (01)	20.205	01 P.L. Contract Funds	57,568
Bicycle Work Program Grant (2000)	20.205	23 TE-0178-01/TEA-1017 (801)	4,360
COPS in Schools	20.000	KS02301-2002-SHWX0166	83,370
Lawrence Police Department Traffic Safety Project	20.000	PT 03/05-03-05-02	<u>26,668</u>
			<u>238,492</u>
Total Department of Transportation			<u>2,822,518</u>
U.S. Department of Justice			
Direct Assistance			
Local Law Enforcement Block Grant (00)	16.592	00-LBVX-2456	8,876
Local Law Enforcement Block Grant (01)	16.592	01-LBVX-3655	<u>60,886</u>
Total Department of Justice			<u>69,762</u>
U.S. Department of the Interior			
KS Historical Society			
Historic Preservation Fund	15.904	20-02-161416-002	27,965
Total Department of the Interior			<u>27,965</u>
Total Federal Financial Awards Expenditures			<u>\$ 5,029,285</u>

1. General - This schedule presents the expenditures of all federal financial assistance program programs of the City of Lawrence. A assistance received directly from federal agencies as well as federal financial assistance passed through other government ag
2. Basis of Accounting - This schedule is presented in accordance with generally accepted accounting principles

CITY OF LAWRENCE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported	
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported	
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

Identification of major programs:	<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	14.218	Community Development Block Grant
	20.507	Federal Transit Grant Formula
Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>	

Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
--	---

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted