

# **CITY OF LAWRENCE, KANSAS**

**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2005**

**Prepared by:**  
**Department of Finance**

# **City of Lawrence**

## **Mission Statement**

### **Our Mission**

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

### **Our Principles**

We are committed to these basic values:

**Integrity  
Courtesy  
Fairness  
Honesty**

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

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

We will promote teamwork, employee satisfaction, and professional development in order to provide innovative,

### **Our Vision**

We will provide leadership in preparing for the future.

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

## CITY OF LAWRENCE, KANSAS

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## CITY OF LAWRENCE, KANSAS

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## **INTRODUCTORY SECTION**



# *City of Lawrence* KANSAS

## CITY COMMISSION

MAYOR  
MIKE AMYX

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

DAVID L. CORLISS  
INTERIM CITY MANAGER

City Offices  
Box 708 66044-0708  
TDD 785-832-3205  
[www.lawrenceks.org](http://www.lawrenceks.org)

6 East 6<sup>th</sup>  
785-832-3000  
FAX 785-832-3405

March 31, 2006

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2005 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal Singleton Webb and Wilson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Lawrence for the fiscal year ended December 31, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lawrence's financial statements for the year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



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

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

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

### **Profile of the City**

The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City's location, thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol, makes it one of the fastest growing cities in Kansas. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 31.3 square miles and had an estimated population in 2005 of 88,541.

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

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

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

## **Factors Affecting Financial Condition**

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

**Local economy.** The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. The City Commission approved a \$118 million tax abatement for Berry Plastics to manufacture a new line of plastic cups. Pearson Government Solutions announced planned to hire an additional 100 workers by the end of 2005. Protection One moved its corporate headquarters from Topeka to Lawrence. A total of 65 jobs were to be transferred to Lawrence. Berry Plastics announced plans for a significant expansion of its Lawrence plant to begin in 2006. When completed, the expansion would result in the hiring an additional 154 employees.

The average unemployment of the Lawrence MSA in 2005 was 4.0%. The total civilian labor force was 62,929. The average annual unemployment rate for 2001, 2002, 2003, and 2004 was 4.4%, 4.2%, 4.7% and 4.2%, respectively. The number of homes sold in Lawrence during 2005 was 1,581, a decrease of 1.8% compared to 2004. The average selling price for a home was \$190,591 during the year, an increase of 5.6% from the 2004 average.

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

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

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

The City Commission is provided with a projection of the revenue, expenditures, and fund balances of the property tax supported funds as part of the budget deliberations. The main purpose is to avoid large fluctuations in the property tax levy and to warn of the potential and enhance revenue sources and/or reduce the growth of expenditures. The City Commission has adopted a policy to maintain the fund balance in the General Fund at a level no less than 25% of expenditures.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, obligations of Federal agencies, and the Kansas Municipal Investment Pool. The maturities of investments varied from three months to four years with an average maturity just over one year. The weighted average yield on investments during the year was 2.7%. The City's cash management policy was certified by the Municipal Treasurer's Association in 2002. In addition, the State's Pooled Money Investment Board has granted the City expanded investment powers.

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

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

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

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2004. This was the fourteenth consecutive year that the City has received this prestigious

award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

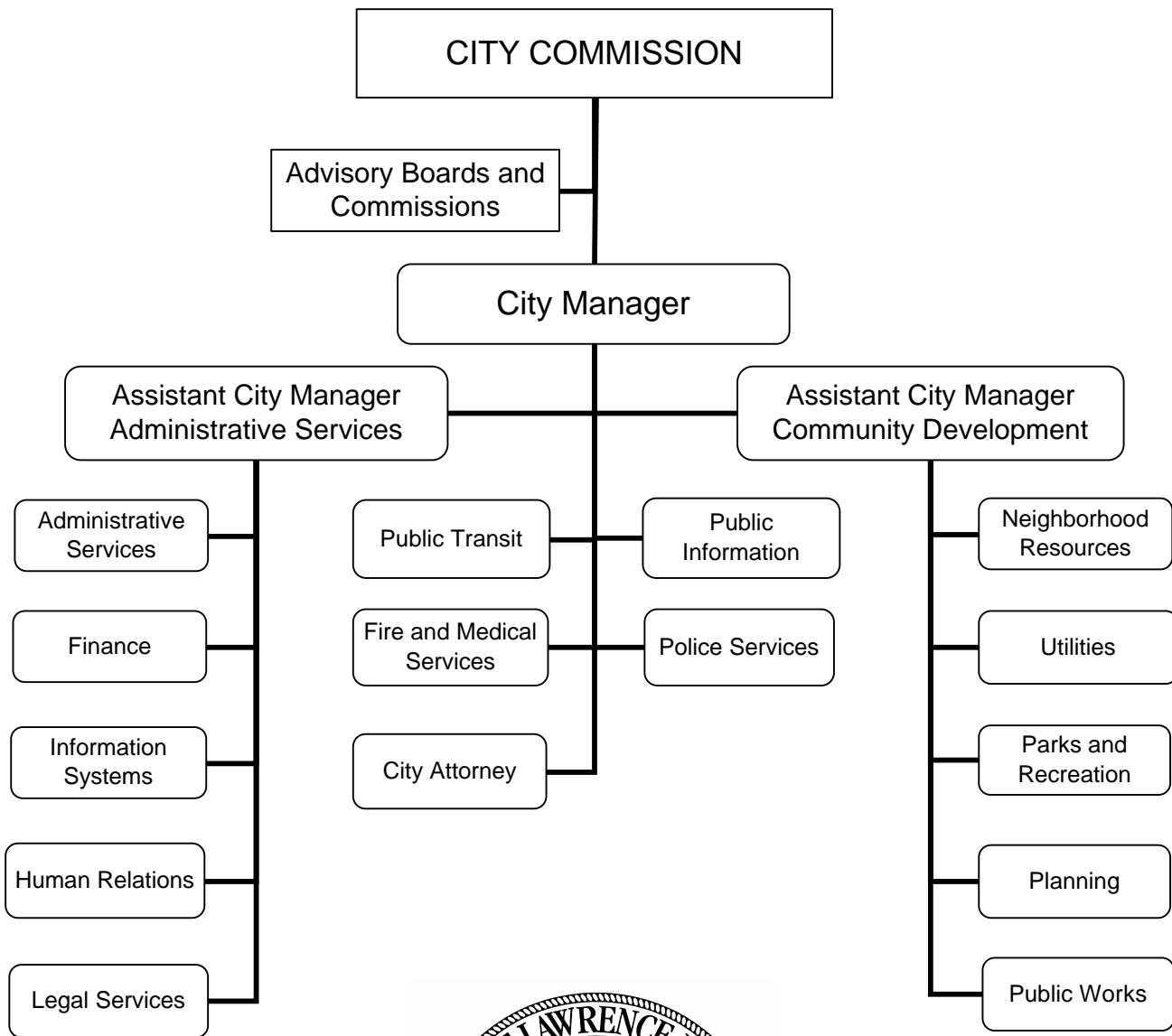
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2005 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

A. Ed Mullins  
Finance Director

# City of Lawrence Organizational Chart



**CITY OF LAWRENCE, KANSAS**

List of Principal Officials

December 31, 2005

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawrence,  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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.



*Carla E. Pendleton*

President

*Jeffrey R. Ecker*

Executive Director

## **FINANCIAL SECTION**

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

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CERTIFIED PUBLIC ACCOUNTANTS

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Members of American Institute  
and Kansas Society of  
Certified Public Accountants

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

Mayor and City Commission  
City of Lawrence, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrence Memorial Hospital which statements reflect total assets of \$121,556,726 as of December 31, 2005 and total expenses of \$103,381,220 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$16,032,267 as of December 31, 2005 and total expenses of \$6,173,715 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated March 31, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

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

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

*Kowenthal, Singleton, Webb & Wilson*

Professional Association

March 31, 2006

## Management's Discussion and Analysis

As management of the City of Lawrence, Kansas, we offer readers of the financial statements an overview and analysis of the financial activities of the City of Lawrence for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

### Financial Highlights

- The assets of the City of Lawrence exceeded its liabilities at the end of 2005 by \$309,112,806. Of this amount, \$105,944,142 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was an \$11.7 million increase in governmental capital assets.
- As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$28,758,229, a decrease of \$10,262,847 in comparison with the prior year. Approximately 67% is available for spending at the City's discretion. The decrease occurred due to the completion of a large amount of capital improvements in the Capital Projects Fund.
- At the end of 2005, the City's unreserved general fund balance was \$14,472,880 or 30.6% of total general fund expenditures.
- The City's total debt increased 12.8% during the year. The debt was issued to fund various street and storm water improvements. The increase occurred largely because of the issuance of water and sewer revenue bonds to fund projects such as the expansion of the water treatment plant

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Government-wide Financial Analysis

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

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

	Governmental		Business-type		Total	
	2005	2004	2005	2004	2005	2004
Current and other Assets	\$ 89,460	\$ 82,486	\$ 69,742	\$ 50,033	\$ 159,202	\$ 132,519
Capital Assets	<u>176,281</u>	<u>164,291</u>	<u>158,939</u>	<u>157,977</u>	<u>335,220</u>	<u>322,268</u>
Total	<u><u>\$ 265,741</u></u>	<u><u>\$ 246,777</u></u>	<u><u>\$ 228,681</u></u>	<u><u>\$ 208,010</u></u>	<u><u>\$ 494,422</u></u>	<u><u>\$ 454,787</u></u>
Other Liabilities	\$ 29,074	\$ 15,250	\$ 3,855	\$ 9,482	\$ 32,929	\$ 24,732
Long term Liabilities	<u>68,126</u>	<u>69,795</u>	<u>84,254</u>	<u>65,166</u>	<u>152,380</u>	<u>134,961</u>
Total	<u><u>\$ 97,200</u></u>	<u><u>\$ 85,045</u></u>	<u><u>\$ 88,109</u></u>	<u><u>\$ 74,648</u></u>	<u><u>\$ 185,309</u></u>	<u><u>\$ 159,693</u></u>
Net Assets:						
Capital Assets Net of Debt	\$ 88,195	\$ 86,270	\$ 74,896	\$ 87,319	\$ 163,091	\$ 173,589
Restricted	<u>22,346</u>	<u>8,631</u>	<u>17,733</u>	<u>6,906</u>	<u>40,079</u>	<u>15,537</u>
Unrestricted	<u>58,000</u>	<u>66,831</u>	<u>47,943</u>	<u>39,137</u>	<u>105,943</u>	<u>105,968</u>
Total	<u><u>\$ 168,541</u></u>	<u><u>\$ 161,732</u></u>	<u><u>\$ 140,572</u></u>	<u><u>\$ 133,362</u></u>	<u><u>\$ 309,113</u></u>	<u><u>\$ 295,094</u></u>

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

As of the end of 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in large part to the construction of capital assets with temporary note and general obligation bond proceeds. Events increasing current and other assets included positive net changes in the General Fund balance of \$1.5 million and in the combined Special Revenue Funds balances of \$798,000. However, the balance in the Debt Service Fund decreased by over \$522,000. An increase in special assessment receivables of over \$2.1 million also accounted for some of the increase in current and other assets. Other liabilities and restricted net assets increased in 2005 primarily due to the issuance of \$22 million in temporary notes.

There was an increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund and Storm Water Fund had positive net income for the year, with over \$6.0 million earned by the Water and Sewer Fund. The other business-type activities reported losses of less than \$200,000 in each fund. Both current assets and long term liabilities increased with the issuance of \$25 million in water and sewer revenue bonds for \$16 million in future projects and to refund \$9 million in previous revenue bond issues. In addition, \$5 million in general obligation bonds will be paid with storm water revenue.

Overall, the City's net assets increased by \$14,018,720 during 2005 due to positive net income in most funds and the continued construction of capital assets. A part of the increase was the result of General Fund revenues exceeding expenditures by \$1.5 million and water and sewer revenues exceeding expenses by over \$6.0 million. The City is increasing its cash reserves to pay for future water and sewer capital projects. The Storm Water Utility experienced positive net income of \$932,118. However, the Storm Water Utility will be responsible for retiring \$5.0 million in general obligation debt that was issued in 2005. A more complete analysis of the changes in the City's net assets is shown below.

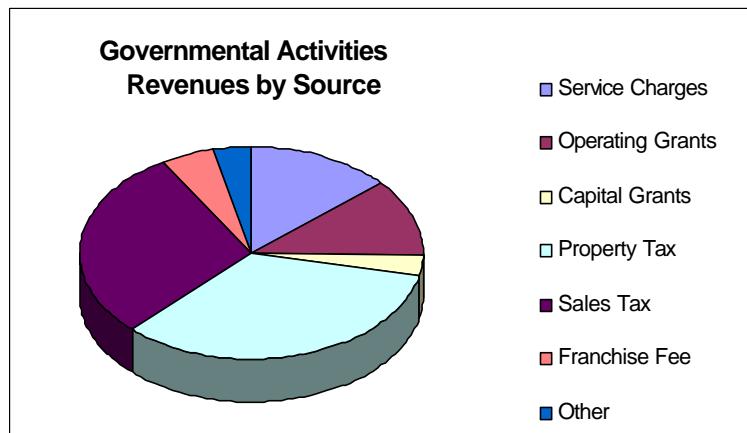
**City of Lawrence's Changes in Net Assets**  
(000's)

	Governmental		Business-type		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Service	\$ 9,841	\$ 9,306	\$ 37,592	\$ 34,523	\$ 47,433	\$ 43,829
Operating Grants	8,646	8,768	-	34	8,646	8,802
Capital Grants	2,164	3,776	61	-	2,225	3,776
<b>General Revenues:</b>						
Property Taxes	24,632	22,247	-	-	24,632	22,247
Sales Taxes	21,318	20,740	-	-	21,318	20,740
Franchise Fees	3,754	3,685	-	-	3,754	3,685
Unrestricted Grants	531	531	-	-	531	531
Other	2,010	932	1,767	896	3,777	1,828
<b>Total</b>	<b>72,896</b>	<b>69,985</b>	<b>39,420</b>	<b>35,453</b>	<b>112,316</b>	<b>105,438</b>
<b>Expenses</b>						
General Government	16,467	14,404	-	-	16,467	14,404
Public Safety	23,959	22,024	-	-	23,959	22,024
Public Works	13,341	12,949	-	-	13,341	12,949
Social Services	3,331	2,678	-	-	3,331	2,678
Recreation	7,146	6,876	-	-	7,146	6,876
Health	898	888	-	-	898	888
Interest on Debt	2,838	3,165	-	-	2,838	3,165
Water and Sewer	-	-	18,439	17,080	18,439	17,080
Sanitation	-	-	8,396	7,818	8,396	7,818
Public Parking	-	-	962	934	962	934
Storm Water	-	-	1,528	1,210	1,528	1,210
Golf	-	-	993	1,095	993	1,095
<b>Total expenses</b>	<b>67,980</b>	<b>62,984</b>	<b>30,318</b>	<b>28,137</b>	<b>98,298</b>	<b>91,121</b>
Excess [deficiency]	4,916	7,001	9,102	7,316	14,018	14,317
Transfers	1,892	1,442	[1,892]	[1,442]	-	-
Change in Net Assets	6,808	8,443	7,210	5,874	14,018	14,317
<b>Beginning Net Assets</b>	<b>161,732</b>	<b>153,289</b>	<b>133,362</b>	<b>127,488</b>	<b>295,094</b>	<b>280,777</b>
<b>Ending Net Assets</b>	<b>\$168,540</b>	<b>\$161,732</b>	<b>\$140,572</b>	<b>\$133,362</b>	<b>\$309,112</b>	<b>\$295,094</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$6,808,122 during the year. Key elements of governmental activities during the year are as follows.

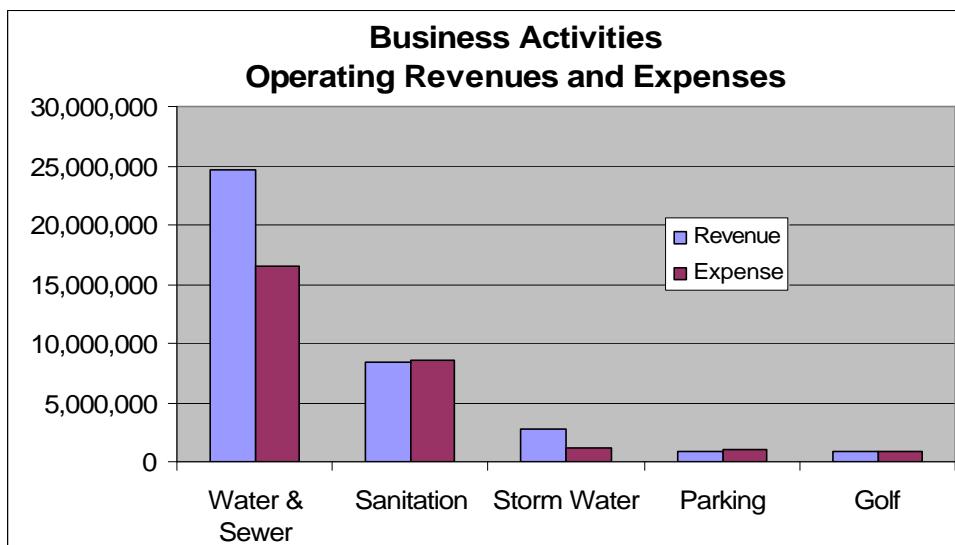
Charges for service increased because of fees paid for engineering services associated with the completion of benefit district capital projects. Property taxes revenue increased due to a 6.5% increase in assessed valuation and a slight reduction in the total levy. Capital grants decreased due to the completion of grant funded airport improvements. Sales tax revenue increased by 2.8%. Other revenue rose as the result of Interest earnings increasing by \$868,000 from 2004 due to the Federal Reserve raising short term interest rates.

Expenses increased 7.9% because of general wage adjustments, the hiring of 2 planners, 2 engineers, and an attorney. A new pay plan was adopted that allowed additional employees to receive merit increases.



**Business-type activities.** Business-type activities increased the City's net assets by \$7,210,598. The Water and Sewer Fund and Storm Water Fund experienced positive net income with the Sanitation, Public Parking and Golf Course Funds showing small losses. The key elements of the increase in net assets are as follows:

- Positive net income in the Water and Sewer equaling \$6.0 million. Water rates were increased 4.0% on average and sewer rates increased 9.0% on average in 2005.
- Positive net income in the Storm Water Fund equaling \$932,918. Storm water fees were not changed in 2005.
- Continued build up of cash reserves in the Water and Sewer Fund to pay for future capital projects.
- Expansion of the storm water collection system.



## Financial Analysis of the Government's Funds

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

As of December 31, 2005, the City of Lawrence's governmental funds reported combined ending fund balances of \$28,758,229, a decrease of \$10,262,847 from the prior year. Approximately 67% of the total is unreserved and thus available for spending in future years. The remaining amount has already been committed to liquidate contracts and purchase orders and pay debt service and legal claims.

The general fund is the primary operating fund of the City. At the end of 2005, unreserved general fund balance totaled \$14,472,880, while total general fund balance was \$15,327,743. Unreserved general fund balance represents 30.6% of total general fund expenditures, above the 25% of expenditures minimum established by the City Commission's adopted fund balance policy.

Key factors affecting the general fund balance are as follows:

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

The debt service fund has a total fund balance of \$7,774,005, all of which is reserved for debt service. The \$522,382 decrease in fund balance during the year was not significant. A large transfer of unspent bond proceeds was received from the capital projects fund. The amount of debt payments are projected to increase in the near future.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$39,021,968 at the end of 2005. The unrestricted fund equity of the Sanitation Fund amounted to \$4,039,760 at the end of 2005. The net income for the Water and Sewer Fund was \$6,063,933. The Sanitation Fund had a net loss of \$164,003. The continued population growth of Lawrence has had an impact on the funds. Increasing demands for water and sanitary sewer services will result in the need to expand existing facilities on the water side and in the construction of a second wastewater treatment plant by 2011. The Sanitation Fund must continue to add routes and equipment to service the growth areas of the City.

### General Fund Budgetary Highlights

The City of Lawrence adopts its budget on a fund basis. The adopted budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category exceeded the budgeted amount. Expenditure adjustments between programs and line items were minimal since departments were directed to hold the line on spending. The more significant operational changes to the 2005 budget from prior year budgets are listed below:

- A new pay plan was adopted that provided higher pay ranges for most employees.
- A 2% cost of living adjustment was included for all employees.
- Funding for curb maintenance was increased by \$225,000 to address deferred maintenance of the City's infrastructure.
- Capital outlay items budgeted in the Equipment Reserve Fund in 2004 were returned to the General Fund in 2005.
- The budget for transfers to other funds was increased by \$400,000 to replenish the Equipment and Capital Improvement Reserve Funds.
- The budget for General Fund contingencies was returned to \$200,000 after being reduced to \$100,000 in 2004.

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

### Capital Asset and Debt Administration

**Capital assets.** The City's investments in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$335,219,869 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads and bridges. The increase in capital assets for the current year was 4.0%.

Major capital asset additions during the year included the following:

- Completion of the 13<sup>th</sup> & Oregon Street storm water improvements
- Completion of the 21<sup>st</sup> - Kentucky to Barker Street storm water improvements
- Completion of the Overland - Congressional to Queens Road benefit district
- Completion of the O'Connell Road project
- Continued work on the expansion of the waste water treatment plant
- Painting of the water storage tank on Kasold Drive

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

	Governmental		Business-type		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 14,201	\$ 13,448	\$ 2,625	\$ 2,625	\$ 16,826	\$ 16,073
Buildings	28,069	28,598	61,280	10,371	89,349	38,969
Improvements	17,879	14,557	86,468	73,591	104,347	88,148
Equipment	6,342	6,329	3,873	4,450	10,215	10,779
Infrastructure	91,296	88,722	-	-	91,296	88,722
Construction in Progress	<u>18,494</u>	<u>12,636</u>	<u>4,693</u>	<u>66,941</u>	<u>23,187</u>	<u>79,577</u>
<b>Total</b>	<b><u>\$ 176,281</u></b>	<b><u>\$ 164,290</u></b>	<b><u>\$ 158,939</u></b>	<b><u>\$ 157,978</u></b>	<b><u>\$ 335,220</u></b>	<b><u>\$ 322,268</u></b>

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

**Long-term debt.** At the end of 2005, the City of Lawrence had total bonded debt outstanding of \$102,990,000. Of this amount, \$77,080,000 comprises debt backed by the full faith and credit of the government (general obligation debt). The remainder of the debt represents bonds secured solely by revenue generated by the Water and Sewer utility (revenue bonds). In addition, the City had \$46,970,879 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects.

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

	Governmental		Business-type		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Obligation	\$ 66,123	\$ 68,140	\$ 10,957	\$ 6,745	\$ 77,080	\$ 74,885
Revenue	-	-	25,910	8,935	25,910	8,935
SRF	-	-	46,971	49,114	46,971	49,114
Other Notes Payable	41	59	-	-	41	59
<b>Total</b>	<b><u>\$ 66,164</u></b>	<b><u>\$ 68,199</u></b>	<b><u>\$ 83,838</u></b>	<b><u>\$ 64,794</u></b>	<b><u>\$ 150,002</u></b>	<b><u>\$ 132,993</u></b>

The City's total outstanding debt increased \$17,009,179 during the year. The major component of this increase was the issuance of \$25,910,000 in revenue debt for water and sewer improvements. The issue also refunded the \$8,935,000 in outstanding revenue bonds. The continued growth of the City and the need for improving

existing infrastructure resulted in the issuance of \$11,095,000 in new general obligation debt. A total of \$5.0 million of the new general obligation debt will be paid for with storm water revenue.

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

Kansas statutes limit the amount of general obligation debt a city may issue to 30 percent of total assessed valuation. On December 31, 2005 the debt limitation for the City of Lawrence was \$254,570,933, which is significantly in excess of the \$77,080,000 in general obligation debt the City had outstanding as of December 31, 2005.

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

### **Economic Factors and 2006 Budget**

The unemployment rate for the City of Lawrence was 3.3% as of December 31, 2005. This is below the State average of 4.3%. The City experienced an increase of 6.5% in its assessed valuation in 2005. Pearson Government Solutions planned to hire an additional 100 workers by the end of 2005. Protection One moved its corporate headquarters from Topeka to Lawrence.

During 2005, unreserved fund balance in the general fund increased by \$1,549,956. Because of the enhanced economic growth during the time the 2006 budget was being developed, the 2006 budget incorporated an increase in the growth rates for the major revenue sources. In addition, because of the expiration of grants to fund police positions and the need for more infrastructure maintenance, budgeted expenditures were increased significantly. A total of eighteen new employees were added to the 2006 budget and a two percent general wage adjustment was provided. Nine of the new positions were firefighters to staff the new fire station.

The City Commission approved an increase in the rates charged for water service by an average of 4% and the rates for sanitary sewer service by an average of 9% effective in 2006. The increase in sanitation rates was 2% for 2005. The sewer rate increase was necessitated by the planned construction of a second wastewater treatment plant and other sanitary sewer related capital projects. The sanitation rate increase was implemented to cover increased operating expenses and to avoid a larger rate increase in the future.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

## CITY OF LAWRENCE, KANSAS

### Statement of Net Assets

December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash	\$ 7,080,116	10,660,250	17,740,366	7,890,845
Investments	48,832,682	54,832,302	103,664,984	48,263,464
Receivables (net of allowance of \$82,240)	33,380,258	3,350,012	36,730,270	16,204,823
Inventories	121,143	726,273	847,416	1,062,188
Due from other funds	45,000	—	45,000	—
Prepaid items	—	173,448	173,448	3,045,108
Deferred costs	—	—	—	619,319
Other assets	—	—	—	576,696
Capital assets (Net)				
Land and construction in progress	32,694,327	7,318,875	40,013,202	2,607,554
Other capital assets, net of depreciation	<u>143,587,015</u>	<u>151,619,652</u>	<u>295,206,667</u>	<u>61,631,459</u>
Total assets	<u><u>\$ 265,740,541</u></u>	<u><u>228,680,812</u></u>	<u><u>494,421,353</u></u>	<u><u>141,901,456</u></u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 5,205,687	2,914,361	8,120,048	13,251,953
Unearned revenue	20,194	8,739	28,933	555,586
Temporary notes payable	21,923,065	204,935	22,128,000	—
Due to other funds	—	45,000	45,000	—
Long-term liabilities				
Due within one year	10,033,483	2,927,037	12,960,520	2,209,623
Due in more than one year	<u>60,017,605</u>	<u>82,008,441</u>	<u>142,026,046</u>	<u>30,801,545</u>
Total liabilities	<u><u>\$ 97,200,034</u></u>	<u><u>88,108,513</u></u>	<u><u>185,308,547</u></u>	<u><u>46,818,707</u></u>
<b>Net Assets</b>				
Invested in capital assets, net of debt	\$ 88,194,346	74,895,527	163,089,873	36,606,448
Restricted for:				
Water and sewer improvements	—	15,113,126	15,113,126	—
Debt service	21,993,280	2,619,789	24,613,069	858,791
Other purposes	352,596	—	352,596	—
Unrestricted	<u>58,000,285</u>	<u>47,943,857</u>	<u>105,944,142</u>	<u>57,617,510</u>
Total net assets	<u><u>\$ 168,540,507</u></u>	<u><u>140,572,299</u></u>	<u><u>309,112,806</u></u>	<u><u>95,082,749</u></u>

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

**CITY OF LAWRENCE, KANSAS**

Statement of Activities  
For the Year Ended December 31, 2005

Functions/Programs Primary government:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 15,787,385	1,164,158	1,362,196	3,843	(13,257,188)	—	(13,257,188)	—	
Public safety	23,958,869	6,523,480	625,123	230	(16,810,036)	—	(16,810,036)	—	
Public works	13,152,884	212,454	2,728,779	876,571	(9,335,080)	—	(9,335,080)	—	
Health	897,509	186,038	—	—	(711,471)	—	(711,471)	—	
Social services	3,330,734	170,684	2,618,914	—	(541,136)	—	(541,136)	—	
Culture and recreation	7,145,971	1,554,583	591,571	—	(4,999,817)	—	(4,999,817)	—	
Tourism	680,490	—	719,356	—	38,866	—	38,866	—	
Airport	188,284	29,712	—	—	(158,572)	—	(158,572)	—	
Interest on long-term debt	2,838,234	—	—	1,283,187	(1,555,047)	—	(1,555,047)	—	
Total governmental activities	<u>\$ 67,980,360</u>	<u>9,841,109</u>	<u>8,645,939</u>	<u>2,163,831</u>	<u>(47,329,481)</u>	<u>—</u>	<u>(47,329,481)</u>	<u>—</u>	
Business-type activities:									
Water & sewer	18,439,977	24,666,589	—	—	—	6,226,612	6,226,612	—	
Sanitation	8,395,807	8,350,141	—	—	—	(45,666)	(45,666)	—	
Parking	962,303	871,504	—	—	—	(90,799)	(90,799)	—	
Stormwater	1,527,637	2,767,975	—	60,944	—	1,301,282	1,301,282	—	
Golf course	992,548	935,964	—	—	—	(56,584)	(56,584)	—	
Total business-type activities	<u>\$ 30,318,272</u>	<u>37,592,173</u>	<u>—</u>	<u>60,944</u>	<u>—</u>	<u>7,334,845</u>	<u>7,334,845</u>	<u>—</u>	
Total primary government	<u>\$ 98,298,632</u>	<u>47,433,282</u>	<u>8,645,939</u>	<u>2,224,775</u>	<u>(47,329,481)</u>	<u>7,334,845</u>	<u>(39,994,636)</u>	<u>—</u>	
Component units:									
Lawrence Housing Authority	\$ 6,173,715	1,072,978	4,994,066	119,695	—	—	—	13,024	
Lawrence Memorial Hospital	103,381,220	110,771,368	—	175,323	—	—	—	7,565,471	
Lawrence Public Library	2,703,788	123,473	2,717,658	—	—	—	—	137,343	
Total component units	<u>\$ 112,258,723</u>	<u>111,967,819</u>	<u>7,711,724</u>	<u>295,018</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,715,838</u>	
General Revenues									
Taxes									
Property taxes, levied for general purposes				16,550,651		16,550,651		—	
Property taxes, levied for debt service				8,081,284		8,081,284		—	
Franchise taxes				3,754,184		3,754,184		—	
Sales taxes				21,318,108		21,318,108		—	
Grants and contributions not restricted to specific programs				530,707		530,707		—	
Unrestricted investment earnings				1,912,596	1,449,433	3,362,029	2,126,243		
Miscellaneous				98,035	318,358	416,393	155,097		
Transfers				1,892,038	(1,892,038)	—	—		
Total general revenues and transfers				<u>54,137,603</u>	<u>(124,247)</u>	<u>54,013,356</u>	<u>2,281,340</u>		
Change in net assets				6,808,122	7,210,598	14,018,720	9,997,178		
Net assets-beginning				<u>161,732,385</u>	<u>133,361,701</u>	<u>295,094,086</u>	<u>85,085,571</u>		
Net assets-ending				<u>\$ 168,540,507</u>	<u>140,572,299</u>	<u>309,112,806</u>	<u>95,082,749</u>		

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

## CITY OF LAWRENCE, KANSAS

### Balance Sheet Governmental Funds December 31, 2005

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 151,923	952,870	4,161	5,180,136	6,289,090
Investments	13,694,528	7,246,725	13,800,138	11,190,640	45,932,031
Receivables:					
Taxes	12,581,145	5,049,227	—	3,093,569	20,723,941
Special assessments	—	9,633,494	—	—	9,633,494
Intergovernmental	—	—	—	642,431	642,431
Accounts (net of allowance of \$4,166)	1,043,021	44,153	—	125,506	1,212,680
Franchise fees	347,878	—	—	—	347,878
Loans	—	—	—	329,596	329,596
Accrued interest	140,406	8,741	127,755	58,153	335,055
Due from other funds	850,000	—	—	—	850,000
<b>Total assets</b>	<b>\$ 28,808,901</b>	<b>22,935,210</b>	<b>13,932,054</b>	<b>20,620,031</b>	<b>86,296,196</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 969,983	—	1,893,096	286,931	3,150,010
Accrued payroll	565,323	—	—	70,383	635,706
Due to other funds	—	—	535,000	270,000	805,000
Temporary notes payable	—	—	21,923,065	—	21,923,065
Deferred revenue	11,945,852	15,161,205	—	3,917,129	31,024,186
<b>Total liabilities</b>	<b>13,481,158</b>	<b>15,161,205</b>	<b>24,351,161</b>	<b>4,544,443</b>	<b>57,537,967</b>
Fund balances:					
Reserved for encumbrances	854,863	3,800	—	469,968	1,328,631
Reserved for debt service	—	7,770,205	—	—	7,770,205
Reserved for loans	—	—	—	329,596	329,596
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	14,472,880	—	—	—	14,472,880
Special revenue funds	—	—	—	15,253,024	15,253,024
Capital projects funds	—	—	(10,419,107)	—	(10,419,107)
<b>Total fund balances</b>	<b>15,327,743</b>	<b>7,774,005</b>	<b>(10,419,107)</b>	<b>16,075,588</b>	<b>28,758,229</b>
<b>Total liabilities and fund balances</b>	<b>\$ 28,808,901</b>	<b>22,935,210</b>	<b>13,932,054</b>	<b>20,620,031</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	176,234,880
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	31,024,186
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,640,416
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(71,117,204)
<b>Net assets of governmental activities</b>	<b>\$ 168,540,507</b>

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

## CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2005

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 29,037,413	5,580,997	—	3,961,184	38,579,594
Special assessments	—	1,283,188	67,187	—	1,350,375
Licenses and permits	1,082,191	—	—	—	1,082,191
Charges for services	3,856,099	—	—	1,488,766	5,344,865
Fines, forfeitures and penalties	2,637,520	—	—	—	2,637,520
Interest	1,087,618	180,508	260,300	295,862	1,824,288
Intergovernmental	9,263,344	—	628,759	8,454,011	18,346,114
Reimbursements	—	—	178,665	—	178,665
Miscellaneous	196,233	243,512	1,960	578,787	1,020,492
<b>Total revenues</b>	<b>47,160,418</b>	<b>7,288,205</b>	<b>1,136,871</b>	<b>14,778,610</b>	<b>70,364,104</b>
<b>Expenditures:</b>					
Current expenditures:					
General government	10,942,923	—	—	5,484,121	16,427,044
Public safety	22,454,365	—	—	963,887	23,418,252
Public works	4,474,262	—	—	2,422,553	6,896,815
Health	848,333	—	—	47,011	895,344
Social services	245,161	—	—	2,633,788	2,878,949
Culture and recreation	2,810,296	—	—	3,840,951	6,651,247
Tourism	—	—	—	677,282	677,282
Airport	72,507	—	—	—	72,507
Capital outlay	615,415	—	18,346,509	889,663	19,851,587
Debt service:					
Principal retirement	17,379	6,596,111	—	1,507,847	8,121,337
Interest and fiscal charges	1,897	2,069,984	59,622	587,685	2,719,188
<b>Total expenditures</b>	<b>42,482,538</b>	<b>8,666,095</b>	<b>18,406,131</b>	<b>19,054,788</b>	<b>88,609,552</b>
Excess (deficiency) of revenues over (under) expenditures	4,677,880	(1,377,890)	(17,269,260)	(4,276,178)	(18,245,448)
<b>Other financing sources (uses):</b>					
Transfers in	1,595,525	855,508	—	5,513,813	7,964,846
Transfers out	(4,774,000)	—	(855,508)	(439,813)	(6,069,321)
Issuance of general obligation bonds	—	—	6,087,076	—	6,087,076
<b>Total other financing sources (uses)</b>	<b>(3,178,475)</b>	<b>855,508</b>	<b>5,231,568</b>	<b>5,074,000</b>	<b>7,982,601</b>
Net changes in fund balances	1,499,405	(522,382)	(12,037,692)	797,822	(10,262,847)
Fund balance, beginning of year	13,828,338	8,296,387	1,618,585	15,277,766	39,021,076
<b>Fund balance, end of year</b>	<b>\$ 15,327,743</b>	<b>7,774,005</b>	<b>(10,419,107)</b>	<b>16,075,588</b>	<b>28,758,229</b>

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

## CITY OF LAWRENCE, KANSAS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended December 31, 2005

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

Net changes in fund balances - total governmental funds	\$ (10,262,847)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,060,808
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,444,034
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,034,262
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(635,477)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>1,167,342</u>
Change in net assets of governmental activities	<u>\$ 6,808,122</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues:</b>					
Taxes	\$ 28,015,998	28,015,998	29,037,413	1,021,415	27,891,875
Licenses and permits	770,000	770,000	1,082,191	312,191	1,121,828
Charges for services	3,544,294	3,544,294	3,856,099	311,805	3,362,272
Fines, forfeitures and penalties	2,020,800	2,020,800	2,637,520	616,720	2,321,690
Interest	400,000	400,000	1,087,618	687,618	369,078
Intergovernmental	8,642,000	8,642,000	9,263,344	621,344	9,041,008
Miscellaneous	136,000	136,000	196,233	60,233	299,858
<b>Total revenues</b>	<b>43,529,092</b>	<b>43,529,092</b>	<b>47,160,418</b>	<b>3,631,326</b>	<b>44,407,609</b>
<b>Expenditures:</b>					
General government	11,261,965	11,259,394	10,839,619	419,775	9,876,890
Public safety	22,535,284	22,540,284	22,412,559	127,725	19,553,470
Public works	4,744,517	4,726,680	4,493,988	232,692	3,894,423
Health	930,901	930,901	847,499	83,402	816,644
Social services	313,024	313,024	247,031	65,993	282,364
Culture and recreation	2,855,366	2,811,687	2,846,401	(34,714)	2,551,861
Airport	102,064	102,064	72,300	29,764	78,435
Capital outlay	859,960	769,047	653,314	115,733	60,699
Debt service:					
Principal retirement and interest expense	19,276	19,276	19,276	—	19,276
<b>Total expenditures</b>	<b>43,622,357</b>	<b>43,472,357</b>	<b>42,431,987</b>	<b>1,040,370</b>	<b>37,134,062</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(93,265)</b>	<b>56,735</b>	<b>4,728,431</b>	<b>4,671,696</b>	<b>7,273,547</b>
<b>Other financing sources (uses):</b>					
Transfers in	1,588,525	1,588,525	1,595,525	7,000	1,195,000
Transfers out	(4,624,000)	(4,774,000)	(4,774,000)	—	(3,710,206)
<b>Total other financing sources (uses)</b>	<b>(3,035,475)</b>	<b>(3,185,475)</b>	<b>(3,178,475)</b>	<b>7,000</b>	<b>(2,515,206)</b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	\$ <b>(3,128,740)</b>	<b>(3,128,740)</b>	<b>1,549,956</b>	<b>4,678,696</b>	<b>4,758,341</b>
Fund balance, beginning of year			13,828,338		9,178,957
Net change in reserve for encumbrances			(50,551)		(108,960)
<b>Fund balance, end of year</b>	<b>\$ 15,327,743</b>				<b>13,828,338</b>

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

**CITY OF LAWRENCE, KANSAS**

**Balance Sheet**  
**Proprietary Funds**  
**December 31, 2005**

Assets	Business-type Activities-Enterprise Funds					Governmental Activities-Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
	\$					
Current assets:						
Cash	3,506,757	670,445	202,522	460,830	4,840,554	1,272,705
Investments	34,622,631	3,296,651	2,208,445	219,758	40,347,485	4,194,888
Receivables:						
Intergovernmental	—	—	60,944	—	60,944	—
Accounts (net of allowance of \$82,240)	1,847,435	652,779	204,862	10,889	2,715,965	261,128
Accrued interest	395,684	26,147	12,107	1,759	435,697	31,461
Inventories	587,664	—	—	10,780	598,444	248,972
Prepaid items	173,448	—	—	—	173,448	—
Restricted cash:						
Customer deposits	679,623	3,065	—	—	682,688	—
Current portion of revenue bonds	618,188	—	—	—	618,188	—
Restricted investments::						
Customer deposits	154,979	—	—	—	154,979	—
Current portion of revenue bonds	431,812	—	—	—	431,812	—
Total current assets	43,018,221	4,649,087	2,688,880	704,016	51,060,204	6,009,154
Noncurrent assets						
Restricted cash	4,037,141	—	—	—	4,037,141	—
Restricted investments	12,603,789	—	—	—	12,603,789	—
Total restricted assets	16,640,930	—	—	—	16,640,930	—
Capital assets						
Land	492,773	—	1,653,567	479,055	2,625,395	—
Buildings and improvements	170,569,187	1,495,172	12,357,349	7,605,857	192,027,565	421,535
Equipment	6,129,438	6,527,744	772,833	613,094	14,043,109	254,764
Construction in progress	4,361,918	—	331,562	—	4,693,480	—
Accumulated depreciation	(44,095,591)	(5,323,949)	(1,172,501)	(3,909,281)	(54,501,322)	(579,537)
Total capital assets	137,457,725	2,698,967	13,942,810	4,788,725	158,888,227	96,762
Total noncurrent assets	154,098,655	2,698,967	13,942,810	4,788,725	175,529,157	96,762
Total assets	\$ 197,116,876	7,348,054	16,631,690	5,492,741	226,589,361	6,105,916
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Current liabilities						
Accounts payable	\$ 641,936	125,836	13,081	9,018	789,871	158,030
Accrued interest payable	777,412	—	103,431	46,306	927,149	—
Claims payable	—	—	—	—	—	279,262
Accrued payroll	113,746	79,059	8,772	13,687	215,264	13,601
Accrued vacation and sick pay	313,571	261,881	33,417	46,019	654,888	51,474
Due to other funds	—	—	—	45,000	45,000	—
Deferred revenue	—	—	—	—	—	28,933
Temporary notes payable	—	—	204,935	—	204,935	—
Current portion of general obligation bonds	—	—	1,015,799	180,000	1,195,799	—
Total unrestricted current liabilities	1,846,665	466,776	1,379,435	340,030	4,032,906	531,300
Current liabilities payable from restricted assets:						
Customer deposits	834,602	3,065	—	—	837,667	—
Current portion of revenue bonds	1,050,000	—	—	—	1,050,000	—
Total current liabilities payable from restricted assets	1,884,602	3,065	—	—	1,887,667	—
Total current liabilities	3,731,267	469,841	1,379,435	340,030	5,920,573	531,300
Noncurrent liabilities						
Compensated absences	223,001	139,486	7,807	22,596	392,890	45,533
General obligation bonds payable	—	—	7,381,388	2,380,000	9,761,388	—
Revenue bonds payable	24,860,000	—	—	—	24,860,000	—
Notes payable	46,970,878	—	—	—	46,970,878	—
Total noncurrent liabilities	72,053,879	139,486	7,389,195	2,402,596	81,985,156	45,533
Total liabilities	75,785,146	609,327	8,768,630	2,742,626	87,905,729	576,833
Fund equity:						
Invested in capital assets, net of debt	64,576,847	2,698,967	5,340,688	2,228,725	74,845,227	96,762
Restricted for:						
Water and sewer improvements	15,113,126	—	—	—	15,113,126	—
Debt service	2,619,789	—	—	—	2,619,789	—
Unrestricted	39,021,968	4,039,760	2,522,372	521,390	46,105,490	5,432,321
Total fund equity	121,331,730	6,738,727	7,863,060	2,750,115	138,683,632	5,529,083
Total liabilities and fund equity	\$ 197,116,876	7,348,054	16,631,690	5,492,741	226,589,361	6,105,916
Total fund equity					138,683,632	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					1,888,667	
Net assets of business-type activities					\$ 140,572,299	

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

## CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2005

	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
Operating revenues:						
Charges for services	\$ 24,536,054	8,167,598	2,767,975	1,807,468	37,279,095	8,932,918
Other sales	130,535	182,543	—	—	313,078	—
Total operating revenues	<u>24,666,589</u>	<u>8,350,141</u>	<u>2,767,975</u>	<u>1,807,468</u>	<u>37,592,173</u>	<u>8,932,918</u>
Operating expenses:						
Continuing operations	—	7,848,495	938,487	1,492,117	10,279,099	2,455,457
Transmission and distribution	10,237,438	—	—	—	10,237,438	—
General administration	1,952,645	—	—	—	1,952,645	484,448
Health insurance claims	—	—	—	—	—	4,377,650
Depreciation and amortization	4,313,868	765,283	283,755	357,789	5,720,695	33,763
Total operating expenses	<u>16,503,951</u>	<u>8,613,778</u>	<u>1,222,242</u>	<u>1,849,906</u>	<u>28,189,877</u>	<u>7,351,318</u>
Operating income (loss)	<u>8,162,638</u>	<u>(263,637)</u>	<u>1,545,733</u>	<u>(42,438)</u>	<u>9,402,296</u>	<u>1,581,600</u>
Nonoperating revenues (expenses)						
Interest income	1,186,608	111,356	97,093	11,312	1,406,369	131,370
Interest expense and fiscal charges	(2,168,281)	—	(328,789)	(144,585)	(2,641,655)	—
Gain (loss) on sale of capital assets	(926)	5,716	—	—	4,790	—
Federal and state grant	—	—	60,944	—	60,944	—
Other	134,919	170,062	7,137	1,450	313,568	14,183
Total nonoperating revenues (expenses)	<u>(847,680)</u>	<u>287,134</u>	<u>(163,615)</u>	<u>(131,823)</u>	<u>(855,984)</u>	<u>145,553</u>
Income (loss) before transfers	7,314,958	23,497	1,382,118	(174,261)	8,546,312	1,727,153
Transfers out	<u>(1,251,025)</u>	<u>(187,500)</u>	<u>(450,000)</u>	<u>—</u>	<u>(1,888,525)</u>	<u>(7,000)</u>
Net income (loss)	6,063,933	(164,003)	932,118	(174,261)	6,657,787	1,720,153
Fund equity (deficit), beginning of year	<u>115,267,797</u>	<u>6,902,730</u>	<u>6,930,942</u>	<u>2,924,376</u>		<u>3,808,930</u>
Fund equity (deficit), end of year	<u>\$ 121,331,730</u>	<u>6,738,727</u>	<u>7,863,060</u>	<u>2,750,115</u>		<u>5,529,083</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					552,811	
Change in net assets of business-type activities					\$ 7,210,598	

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

## CITY OF LAWRENCE, KANSAS

### Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2005

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds	
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 24,555,688	8,468,601	2,768,065	1,808,942	37,601,296	8,911,350
Payments to suppliers	(7,476,157)	(7,336,161)	(651,505)	(659,553)	(16,123,376)	(6,810,405)
Payments to employees	(4,837,638)	(423,488)	(498,339)	(824,338)	(6,583,803)	(592,112)
Net cash provided by (used in) operating activities	<u>12,241,893</u>	<u>708,952</u>	<u>1,618,221</u>	<u>325,051</u>	<u>14,894,117</u>	<u>1,508,833</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers out	(1,251,025)	(187,500)	(450,000)	—	(1,888,525)	(7,000)
Loan from general fund	—	—	—	45,000	45,000	—
Net cash provided by (used in) noncapital financing activities	<u>(1,251,025)</u>	<u>(187,500)</u>	<u>(450,000)</u>	<u>45,000</u>	<u>(1,843,525)</u>	<u>(7,000)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(4,617,385)	(371,103)	(1,708,600)	(8,165)	(6,705,253)	(8,980)
Proceeds from sales of capital assets	10,183	5,716	—	—	15,899	—
Proceeds from notes payable	447,072	—	204,935	—	652,007	—
Proceeds from general obligation bonds	—	—	5,007,924	—	5,007,924	—
Proceeds from revenue bonds	25,910,000	—	—	—	25,910,000	—
Principal payments on debt	(11,330,328)	—	(6,489,822)	(170,000)	(17,990,150)	—
Interest payments on debt	(2,047,124)	—	(341,704)	(147,418)	(2,536,246)	—
Net cash used in capital and related financing activities	<u>8,372,418</u>	<u>(365,387)</u>	<u>(3,327,267)</u>	<u>(325,583)</u>	<u>4,354,181</u>	<u>(8,980)</u>
<b>Cash flows from investing activities:</b>						
Receipt of interest and dividends	945,798	97,238	97,702	12,183	1,152,921	118,165
Purchases of investments	(70,722,569)	(5,248,564)	(6,080,128)	(602,493)	(82,653,754)	(7,811,178)
Sales of investments	54,552,218	5,348,821	6,734,218	799,216	67,434,473	7,185,483
Net cash provided by (used in) investing activities	<u>(15,224,553)</u>	<u>197,495</u>	<u>751,792</u>	<u>208,906</u>	<u>(14,066,360)</u>	<u>(507,530)</u>
Net increase (decrease) in cash	4,138,733	353,560	(1,407,254)	253,374	3,338,413	985,323
Cash and cash equivalents, beginning of year	<u>4,702,976</u>	<u>319,950</u>	<u>1,609,776</u>	<u>207,456</u>	<u>6,840,158</u>	<u>287,382</u>
Cash and cash equivalents, end of year	<u>\$ 8,841,709</u>	<u>673,510</u>	<u>202,522</u>	<u>460,830</u>	<u>10,178,571</u>	<u>1,272,705</u>
<b>Components of cash and cash equivalents at end of year:</b>						
Cash	\$ 3,506,757	670,445	202,522	460,830	4,840,554	1,272,705
Restricted cash - customer deposits	679,623	3,065	—	—	682,688	—
Restricted cash - revenue bonds	618,188	—	—	—	618,188	—
Restricted cash - noncurrent	4,037,141	—	—	—	4,037,141	—
	<u>\$ 8,841,709</u>	<u>673,510</u>	<u>202,522</u>	<u>460,830</u>	<u>10,178,571</u>	<u>1,272,705</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 8,162,638	(263,637)	1,545,733	(42,438)	9,402,296	1,581,600
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	4,313,868	765,283	283,755	357,789	5,720,695	33,763
Other income	134,919	170,062	7,137	1,450	313,568	14,183
Change in:						
Accounts receivable	(293,602)	(52,607)	(7,047)	24	(353,232)	(35,751)
Inventories of supplies	(126,940)	—	—	79	(126,861)	(26,002)
Accounts payable	(46,332)	21,489	(207,070)	(305)	(232,218)	137,096
Claims payable	—	—	—	—	—	(213,356)
Accrued payroll	15,655	4,231	(1,673)	(683)	17,530	1,494
Customer deposits	47,782	1,005	—	—	48,787	—
Accrued vacation and sick pay	44,418	66,334	(2,614)	9,135	117,273	11,214
Deferred revenue	—	—	—	—	—	4,592
Estimated claims and judgments payable	(10,513)	(3,208)	—	—	(13,721)	—
Total adjustments	4,079,255	972,589	72,488	367,489	5,491,821	(72,767)
Net cash provided by (used in) operating activities	<u>\$ 12,241,893</u>	<u>708,952</u>	<u>1,618,221</u>	<u>325,051</u>	<u>14,894,117</u>	<u>1,508,833</u>

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

**CITY OF LAWRENCE, KANSAS**

Statement of Assets and Liabilities  
All Agency Funds

December 31, 2005

Assets	
Cash	\$ 328,284
Restricted assets - court receivables	<u>70,683</u>
Total assets	\$ <u><u>398,967</u></u>
Liabilities	
Accounts payable	\$ 328,284
Court bonds payable	<u>70,683</u>
Total liabilities	\$ <u><u>398,967</u></u>

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

## CITY OF LAWRENCE, KANSAS

### Combining Statement of Net Assets - Discretely Presented Component Units December 31, 2005

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 962,052	5,974,183	954,610	7,890,845
Investments	5,258,327	43,005,137	—	48,263,464
Receivables (net)	158,299	16,046,524	—	16,204,823
Inventories	41,685	1,020,503	—	1,062,188
Prepaid items	64,667	2,980,441	—	3,045,108
Deferred costs	—	619,319	—	619,319
Other assets	5,902	570,794	—	576,696
Capital assets (net)				
Land and construction in progress	838,744	1,768,810	—	2,607,554
Other capital assets, net of depreciation	8,702,591	49,571,015	3,357,853	61,631,459
Total assets	<u>\$ 16,032,267</u>	<u>121,556,726</u>	<u>4,312,463</u>	<u>141,901,456</u>
Liabilities				
Accounts payable and accrued expenses	\$ 374,211	12,678,942	198,800	13,251,953
Deferred revenue	29,347	526,239	—	555,586
Long-term liabilities				
Due within one year	—	2,209,623	—	2,209,623
Due in more than one year	76,586	30,724,959	—	30,801,545
Total liabilities	<u>\$ 480,144</u>	<u>46,139,763</u>	<u>198,800</u>	<u>46,818,707</u>
Net Assets				
Invested in capital assets, net of debt	\$ 9,541,335	23,707,260	3,357,853	36,606,448
Restricted for:				
Debt service	—	858,791	—	858,791
Unrestricted	6,010,788	50,850,912	755,810	57,617,510
Total net assets	<u>\$ 15,552,123</u>	<u>75,416,963</u>	<u>4,113,663</u>	<u>95,082,749</u>

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

**CITY OF LAWRENCE, KANSAS**

Combining Statement of Activities - Discretely Presented Component Units  
For the Year Ended December 31, 2005

	<b>Lawrence Housing Authority</b>	<b>Lawrence Memorial Hospital</b>	<b>Lawrence Public Library</b>	<b>Total Component Units</b>
Expenses	\$ 6,173,715	103,381,220	2,703,788	112,258,723
Program revenues:				
Charges for services	1,072,978	110,771,368	123,473	111,967,819
Operating grants and contributions	4,994,066	—	2,717,658	7,711,724
Capital grants and contributions	119,695	175,323	—	295,018
Net (expense) revenue	<u>13,024</u>	<u>7,565,471</u>	<u>137,343</u>	<u>7,715,838</u>
General Revenues				
Unrestricted investment earnings	135,846	1,956,019	34,378	2,126,243
Miscellaneous	101,136	52,602	1,359	155,097
Total general revenues and transfers	<u>236,982</u>	<u>2,008,621</u>	<u>35,737</u>	<u>2,281,340</u>
Change in net assets	250,006	9,574,092	173,080	9,997,178
Net assets-beginning	<u>15,302,117</u>	<u>65,842,871</u>	<u>3,940,583</u>	<u>85,085,571</u>
Net assets-ending	<u>\$ 15,552,123</u>	<u>75,416,963</u>	<u>4,113,663</u>	<u>95,082,749</u>

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

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

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

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

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

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

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

- *Water and Sewer Fund* is used to account for the operations of the City's water and sewer operations.

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

#### **C. Inventories**

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

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

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

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

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

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

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

## **City of Lawrence, Kansas**

### Notes to Basic Financial Statements

December 31, 2005

c. Public hearing on or before August 15 of each year, but at least ten days after public notice.

d. Adoption of final budget on or before August 25 of each year.

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

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

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

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

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

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

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

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

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

**Taxes Receivable.** Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2005. It is not practicable to apportion delinquent taxes held by the County Treasurer at the

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

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

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

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

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

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

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. There was no interest capitalized during 2005.

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

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

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

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

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

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

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

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

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

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

#### **(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. Financial accountability results from one of the following criteria:

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

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

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

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

The City of Lawrence Public Library, created by State Statutes as a body corporate, operates the City's public library, serving primarily Lawrence and Douglas County. The library is governed by a seven member board appointed by the Mayor with approval by the City Commission. It is a component unit because it satisfies 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 Public Library  
707 Vermont  
Lawrence, Kansas 66044

Lawrence Memorial Hospital  
325 Maine  
Lawrence, Kansas 66044

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$71,117,204 difference are as follows:

Bonds payable	\$ 66,122,813
Notes payable	41,118
Accrued interest payable	1,113,488
Claims and judgments payable	292,171
Compensated absences	<u>3,547,614</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 71,117,204</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,060,808 difference are as follows:

Capital outlay	\$ 18,496,270
Depreciation expense	<u>(6,435,462)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 12,060,808</u>

Another element of that reconciliation explains that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,034,262 difference are as follows:

Debt issued:	
Issuance of general obligation bonds	\$ (6,087,076)
Principal repayments:	
General obligation debt	8,103,958
Notes payable	<u>17,380</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 2,034,262</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$635,477 difference are as follows:

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

Compensated absences	\$ (399,474)
Claims and judgments	(116,956 )
Accrued interest	<u>(119,047)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (635,477)</u>

#### **(4) Budgetary Accounting**

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

#### **(5) Deposits and Investments**

*Deposits* – At December 31, 2005, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Ratings</u>
Certificates of Deposit	\$ 32,660,000	0.53	Not applicable
U.S. Government Agencies	59,493,383	0.65	Not applicable
State Treasurer's investment pool	11,511,601	0.54	S&P AAAf/S1T
Total fair value	<u>\$ 103,664,984</u>		
Portfolio weighted average maturity		0.60	

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

*Credit risk* Kansas statutes limit the investment of public funds to certificates of deposit and U.S. Treasury obligations. The City of Lawrence has been granted expanded investment powers by the Pooled Money Investment Board of the State of Kansas and is able to also invest in the obligations of government sponsored corporations. The obligations of government sponsored corporations are not the liabilities of the U.S. government and do pose some credit risk.

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

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

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2005

**(6) Tax Revenue**

Tax revenue for the year ended December 31, 2005 is as follows:

	<b>Primary Government</b>			
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
Property taxes	\$ 11,277,358	3,592,944	5,061,191	19,931,493
Motor vehicle tax	1,121,435	354,355	500,226	1,976,016
Payment in lieu of tax	118,739	13,885	19,580	152,204
Utility franchise taxes	3,754,184	-	-	3,754,184
Sales taxes	<u>12,765,697</u>	<u>-</u>	<u>-</u>	<u>12,765,697</u>
 Tax revenue	 <u>\$ 29,037,413</u>	 <u>3,961,184</u>	 <u>5,580,997</u>	 <u>38,579,594</u>

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2005 were as follows:

<b>Fund</b>	<b>Levy</b>
<b>Primary government:</b>	
General	\$ 15.026
Library	3.264
Public Transportation	0.632
Recreation	0.406
Debt Service	<u>7.047</u>
 Total primary government	 <u>\$ 26.375</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

#### **(7) Debt**

The following is a summary of long-term debt transactions for the year ended December 31, 2005:

<b>Type of Issue</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds	\$ 68,139,695	6,087,076	8,103,958	66,122,813	7,944,201
Long term notes payable	58,498	-	17,380	41,118	17,993
Estimated claims and judgements payable	175,215	116,956	-	292,171	146,086
Accrued vacation and sick pay	3,148,140	2,498,915	2,052,069	3,594,986	1,925,203
<b>Total primary government</b>	<b>\$ 71,521,548</b>	<b>8,702,947</b>	<b>10,173,407</b>	<b>70,051,088</b>	<b>10,033,483</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 6,745,305	5,007,924	796,042	10,957,187	1,195,799
Revenue bonds	8,935,000	25,910,000	8,935,000	25,910,000	1,050,000
Long term notes payable	49,114,320	251,887	2,395,329	46,970,878	-
Estimated claims and judgements payable	13,721	-	13,721	-	-
Accrued vacation and sick pay	974,513	845,492	722,592	1,097,413	681,238
<b>Total primary government</b>	<b>\$ 65,782,859</b>	<b>32,015,303</b>	<b>12,862,684</b>	<b>84,935,478</b>	<b>2,927,037</b>

The following is a summary of temporary note transactions for the year ended December 31, 2005:

<b>Type of Issue</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Governmental Activities	\$ 8,020,714	21,923,065	8,020,714	21,923,065
<b>Business-type Activities</b>				
Business-type Activities	7,724,286	204,935	7,724,286	204,935
<b>Total primary government</b>	<b>\$ 15,745,000</b>	<b>22,128,000</b>	<b>15,745,000</b>	<b>22,128,000</b>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

Debt payable, other than claims and judgments and compensated absences, at December 31, 2005 is composed of the following:

<b>Debt Issue</b>	<b>Date Issued</b>	<b>Date Matures</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Balance At End of Year</b>	<b>Due in One Year</b>
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	\$ 25,910,000	\$ 25,910,000	1,050,000
					<u>25,910,000</u>	<u>1,050,000</u>
Long term notes payable -						
Kansas Partnership Fund	1998	2008	3.50	290,127	41,118	17,993
					<u>41,118</u>	<u>17,993</u>
Kansas Public Wastewater Loan Fund	2000	2021	3.44	38,358,346	36,354,746	*
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,277,720	5,483,164	*
Kansas Public Water Supply Loan Fund	2002	2023	4.14	626,337	5,132,968	*
					<u>5,132,968</u>	<u>-</u>
					<u>46,970,878</u>	<u>-</u>
General obligation bonds:						
Internal improvement	1996	2006	4.6-6.5	540,000	65,000	65,000
Internal improvement	1996	2006	4.8-6.8	390,000	50,000	50,000
Internal improvement	1997	2006	4.45-6.45	2,930,000	350,000	350,000
Internal improvement	1997	2007	4.2-4.7	2,900,000	695,000	340,000
Internal improvement	1998	2007	3.6-4.4	5,325,000	1,220,000	595,000
Internal improvement	1999	2008	3.15-4.2	4,405,000	1,635,000	520,000
Internal improvement	1999	2009	4.5-6.0	2,110,000	1,180,000	280,000
Internal improvement	2000	2009	4.875-6.25	2,450,000	1,570,000	350,000
Internal improvement	2000	2010	4.25-5.95	2,455,000	1,375,000	250,000
Internal improvement	2000	2010	4.5-5.75	560,000	285,000	55,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,625,000	120,000
Internal improvement	2000	2010	4.625-5	4,990,000	4,255,000	770,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	7,985,000	365,000
Internal improvement	2001	2012	4.375-6.125	2,840,000	1,840,000	250,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	1,025,000	110,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	6,345,000	670,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,990,000	130,000
Internal improvement	2002	2014	2.8-3.7	920,000	735,000	65,000
Refunding	2003	2016	2.25-4.2	4,270,000	2,555,000	200,000
Refunding	2003	2016	2.25-4.2	10,190,000	9,040,000	1,175,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	2,220,000	215,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	2,725,000	220,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	2,935,000	265,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	9,805,000	795,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	1,480,000	120,000
Internal improvement	2005	2017	3.2-4.0	1,600,000	11,095,000	815,000
					<u>11,095,000</u>	<u>815,000</u>
					<u>77,080,000</u>	<u>9,140,000</u>
Total primary government					\$ 150,001,996	10,207,993

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

In 2005, the City issued \$11,095,000 of general obligation bonds for paying the costs of certain street, building, sanitary sewer, storm water, traffic signal, and other improvements. The General Obligation Bonds, Series 2005-A, are due in annual installments of \$815,000 to \$1,085,000 with interest due in semiannual installments at rates of 3.20% to 4.00% through September 1, 2017.

In 2005, the City issued \$22,128,000 of temporary notes for the purpose of temporarily financing the costs of street improvements, intersection improvements, and benefit district projects in the Northwest part of the City. The Temporary Notes, Series 2005-I, bear interest of 4.00% and mature October 1, 2006.

The City intends to redeem all temporary notes outstanding at December 31, 2005 in 2006 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
2006	\$	7,944,201	2,584,609	10,528,810
2007		7,187,370	2,320,906	9,508,276
2008		6,519,687	2,015,472	8,535,159
2009		6,534,282	1,768,965	8,303,247
2010		6,148,835	1,521,663	7,670,498
2011-2015		23,592,461	4,538,598	28,131,059
2016-2020		8,195,977	952,012	9,147,989
Total	\$	<u>66,122,813</u>	<u>15,702,225</u>	<u>81,825,038</u>

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

Year		Principal Due	Interest Due	Total Due
2006	\$	1,195,799	442,523	1,638,322
2007		1,232,630	399,034	1,631,664
2008		1,210,313	347,627	1,557,940
2009		855,718	297,825	1,153,543
2010		766,165	262,268	1,028,433
2011-2015		4,252,539	832,333	5,084,872
2016-2020		1,444,023	77,396	1,521,419
Total	\$	<u>10,957,187</u>	<u>2,659,006</u>	<u>13,616,193</u>

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2005

*Total general obligation bonds:*

<b>Year</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2006	\$ 9,140,000	3,027,132	12,167,132
2007	8,420,000	2,719,940	11,139,940
2008	7,730,000	2,363,099	10,093,099
2009	7,390,000	2,066,790	9,456,790
2010	6,915,000	1,783,931	8,698,931
2011-2015	27,845,000	5,370,931	33,215,931
2016-2020	<u>9,640,000</u>	<u>1,029,408</u>	<u>10,669,408</u>
Total	<u>\$ 77,080,000</u>	<u>18,361,231</u>	<u>95,441,231</u>

*Revenue bonds:*

<b>Year</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2006	\$ 1,050,000	1,329,563	2,379,563
2007	1,195,000	1,021,650	2,216,650
2008	1,340,000	973,850	2,313,850
2009	1,435,000	920,250	2,355,250
2010	1,550,000	862,850	2,412,850
2011-2015	8,440,000	3,353,250	11,793,250
2016-2020	<u>5,210,000</u>	<u>1,843,650</u>	<u>7,053,650</u>
2021-2025	<u>5,690,000</u>	<u>744,813</u>	<u>6,434,813</u>
Total	<u>\$ 25,910,000</u>	<u>11,049,876</u>	<u>36,959,876</u>

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

<b>Year</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Due</b>
2006	\$ 17,993	1,283	19,276
2007	18,629	648	19,277
2008	<u>4,496</u>	<u>79</u>	<u>4,575</u>
Total	<u>\$ 41,118</u>	<u>2,010</u>	<u>43,128</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

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

Year	Principal Due
Total to maturity	\$ <u>46,970,878</u>

The 2000 Kansas Wastewater Loan in the amount of \$36,354,746 is a partial draw on a loan commitment of \$46,093,953. The 2001 Kansas Water Supply Loan in the amount of \$5,483,164 is a partial draw on a loan commitment of \$7,000,000. The 2002 Kansas Water Supply Loan in the amount of \$5,132,968 is a partial draw on a loan commitment of \$5,620,015. Amortization of these loans will be determined when the draws are complete.

In 2005, the City issued \$25,910,000 in Water and Sewage System Refunding and Improvement revenue bonds. The bonds are due in annual installments of \$970,000 to 1,820,000 with interest due in semiannual installments at rates of 2.75% to 4.40% through November 1, 2025. The bonds were issued for the purpose of financing various water and sewer system improvements and refunding the Series 1996 and Series 1997 Water and Sewage System revenue bonds.

The refunding of the Series 1996 Bonds constituted a current refunding. The outstanding bonds were called at par on November 1, 2005 in the amount of \$4,170,000. The refunding resulted in a net present value benefit of \$369,696.

The refunding of the Series 1997 Bonds constituted an advance refunding. The outstanding bonds will be called at par on November 1, 2006 in the amount of \$4,765,000. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$340,646 and resulted in an economic gain of \$276,217.

The Water and Sewage System Revenue Bonds require that one-sixth of the next interest payment due, one-twelfth of the next principal due, and one-sixth of the agent charges next due be set aside monthly in a restricted account and that a bond reserve be maintained if net revenues of the Water and Sewer System are less than 125% of the maximum annual debt service. A depreciation and emergency account is also to be maintained at a minimum of \$50,000. The City is in compliance with all requirements.

**Conduit Debt:** The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2005, total outstanding conduit debt was \$37,400,000.

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

#### **Lawrence Memorial Hospital Component Unit Debt:**

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

Changes in long term debt transactions:

Type of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 32,287,235	-	1,301,628	30,985,607	1,410,000
Retirement plan obligation	1,352,474	65,927	253,723	1,164,678	224,801
Capital lease obligations	1,224,176	-	439,879	784,297	574,822
	<u>\$ 34,863,885</u>	<u>65,927</u>	<u>1,995,230</u>	<u>32,934,582</u>	<u>2,209,623</u>

The City has issued Series 1997, Series 1999 and Series 2003 hospital revenue bonds under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance a prior bond issue and reimburse the Hospital for certain capital expenditures. The issuance of these bonds does not directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment.

Debt Issue	Date Matures	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Series 1997	2021	5.00-5.35	\$ 8,000,000	\$ 6,300,000	260,000
Series 1999	2024	5.00-6.00	10,380,000	8,990,000	290,000
Series 2003	2019	2.50-5.38	17,450,000	16,120,000	860,000
Unamortized loss on refunding				<u>(424,393)</u>	-
				<u>\$ 30,985,607</u>	<u>1,410,000</u>

Annual debt service requirements for hospital revenue bonds as of December 31, 2005 are as follows:

Year	Principal Due	Interest Due	Total Due
2006	\$ 1,410,000	1,594,959	3,004,959
2007	1,455,000	1,545,218	3,000,218
2008	1,505,000	1,489,861	2,994,861
2009	1,585,000	1,423,651	3,008,651
2010	1,630,000	1,358,512	2,988,512
2011-2015	9,645,000	5,388,119	15,033,119
2016-2020	10,855,000	2,500,767	13,355,767
2021-2025	3,325,000	358,551	3,683,551
Total	<u>\$ 31,410,000</u>	<u>15,659,638</u>	<u>47,069,638</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

**Arbitrage** – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2005.

### (8) Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,448,343	752,331	-	14,200,674
Construction in progress	<u>12,636,372</u>	<u>15,880,308</u>	<u>(10,023,027)</u>	<u>18,493,653</u>
Total capital assets, not being depreciated	<u>26,084,715</u>	<u>16,632,639</u>	<u>(10,023,027)</u>	<u>32,694,327</u>
Capital assets, being depreciated:				
Buildings	46,106,121	978,471	-	47,084,592
Improvements other than buildings	19,269,276	4,166,580	-	23,435,857
Machinery and equipment	22,543,144	1,811,884	(597,684)	23,757,344
Infrastructure	<u>128,734,172</u>	<u>4,934,196</u>	<u>-</u>	<u>133,668,368</u>
Total capital assets being depreciated	<u>216,652,713</u>	<u>11,891,132</u>	<u>(597,684)</u>	<u>227,946,161</u>
Less accumulated depreciation for:				
Buildings	17,508,385	1,507,712	-	19,016,097
Improvements other than buildings	4,712,216	844,755	-	5,556,972
Machinery and equipment	16,213,825	1,740,652	(539,940)	17,414,537
Infrastructure	<u>40,012,377</u>	<u>2,359,163</u>	<u>-</u>	<u>42,371,540</u>
Total accumulated depreciation	<u>78,446,803</u>	<u>6,452,283</u>	<u>(539,940)</u>	<u>84,359,146</u>
Total capital assets, being depreciated, net	<u>138,205,910</u>	<u>5,438,849</u>	<u>(57,744)</u>	<u>143,587,015</u>
Governmental activities capital assets, net	<u>\$ 164,290,625</u>	<u>22,071,488</u>	<u>(10,080,771)</u>	<u>176,281,342</u>

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,625,396	-	-	2,625,396
Construction in progress	66,940,773	5,241,443	(67,488,737)	4,693,479
Total capital assets, not being depreciated	<u>69,566,169</u>	<u>5,241,443</u>	<u>(67,488,737)</u>	<u>7,318,875</u>
Capital assets, being depreciated:				
Buildings	18,078,333	51,902,456	-	69,980,789
Improvements other than buildings	106,012,719	16,250,406	-	122,263,125
Machinery and equipment	13,672,667	676,200	(174,308)	14,174,559
Total capital assets being depreciated	<u>137,763,719</u>	<u>68,829,062</u>	<u>(174,308)</u>	<u>206,418,473</u>
Less accumulated depreciation for:				
Buildings	7,707,038	993,693	-	8,700,731
Improvements other than buildings	32,421,959	3,373,745	-	35,795,704
Machinery and equipment	9,223,377	1,242,208	(163,199)	10,302,386
Total accumulated depreciation	<u>49,352,374</u>	<u>5,609,646</u>	<u>(163,199)</u>	<u>54,798,821</u>
Total capital assets, being depreciated, net	<u>88,411,345</u>	<u>63,219,416</u>	<u>(11,109)</u>	<u>151,619,652</u>
Business-type activities capital assets, net	<u>\$ 157,977,514</u>	<u>68,460,859</u>	<u>(67,499,846)</u>	<u>158,938,527</u>

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

Governmental activities:				
General government		\$ 132,335		
Public safety		318,074		
Public works		4,920,078		
Health		800		
Social services		449,052		
Culture and recreation		496,137		
Tourism		3,208		
Airport		115,777		
Total governmental funds		6,435,461		
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		16,822		
Total depreciation expense - governmental activities	<u>\$ 6,452,283</u>			
Business-type activities:				
Water & sewer	\$ 4,217,788			
Sanitation	743,121			
Parking	177,123			
Storm water	274,007			
Golf course	180,666			
Total proprietary funds	5,592,705			
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	16,941			
Total depreciation expense - business-type activities	<u>\$ 5,609,646</u>			

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

#### **(9) Defined Benefit Pension Plan**

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

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2005 was 4.01% from January 1 to June 30 and 4.21% from July 1 to December 31. The City's employer contributions to KPERS for the years ending December 31, 2005, 2004, and 2003 were \$828,720, \$690,461, and \$585,964, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2005 is 12.18%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City contributions to KP&F for the years ending December 31, 2005, 2004, and 2003 were \$1,970,161, \$1,552,905, and \$1,032,780, respectively, equal to the required contributions for each year.

#### **(10) Interfund Transactions**

##### ***Interfund Receivables and Payables***

At December 31, 2005, the following funds had interfund receivables and payables to the following funds:

<u>Due From</u>	<u>General Fund</u>
Special Revenue Funds:	
Community Development	\$ 160,000
Home Program	80,000
Transportation Planning	<u>30,000</u>
	<u>270,000</u>
Capital Project Fund	<u>535,000</u>
Enterprise Funds:	
Golf Course	<u>45,000</u>
	<u>850,000</u>

**City of Lawrence, Kansas**

Notes to Basic Financial Statements

December 31, 2005

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

***Interfund Transfers***

A summary of transfers for the year ended December 31, 2005 follows:

<b>Receiving Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 1,595,525	<u>4,774,000</u>
Special Revenue Funds:		
Guest Tax	-	39,813
Transit	-	400,000
Recreation	1,304,000	-
Capital Improvement Reserve	200,000	-
Equipment Reserve	750,000	-
Guest Tax Reserve	39,813	-
Liability Reserve	150,000	-
Sales Tax Reserve	2,760,000	-
Workers Comp Reserve	300,000	-
Housing Trust Fund	10,000	-
	<u>5,513,813</u>	<u>439,813</u>
Bond & Interest Fund	<u>855,508</u>	-
Capital Project Fund	<u>-</u>	<u>855,508</u>
Enterprise Funds:		
Water and Sewer System	-	1,251,025
Sanitation	-	187,500
Storm Water Utility	-	450,000
	<u>-</u>	<u>1,888,525</u>
Internal Service – Central Maintenance	<u>-</u>	<u>7,000</u>
	<u>\$ 7,964,846</u>	<u>7,964,846</u>

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

## City of Lawrence, Kansas

### Notes to Basic Financial Statements

December 31, 2005

#### **(11) Commitments and Contingencies**

##### **A. Contract Commitments**

At December 31, 2005, the City had construction contract commitments totaling approximately \$7,862,670. The City expects to receive the contracted services during fiscal year 2006.

##### **B. Insurance**

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,611,760 at December 31, 2005. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2005 was \$292,171. The liability reported in the financial statements at December 31, 2005 is based on the requirement that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated.

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

	<u>2005</u>	<u>2004</u>
Unpaid claims, January 1	\$ 492,618	462,871
Incurred claims (including IBNRs)	5,287,932	4,391,070
Claim payments	<u>5,501,288</u>	<u>4,361,323</u>
Unpaid claims, December 31	<u>\$ 279,262</u>	<u>492,618</u>

#### **(12) Fund Deficit**

At December 31, 2005, the Home Program Fund and the Transportation Planning Fund had respectively, fund deficits of \$32,779 and \$27,759. These deficits are a result of program expenditures for which reimbursements have not yet been requested. Also, the Golf Course Fund had a deficit of \$350,940 due to an excess of expenses not covered by revenues.

## **City of Lawrence, Kansas**

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

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

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

In 2004, the County agreed to pay 25.64% of the costs of construction of Fire Station #5 to be built by the City. This facility was under construction at December 31, 2005.

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

#### **(14) Other Postemployment Benefits (OPEB)**

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

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

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

## **City of Lawrence, Kansas**

### Notes to Basic Financial Statements

December 31, 2005

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

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

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

Statement 44 – “Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1” which changes the requirements of the statistical section to conform with Statement 34 previously implemented by the City and provide information that GASB considers more useful than previously provided.

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

Statement 47 – “Accounting for Termination Benefits” which requires certain disclosures and the recognition of the costs of termination arrangements.

Statements 44 and 47 are effective for the fiscal year beginning January 1, 2006. Statement 45 is effective for the fiscal year beginning January 1, 2008 and Statement 43 would be effective immediately after the implementation of Statement 45 in the event that the OPEB were funded.

## **Nomajor Governmental Funds**

### **Special Revenue Funds**

#### **Fund Descriptions**

#### **BUDGETED FUNDS**

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

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

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

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

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

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

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

#### **NONBUDGETED FUNDS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF LAWRENCE, KANSAS**

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005

Assets	Special Revenue															City Parks Memorial		
	Guest				Capital				Guest				Law		Workers'			
	Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Equipment Reserve	Tax Reserve	Liability Reserve	Sales Tax Reserve	Enforcement Grant	Compensation Reserve	Reserve			
Cash	\$ 224,127	264,772	84,582	269,625	253,573	190,115	193,103	90,717	489,442	630,930	45,511	218,970	1,513,619	12,845	265,427	38,838		
Investments	—	100,000	1,599,095	350,033	—	399,965	—	—	2,850,093	2,098,146	—	1,099,118	1,149,653	—	1,060,125	10,000		
Receivables:																		
Taxes	—	2,331,052	470,859	291,658	—	—	—	—	—	—	—	—	—	—	—	—		
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Accounts	—	—	8	3,858	—	—	—	850	—	118,840	—	—	—	—	—	—		
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Accrued interest	—	—	—	—	—	—	—	—	19,741	14,886	—	8,575	5,090	—	6,734	170		
Total assets	\$ 224,127	2,695,824	2,154,544	915,174	253,573	590,080	193,103	91,567	3,359,276	2,862,802	45,511	1,326,663	2,668,362	12,845	1,332,286	49,008		
<b>Liabilities and Fund Balances</b>																		
Liabilities:																		
Accounts payable	\$ —	—	9,260	32,336	847	816	16,480	—	31,243	—	—	825	1,307	—	46,364	—		
Accrued payroll	—	—	1,200	35,583	—	23,977	13	—	—	—	—	—	—	—	—	—		
Due to other funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Deferred revenue	—	2,539,850	491,792	319,780	—	—	—	850	—	1,723	—	—	—	—	—	—		
Total liabilities	—	2,539,850	502,252	387,699	847	24,793	16,493	850	31,243	1,723	—	825	1,307	—	46,364	—		
Fund balances:																		
Reserved for encumbrances	—	—	247,618	38,915	—	17,430	54,716	—	111,289	—	—	—	—	—	—	—		
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Unreserved:																		
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,325,838	—	—	1,285,922	—		
Undesignated	224,127	155,974	1,404,674	488,560	252,726	547,857	121,894	90,717	3,216,744	2,861,079	45,511	—	2,667,055	12,845	—	49,008		
Total fund balances	224,127	155,974	1,652,292	527,475	252,726	565,287	176,610	90,717	3,328,033	2,861,079	45,511	1,325,838	2,667,055	12,845	1,285,922	49,008		
Total liabilities and fund balances	\$ 224,127	2,695,824	2,154,544	915,174	253,573	590,080	193,103	91,567	3,359,276	2,862,802	45,511	1,326,663	2,668,362	12,845	1,332,286	49,008		

(Continued)

## CITY OF LAWRENCE, KANSAS

### Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2005

Assets	Special Revenue													Total Nonmajor Governmental Funds
	Constant Park Trust	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	City Band	
	—	10,459	127	48,307	28,500	68,379	35,521	619	450	4,163	3,583	193,832	—	5,180,136
Cash	\$ —	26,000	4,000	434,510	—	—	9,902	—	—	—	—	—	—	11,190,640
Investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Receivables:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	—	3,093,569
Intergovernmental	—	—	—	—	3,298	—	—	561,184	—	77,949	—	—	—	642,431
Accounts	—	—	—	—	—	—	—	—	1,950	—	—	—	—	125,506
Loans	—	—	—	—	—	—	—	329,596	—	—	—	—	—	329,596
Accrued interest	—	211	63	2,597	—	—	86	—	—	—	—	—	—	58,153
Total assets	\$ —	36,670	4,190	485,414	31,798	68,379	45,509	893,349	450	82,112	3,583	193,832	—	20,620,031
<b>Liabilities and Fund Balances</b>														
Liabilities:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts payable	\$ —	—	—	—	110	—	470	1,884	450	33,850	—	110,689	—	286,931
Accrued payroll	—	—	—	—	2,106	—	515	4,606	—	1,041	1,342	—	—	70,383
Due to other funds	—	—	—	—	—	—	—	160,000	—	80,000	30,000	—	—	270,000
Deferred revenue	—	—	—	—	—	—	—	563,134	—	—	—	—	—	3,917,129
Total liabilities	—	—	—	—	2,216	—	985	729,624	450	114,891	31,342	110,689	—	4,544,443
Fund balances:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	—	469,968
Reserved for loans	—	—	—	—	—	—	—	329,596	—	—	—	—	—	329,596
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	—	23,000
Unreserved:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	2,611,760
Undesignated	—	14,670	3,190	485,414	29,582	68,379	44,524	(165,871)	—	(32,779)	(27,759)	83,143	—	12,641,264
Total fund balances	—	36,670	4,190	485,414	29,582	68,379	44,524	163,725	—	(32,779)	(27,759)	83,143	—	16,075,588
Total liabilities and fund balances	\$ —	36,670	4,190	485,414	31,798	68,379	45,509	893,349	450	82,112	3,583	193,832	—	20,620,031

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

## CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2005

<b>Special Revenue</b>																
	<b>Guest Tax</b>	<b>Library</b>	<b>Transportation</b>	<b>Recreation</b>	<b>Special Alcohol</b>	<b>Special Gas Tax</b>	<b>Special Recreation</b>	<b>Airport Improvement</b>	<b>Capital Improvement Reserve</b>	<b>Equipment Reserve</b>	<b>Guest Tax Reserve</b>	<b>Liability Reserve</b>	<b>Sales Tax Reserve</b>	<b>Law Enforcement Grant</b>	<b>Workers' Compensation Reserve</b>	<b>City Parks Memorial</b>
<b>Revenues:</b>																
Taxes	\$ —	2,534,504	1,108,497	318,183	—	—	—	—	—	—	—	—	—	—	—	—
Charges for services	—	—	164,486	1,315,059	—	—	—	9,221	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	94,252	53,561	826	36,076	60,555	—	32,898	898
Intergovernmental	719,356	—	—	530,707	2,561,489	530,707	—	—	—	230	—	—	—	—	—	—
Miscellaneous	—	—	235	99,038	—	—	—	20,209	12,544	200,040	—	—	—	—	1,000	37,355
<b>Total revenues</b>	<b>719,356</b>	<b>2,534,504</b>	<b>1,273,218</b>	<b>1,732,280</b>	<b>530,707</b>	<b>2,561,489</b>	<b>530,707</b>	<b>29,430</b>	<b>106,796</b>	<b>253,831</b>	<b>826</b>	<b>36,076</b>	<b>60,555</b>	<b>—</b>	<b>33,898</b>	<b>38,253</b>
<b>Expenditures:</b>																
General government	—	2,502,000	1,057,544	—	—	—	—	—	—	—	184,972	—	—	92,473	—	28,822
Public safety	—	—	—	—	569,136	—	—	—	—	—	—	—	—	310	—	—
Public works	—	—	—	—	—	2,422,379	—	174	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	3,077,892	—	—	530,639	—	—	—	—	—	194,109	—	—	—
Tourism	675,782	—	—	—	—	—	—	—	—	—	1,500	—	—	—	—	—
Capital outlay	—	—	—	40,974	—	90,900	90,900	—	184,462	311,308	—	—	103,679	—	—	—
Debt service:																
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,507,847	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	587,685	—	—	—
<b>Total expenditures</b>	<b>675,782</b>	<b>2,502,000</b>	<b>1,057,544</b>	<b>3,118,866</b>	<b>569,136</b>	<b>2,513,279</b>	<b>621,539</b>	<b>174</b>	<b>184,462</b>	<b>311,308</b>	<b>1,500</b>	<b>184,972</b>	<b>2,393,320</b>	<b>310</b>	<b>92,473</b>	<b>28,822</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>43,574</b>	<b>32,504</b>	<b>215,674</b>	<b>(1,386,586)</b>	<b>(38,429)</b>	<b>48,210</b>	<b>(90,832)</b>	<b>29,256</b>	<b>(77,666)</b>	<b>(57,477)</b>	<b>(674)</b>	<b>(148,896)</b>	<b>(2,332,765)</b>	<b>(310)</b>	<b>(58,575)</b>	<b>9,431</b>
<b>Other financing sources (uses):</b>																
Transfers in	—	—	—	1,304,000	—	—	—	—	200,000	750,000	39,813	150,000	2,760,000	—	300,000	—
Transfers out	(39,813)	—	(400,000)	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>(39,813)</b>	<b>—</b>	<b>(400,000)</b>	<b>1,304,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>200,000</b>	<b>750,000</b>	<b>39,813</b>	<b>150,000</b>	<b>2,760,000</b>	<b>—</b>	<b>300,000</b>	<b>—</b>
<b>Excess (deficiency) of revenues and other sources over (under) expenditures and other uses</b>	<b>3,761</b>	<b>32,504</b>	<b>(184,326)</b>	<b>(82,586)</b>	<b>(38,429)</b>	<b>48,210</b>	<b>(90,832)</b>	<b>29,256</b>	<b>122,334</b>	<b>692,523</b>	<b>39,139</b>	<b>1,104</b>	<b>427,235</b>	<b>(310)</b>	<b>241,425</b>	<b>9,431</b>
<b>Fund balance, beginning of year</b>	<b>220,366</b>	<b>123,470</b>	<b>1,836,618</b>	<b>610,061</b>	<b>291,155</b>	<b>517,077</b>	<b>267,442</b>	<b>61,461</b>	<b>3,205,699</b>	<b>2,168,556</b>	<b>6,372</b>	<b>1,324,734</b>	<b>2,239,820</b>	<b>13,155</b>	<b>1,044,497</b>	<b>39,577</b>
<b>Fund balance, end of year</b>	<b>\$ 224,127</b>	<b>155,974</b>	<b>1,652,292</b>	<b>527,475</b>	<b>252,726</b>	<b>565,287</b>	<b>176,610</b>	<b>90,717</b>	<b>3,328,033</b>	<b>2,861,079</b>	<b>45,511</b>	<b>1,325,838</b>	<b>2,667,055</b>	<b>12,845</b>	<b>1,285,922</b>	<b>49,008</b>

(Continued)

## CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2005

	Special Revenue												Total	
	Constant Park Trust	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	City Band	Nonmajor Governmental Funds
Revenues:														
Taxes	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	3,961,184
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	—	1,488,766
Interest	—	1,358	117	11,812	—	577	557	—	—	—	—	2,284	91	295,862
Intergovernmental	—	—	—	—	1,876,186	—	82,953	828,489	—	1,243,555	80,339	—	—	8,454,011
Miscellaneous	—	—	—	—	213	23,509	—	97,427	—	73,257	—	13,960	—	578,787
Total revenues	—	1,358	117	11,812	1,876,399	24,086	83,510	925,916	—	1,316,812	80,339	16,244	91	14,778,610
Expenditures:														
General government	—	—	—	—	1,547,290	—	—	—	—	—	71,020	—	—	5,484,121
Public safety	—	—	—	—	394,318	—	—	—	—	—	—	123	—	963,887
Public works	—	—	—	—	—	—	—	—	—	—	—	—	—	2,422,553
Health	—	—	—	—	47,011	—	—	—	—	—	—	—	—	47,011
Social services	—	—	—	93,572	—	—	134,546	1,055,830	—	1,349,840	—	—	—	2,633,788
Culture and recreation	2,031	11,499	—	—	—	7,281	—	—	—	—	—	—	17,500	3,840,951
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	—	677,282
Capital outlay	—	—	—	—	67,440	—	—	—	—	—	—	—	—	889,663
Debt service:														
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	—	1,507,847
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	—	587,685
Total expenditures	2,031	11,499	—	93,572	2,056,059	7,281	134,546	1,055,830	—	1,349,840	71,020	123	17,500	19,054,788
Excess (deficiency) of revenues over (under) expenditures	(2,031)	(10,141)	117	(81,760)	(179,660)	16,805	(51,036)	(129,914)	—	(33,028)	9,319	16,121	(17,409)	(4,276,178)
Other financing sources (uses):														
Transfers in	—	—	—	10,000	—	—	—	—	—	—	—	—	—	5,513,813
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—	—	(439,813)
Total other financing sources (uses)	—	—	—	10,000	—	—	—	—	—	—	—	—	—	5,074,000
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,031)	(10,141)	117	(71,760)	(179,660)	16,805	(51,036)	(129,914)	—	(33,028)	9,319	16,121	(17,409)	797,822
Fund balance, beginning of year	2,031	46,811	4,073	557,174	209,242	51,574	95,560	293,639	—	249	(37,078)	67,022	17,409	15,277,766
Fund balance, end of year	\$ —	36,670	4,190	485,414	29,582	68,379	44,524	163,725	—	(32,779)	(27,759)	83,143	—	16,075,588

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues:</b>					
Taxes	\$ 5,472,495	5,472,495	5,580,998	108,503	5,301,288
Special assessments	1,415,000	1,415,000	1,283,187	(131,813)	1,261,948
Interest	150,000	150,000	180,508	30,508	116,562
Intergovernmental	—	—	—	—	353,406
Miscellaneous	<u>60,000</u>	<u>60,000</u>	<u>243,512</u>	<u>183,512</u>	<u>175,901</u>
<b>Total revenues</b>	<b><u>7,097,495</u></b>	<b><u>7,097,495</u></b>	<b><u>7,288,205</u></b>	<b><u>190,710</u></b>	<b><u>7,209,105</u></b>
<b>Expenditures:</b>					
Principal retirement	7,655,000	7,655,000	6,596,111	1,058,889	5,067,600
Interest and fiscal charges	<u>3,460,000</u>	<u>3,460,000</u>	<u>2,069,984</u>	<u>1,390,016</u>	<u>2,074,786</u>
<b>Total expenditures</b>	<b><u>11,115,000</u></b>	<b><u>11,115,000</u></b>	<b><u>8,666,095</u></b>	<b><u>2,448,905</u></b>	<b><u>7,142,386</u></b>
Excess (deficiency) of revenues over (under) expenditures	(4,017,505)	(4,017,505)	(1,377,890)	2,639,615	66,719
<b>Other financing sources – transfers in</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>855,508</u></b>	<b><u>855,508</u></b>	<b><u>700,749</u></b>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (4,017,505)</u>	<u>(4,017,505)</u>	<u>(522,382)</u>	<u>3,495,123</u>	<u>767,468</u>
Fund balance, beginning of year			8,296,387		7,537,669
Net change in reserve for encumbrances			<u>—</u>		<u>(8,750)</u>
<b>Fund balance, end of year</b>	<b><u>\$ 7,774,005</u></b>				<b><u>8,296,387</u></b>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
 (With Comparative Actual Amounts for 2004)

	<b>2005</b>			Variance Positive (Negative)	2004 Actual
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues – intergovernmental	\$ <u>612,500</u>	<u>612,500</u>	<u>719,356</u>	<u>106,856</u>	<u>699,771</u>
Expenditures:					
Tourism – contractual services	<u>675,782</u>	<u>675,782</u>	<u>675,782</u>	—	<u>572,688</u>
Excess (deficiency) of revenues over (under) expenditures	(63,282)	(63,282)	43,574	106,856	127,083
Other financing (uses) –					
transfers out	<u>(39,813)</u>	<u>(39,813)</u>	<u>(39,813)</u>	—	<u>(39,812)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(103,095)</u>	<u>(103,095)</u>	3,761	<u>106,856</u>	87,271
Fund balance, beginning of year			<u>220,366</u>		<u>133,095</u>
Fund balance, end of year			\$ <u>224,127</u>		<u>220,366</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
 (With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues – taxes	\$ 2,477,013	2,477,013	2,534,504	<u>57,491</u>	2,143,165
Expenditures:					
General government - contractual services	<u>2,502,000</u>	<u>2,502,000</u>	<u>2,502,000</u>	—	2,067,000
Total expenditures	<u>2,502,000</u>	<u>2,502,000</u>	<u>2,502,000</u>	—	2,067,000
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(24,987)</u>	<u>(24,987)</u>	32,504	<u>57,491</u>	76,165
Fund balance, beginning of year			<u>123,470</u>		47,305
Fund balance, end of year			\$ <u>155,974</u>		<u>123,470</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
<b>Revenues:</b>					
Taxes	\$ 1,086,499	1,086,499	1,108,497	21,998	1,284,831
Charges for services	86,000	86,000	164,486	78,486	148,907
Miscellaneous	48,000	48,000	235	(47,765)	19,089
<b>Total revenues</b>	<b>1,220,499</b>	<b>1,220,499</b>	<b>1,273,218</b>	<b>52,719</b>	<b>1,452,827</b>
<b>Expenditures:</b>					
General government					
Personal services	64,897	67,397	58,271	9,126	54,605
Contractual service	1,953,963	1,533,563	1,121,523	412,040	1,206,214
Commodities	4,600	20,500	7,059	13,441	2,774
Capital outlay	5,000	7,000	1,012	5,988	—
<b>Total expenditures</b>	<b>2,028,460</b>	<b>1,628,460</b>	<b>1,187,865</b>	<b>440,595</b>	<b>1,263,593</b>
Excess (deficiency) of revenues over (under) expenditures	(807,961)	(407,961)	85,353	493,314	189,234
Other financing uses – transfers out	—	(400,000)	(400,000)	—	—
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ (807,961)	(807,961)	(314,647)	493,314	189,234
Fund balance, beginning of year			1,836,618		1,621,859
Net change in reserve for encumbrances			130,321		25,525
<b>Fund balance, end of year</b>	<b>\$ 1,652,292</b>				<b>1,836,618</b>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
<b>Revenues:</b>					
Taxes	\$ 313,349	313,349	318,183	4,834	390,817
Charges for services	1,258,810	1,258,810	1,315,059	56,249	1,218,077
Miscellaneous	<u>104,500</u>	<u>104,500</u>	<u>99,038</u>	<u>(5,462)</u>	<u>87,474</u>
Total revenues	<u>1,676,659</u>	<u>1,676,659</u>	<u>1,732,280</u>	<u>55,621</u>	<u>1,696,368</u>
<b>Expenditures:</b>					
Culture and recreation:					
Personal services	2,578,759	2,497,547	2,403,034	94,513	2,145,720
Contractual service	381,384	435,675	389,028	46,647	375,681
Commodities	210,955	296,818	292,840	3,978	238,579
Capital outlay	<u>59,500</u>	<u>558</u>	<u>—</u>	<u>558</u>	<u>42,835</u>
Total expenditures	<u>3,230,598</u>	<u>3,230,598</u>	<u>3,084,902</u>	<u>145,696</u>	<u>2,802,815</u>
Excess (deficiency) of revenues over (under) expenditures	(1,553,939)	(1,553,939)	(1,352,622)	201,317	(1,106,447)
Other financing sources – transfers in	<u>1,304,000</u>	<u>1,304,000</u>	<u>1,304,000</u>	<u>—</u>	<u>1,200,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(249,939)</u>	<u>(249,939)</u>	(48,622)	<u>201,317</u>	93,553
Fund balance, beginning of year			610,061		497,937
Net change in reserve for encumbrances			<u>(33,964)</u>		<u>18,571</u>
Fund balance, end of year			<u>\$ 527,475</u>		<u>610,061</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues – intergovernmental	\$ 500,000	500,000	530,707	30,707	530,786
Expenditures:					
Health:					
Contractual service	630,000	630,000	564,711	65,289	511,047
Commodities	—		3,425	(3,425)	2,815
Other	20,000	20,000	1,000	19,000	500
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>569,136</u>	<u>80,864</u>	<u>514,362</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (150,000)	(150,000)	(38,429)	111,571	16,424
Fund balance, beginning of year			<u>291,155</u>		<u>274,731</u>
Fund balance, end of year			<u>\$ 252,726</u>		<u>291,155</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues					
Intergovernmental	\$ 2,660,000	2,655,000	2,561,489	(93,511)	2,467,292
Miscellaneous	—	5,000	—	(5,000)	3,366
Total revenues	<u>2,660,000</u>	<u>2,660,000</u>	<u>2,561,489</u>	<u>(98,511)</u>	<u>2,470,658</u>
Expenditures:					
Public works:					
Personal services	1,490,854	1,490,854	1,433,039	57,815	1,303,508
Contractual service	—	—	—	—	1,150
Commodities	1,115,000	1,140,100	865,865	274,235	856,358
Capital outlay	136,000	110,900	87,650	23,250	232,935
Total expenditures	<u>2,741,854</u>	<u>2,741,854</u>	<u>2,386,554</u>	<u>355,300</u>	<u>2,393,951</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(81,854)</u>	<u>(81,854)</u>	<u>174,935</u>	<u>256,789</u>	<u>76,707</u>
Fund balance, beginning of year			517,077		394,559
Net change in reserve for encumbrances			(126,725)		45,811
Fund balance, end of year			<u>\$ 565,287</u>		<u>517,077</u>

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005  
(With Comparative Actual Amounts for 2004)

	<b>2005</b>			<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>		
Revenues – intergovernmental	\$ 500,000	500,000	530,707	30,707	530,786
<b>Expenditures:</b>					
Culture and recreation:					
Personal services	37,700	37,700	36,674	1,026	34,232
Contractual service	258,300	311,185	381,012	(69,827)	307,971
Commodities	59,000	126,411	128,854	(2,443)	122,074
Capital outlay	204,000	111,564	25,005	86,559	127,025
Other	30,000	2,140	2,140	—	—
Total expenditures	<u>589,000</u>	<u>589,000</u>	<u>573,685</u>	<u>15,315</u>	<u>591,302</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (89,000)	(89,000)	(42,978)	46,022	(60,516)
Fund balance, beginning of year			267,442		289,400
Net change in reserve for encumbrances			(47,854)		38,558
Fund balance, end of year			<u>\$ 176,610</u>		<u>267,442</u>

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

## **NONMAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

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

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

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

## CITY OF LAWRENCE, KANSAS

### Combining Balance Sheet Nonmajor Proprietary Funds December 31, 2005

Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:			
Cash	\$ 457,352	3,478	460,830
Investments	219,758	—	219,758
Receivables:			
Accounts	10,768	121	10,889
Accrued interest	1,759	—	1,759
Inventories	—	10,780	10,780
Total current assets	<u>689,637</u>	<u>14,379</u>	<u>704,016</u>
Capital assets			
Land	479,055	—	479,055
Buildings and improvements	3,989,732	3,616,125	7,605,857
Equipment	388,064	225,030	613,094
Accumulated depreciation	(2,379,272)	(1,530,009)	(3,909,281)
Total capital assets	<u>2,477,579</u>	<u>2,311,146</u>	<u>4,788,725</u>
Total assets	<u>\$ 3,167,216</u>	<u>2,325,525</u>	<u>5,492,741</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Current liabilities			
Accounts payable	\$ 6,066	2,952	9,018
Accrued interest payable	—	46,306	46,306
Accrued payroll	9,492	4,195	13,687
Accrued vacation and sick pay	33,033	12,986	46,019
Due to other funds	—	45,000	45,000
Current portion of general obligation bonds	—	180,000	180,000
Total current liabilities	<u>48,591</u>	<u>291,439</u>	<u>340,030</u>
Noncurrent liabilities			
Compensated absences	17,570	5,026	22,596
General obligation bonds payable	—	2,380,000	2,380,000
Total noncurrent liabilities	<u>17,570</u>	<u>2,385,026</u>	<u>2,402,596</u>
Total liabilities	<u>66,161</u>	<u>2,676,465</u>	<u>2,742,626</u>
Fund equity:			
Invested in capital assets, net of debt	2,477,579	(248,854)	2,228,725
Unrestricted	<u>623,476</u>	<u>(102,086)</u>	<u>521,390</u>
Total fund equity	<u>3,101,055</u>	<u>(350,940)</u>	<u>2,750,115</u>
Total liabilities and fund equity	<u>\$ 3,167,216</u>	<u>2,325,525</u>	<u>5,492,741</u>

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

**CITY OF LAWRENCE, KANSAS**

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

For the Year Ended December 31, 2005

	<b>Public Parking</b>	<b>Golf Course</b>	<b>Total Nonmajor Enterprise Funds</b>
Operating revenues - charges for services	\$ 871,504	935,964	1,807,468
Operating expenses:			
Continuing operations	814,381	677,736	1,492,117
Depreciation and amortization	177,123	180,666	357,789
Total operating expenses	991,504	858,402	1,849,906
Operating income (loss)	(120,000)	77,562	(42,438)
Nonoperating revenues (expenses)			
Interest income	11,312	—	11,312
Interest expense and fiscal charges	—	(144,585)	(144,585)
Other	1,450	—	1,450
Total nonoperating revenues (expenses)	12,762	(144,585)	(131,823)
Net income (loss)	(107,238)	(67,023)	(174,261)
Fund equity (deficit), beginning of year	3,208,293	(283,917)	2,924,376
Fund equity (deficit), end of year	\$ 3,101,055	(350,940)	2,750,115

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

## CITY OF LAWRENCE, KANSAS

### Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Year Ended December 31, 2005

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 873,002	935,940	1,808,942
Payments to suppliers	(310,531)	(349,022)	(659,553)
Payments to employees	<u>(496,968)</u>	<u>(327,370)</u>	<u>(824,338)</u>
Net cash provided by (used in) operating activities	<u>65,503</u>	<u>259,548</u>	<u>325,051</u>
<b>Cash flows from noncapital financing activities:</b>			
Loan from general fund	<u>—</u>	<u>45,000</u>	<u>45,000</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(8,165)	—	(8,165)
Principal payments on debt	—	(170,000)	(170,000)
Interest payments on debt	<u>—</u>	<u>(147,418)</u>	<u>(147,418)</u>
Net cash used in capital and related financing activities	<u>(8,165)</u>	<u>(317,418)</u>	<u>(325,583)</u>
<b>Cash flows from investing activities:</b>			
Receipt of interest and dividends	12,183	—	12,183
Purchases of investments	(602,493)	—	(602,493)
Sales of investments	<u>799,216</u>	<u>—</u>	<u>799,216</u>
Net cash provided by (used in) investing activities	<u>208,906</u>	<u>—</u>	<u>208,906</u>
Net increase (decrease) in cash	266,244	(12,870)	253,374
Cash and cash equivalents, beginning of year	<u>191,108</u>	<u>16,348</u>	<u>207,456</u>
Cash and cash equivalents, end of year	<u>\$ 457,352</u>	<u>3,478</u>	<u>460,830</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	<u>\$ (120,000)</u>	<u>77,562</u>	<u>(42,438)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	177,123	180,666	357,789
Other income	1,450	—	1,450
Change in:			
Accounts receivable	48	(24)	24
Inventories of supplies	—	79	79
Accounts payable	(613)	308	(305)
Accrued payroll	(35)	(648)	(683)
Accrued vacation and sick pay	<u>7,530</u>	<u>1,605</u>	<u>9,135</u>
Total adjustments	<u>185,503</u>	<u>181,986</u>	<u>367,489</u>
Net cash provided by (used in) operating activities	<u>\$ 65,503</u>	<u>259,548</u>	<u>325,051</u>

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

### **INTERNAL SERVICE FUNDS**

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

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

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

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

## CITY OF LAWRENCE, KANSAS

### Combining Balance Sheet Internal Service Funds December 31, 2005

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 385,500	28,055	859,150	1,272,705
Investments	99,960	—	4,094,928	4,194,888
Receivables:				
Accounts	232,195	—	28,933	261,128
Accrued interest	288	—	31,173	31,461
Inventories	239,444	9,528	—	248,972
Total current assets	<u>957,387</u>	<u>37,583</u>	<u>5,014,184</u>	<u>6,009,154</u>
Capital assets				
Buildings and improvements	421,535	—	—	421,535
Equipment	254,764	—	—	254,764
Accumulated depreciation	(579,537)	—	—	(579,537)
Total capital assets	<u>96,762</u>	<u>—</u>	<u>—</u>	<u>96,762</u>
Total assets	<u><u>\$ 1,054,149</u></u>	<u><u>37,583</u></u>	<u><u>5,014,184</u></u>	<u><u>6,105,916</u></u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Current liabilities				
Accounts payable	\$ 39,465	—	118,565	158,030
Claims payable	—	—	279,262	279,262
Accrued payroll	13,601	—	—	13,601
Accrued vacation and sick pay	51,474	—	—	51,474
Deferred revenue	—	—	28,933	28,933
Total current liabilities	<u>104,540</u>	<u>—</u>	<u>426,760</u>	<u>531,300</u>
Noncurrent liabilities-accrued vacation and sick pay	<u>45,533</u>	<u>—</u>	<u>—</u>	<u>45,533</u>
Total liabilities	<u><u>150,073</u></u>	<u><u>—</u></u>	<u><u>426,760</u></u>	<u><u>576,833</u></u>
Fund equity:				
Unreserved retained earnings	<u>904,076</u>	<u>37,583</u>	<u>4,587,424</u>	<u>5,529,083</u>
Total liabilities and fund equity	<u><u>\$ 1,054,149</u></u>	<u><u>37,583</u></u>	<u><u>5,014,184</u></u>	<u><u>6,105,916</u></u>

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

## CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2005

	<b>Central Maintenance</b>	<b>Stores</b>	<b>Health Insurance</b>	<b>Total</b>
Operating revenues - charges for services	\$ 2,520,429	7,385	6,405,104	8,932,918
Operating expenses:				
Continuing operations	2,444,642	10,815	—	2,455,457
General administration	—	—	484,448	484,448
Health insurance claims	—	—	4,377,650	4,377,650
Depreciation and amortization	<u>33,763</u>	<u>—</u>	<u>—</u>	<u>33,763</u>
Total operating expenses	<u>2,478,405</u>	<u>10,815</u>	<u>4,862,098</u>	<u>7,351,318</u>
Operating income (loss)	<u>42,024</u>	<u>(3,430)</u>	<u>1,543,006</u>	<u>1,581,600</u>
Nonoperating revenues (expenses)				
Interest income	8,674	—	122,696	131,370
Other	<u>14,183</u>	<u>—</u>	<u>—</u>	<u>14,183</u>
Total nonoperating revenues (expenses)	<u>22,857</u>	<u>—</u>	<u>122,696</u>	<u>145,553</u>
Income (loss) before transfers	64,881	(3,430)	1,665,702	1,727,153
Transfers out	<u>(7,000)</u>	<u>—</u>	<u>—</u>	<u>(7,000)</u>
Net income (loss)	57,881	(3,430)	1,665,702	1,720,153
Fund equity (deficit), beginning of year	<u>846,195</u>	<u>41,013</u>	<u>2,921,722</u>	<u>3,808,930</u>
Fund equity (deficit), end of year	<u>\$ 904,076</u>	<u>37,583</u>	<u>4,587,424</u>	<u>5,529,083</u>

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

## CITY OF LAWRENCE, KANSAS

### Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2005

	<b>Central Maintenance</b>	<b>Stores</b>	<b>Health Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 2,503,453	7,385	6,400,512	8,911,350
Payments to suppliers	(1,851,795)	(6,313)	(4,952,297)	(6,810,405)
Payments to employees	(592,112)	—	—	(592,112)
Net cash provided by (used in) operating activities	<u>59,546</u>	<u>1,072</u>	<u>1,448,215</u>	<u>1,508,833</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers out	(7,000)	—	—	(7,000)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(8,980)	—	—	(8,980)
Proceeds from sales of capital assets	—	—	—	—
Net cash used in capital and related financing activities	<u>(8,980)</u>	<u>—</u>	<u>—</u>	<u>(8,980)</u>
<b>Cash flows from investing activities:</b>				
Receipt of interest and dividends	8,691	—	109,474	118,165
Purchases of investments	(502,193)	—	(7,308,985)	(7,811,178)
Sales of investments	579,993	—	6,605,490	7,185,483
Net cash provided by (used in) investing activities	<u>86,491</u>	<u>—</u>	<u>(594,021)</u>	<u>(507,530)</u>
Net increase (decrease) in cash	<u>130,057</u>	<u>1,072</u>	<u>854,194</u>	<u>985,323</u>
Cash and cash equivalents, beginning of year	<u>255,443</u>	<u>26,983</u>	<u>4,956</u>	<u>287,382</u>
Cash and cash equivalents, end of year	<u>\$ 385,500</u>	<u>28,055</u>	<u>859,150</u>	<u>1,272,705</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 42,024	(3,430)	1,543,006	1,581,600
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	33,763	—	—	33,763
Other income	14,183	—	—	14,183
Change in:				
Accounts receivable	(31,159)	—	(4,592)	(35,751)
Inventories of supplies	(30,504)	4,502	—	(26,002)
Accounts payable	18,531	—	118,565	137,096
Claims payable	—	—	(213,356)	(213,356)
Accrued payroll	1,494	—	—	1,494
Accrued vacation and sick pay	11,214	—	—	11,214
Deferred revenue	—	—	4,592	4,592
Total adjustments	<u>17,522</u>	<u>4,502</u>	<u>(94,791)</u>	<u>(72,767)</u>
Net cash provided by (used in) operating activities	<u>\$ 59,546</u>	<u>1,072</u>	<u>1,448,215</u>	<u>1,508,833</u>

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

## **AGENCY FUNDS**

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

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

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

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

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

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005

<b>Payroll Clearing</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2005</b>
Assets:				
Cash	\$ 75,562	15,686,859	15,672,126	90,295
<b>Liabilities:</b>				
Accounts payable	\$ 75,562	15,686,859	15,672,126	90,295
<b>Municipal Court</b>				
Assets:				
Cash	\$ 227,347	652,559	642,208	237,698
Restricted assets - court receivables	70,683	475,298	475,298	70,683
	\$ 298,030	1,127,857	1,117,506	308,381
<b>Liabilities:</b>				
Accounts payable	\$ 227,347	652,559	642,208	237,698
Payable from restricted assets	70,683	475,298	475,298	70,683
	\$ 298,030	1,127,857	1,117,506	308,381
<b>KPRF</b>				
Assets:				
Restricted assets - cash	\$ 307	12,406	12,422	291
<b>Liabilities:</b>				
Accounts payable	\$ 307	12,406	12,422	291

(Continued)

**CITY OF LAWRENCE, KANSAS**

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

Year Ended December 31, 2005

<b>Fire Insurance Proceeds Fund</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2005</b>
Assets:				
Cash	\$ <u>      —      </u>	<u>39,782</u>	<u>39,782</u>	<u>      —      </u>
<b>Totals - All Agency Funds</b>				
Liabilities:				
Accounts payable	\$ <u>      —      </u>	<u>39,782</u>	<u>39,782</u>	<u>      —      </u>
<b>Totals - All Agency Funds</b>				
Assets:				
Cash	\$ 303,216	16,391,606	16,366,538	328,284
Restricted assets - court receivables	<u>70,683</u>	<u>475,298</u>	<u>475,298</u>	<u>70,683</u>
Total assets	<u><u>373,899</u></u>	<u><u>16,866,904</u></u>	<u><u>16,841,836</u></u>	<u><u>398,967</u></u>
Liabilities:				
Accounts payable	\$ 303,216	16,391,606	16,366,538	328,284
Court bonds payable	<u>70,683</u>	<u>475,298</u>	<u>475,298</u>	<u>70,683</u>
Total liabilities	<u><u>373,899</u></u>	<u><u>16,866,904</u></u>	<u><u>16,841,836</u></u>	<u><u>398,967</u></u>

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

## **STATISTICAL SECTION**

Table 1

## CITY OF LAWRENCE, KANSAS

General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

Unaudited

Year	General Government	Public Safety	Public Works	Health	Social Services (2)	Culture and Recreation	Tourism	Airport	Capital Outlay	Debt Service	Total
1996	\$ 4,320,031	\$ 11,721,579	\$ 4,282,564	\$ 1,064,986	\$ 5,691,592	\$ 3,085,206	\$ 353,455	\$ 57,406	\$ 3,756,090	\$ 4,948,837	39,281,746
1997	5,619,976	13,822,621	4,738,153	893,561	4,926,671	3,307,316	428,369	62,995	4,300,420	6,701,911	44,801,993
1998	6,250,441	14,658,202	4,607,114	1,302,686	5,617,675	3,710,518	431,557	45,959	4,325,993	7,506,654	48,456,799
1999	6,940,177	14,931,935	4,768,079	1,469,277	1,847,584	4,036,175	485,027	52,107	4,120,125	6,832,829	45,483,315
2000	8,054,696	16,002,552	5,286,767	1,110,069	2,195,975	4,248,389	460,605	81,876	4,842,928	7,295,206	49,579,063
2001	13,373,484	17,360,889	5,715,798	1,200,890	2,055,147	5,141,485	443,181	79,691	3,913,454	7,964,760	57,248,779
2002	11,280,445	19,413,366	6,409,537	1,271,162	2,222,232	5,389,152	463,622	94,373	3,312,946	8,354,107	58,210,942
2003	12,286,275	20,760,197	6,554,869	1,369,492	2,881,262	5,993,346	486,845	75,885	1,690,388	9,308,568	61,407,127
2004	14,713,277	20,620,805	6,213,701	883,005	2,399,935	5,869,793	660,735	76,708	1,903,774	9,261,200	62,602,933
2005	16,427,044	23,418,252	6,896,815	895,344	2,878,949	6,651,247	677,282	72,507	1,505,078	10,780,903	70,203,421

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

(2) Includes Lawrence Housing Authority from 1996-1998, 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
1996	\$ 21,298,624	\$ 671,309	\$ 16,053,548	\$ 983,359	\$ 1,703,456	\$ 857,320	\$ 1,345,896	\$ 545,758	\$ 43,459,270
1997	22,269,525	535,278	17,169,515	943,073	3,819,842	971,397	1,672,692	556,052	47,937,374
1998	23,616,905	614,569	17,389,127	1,077,723	3,986,051	1,053,438	1,885,404	1,154,721	50,777,938
1999	24,812,688	660,835	14,053,307	815,907	3,062,775	1,346,049	1,760,503	1,116,488	47,628,552
2000	27,184,160	593,385	15,474,675	767,942	3,306,559	1,366,765	2,470,106	1,032,534	52,196,126
2001	28,871,331	675,677	19,453,270	703,422	4,132,558	1,437,216	1,783,799	1,176,540	58,233,813
2002	30,544,548	785,543	16,115,603	640,943	4,508,000	1,776,155	1,188,509	928,431	56,487,732
2003	32,657,686	1,024,587	17,248,387	1,369,411	4,534,620	2,012,187	718,147	1,905,211	61,470,236
2004	37,011,976	1,121,828	17,921,792	1,261,948	4,743,123	2,321,690	619,479	1,280,482	66,282,318
2005	38,579,594	1,082,191	17,717,355	1,283,188	5,344,865	2,637,520	1,563,988	1,018,532	69,227,233

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

(2) Includes Lawrence Housing Authority from 1996-1998

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

General Governmental Tax Revenues by Source (1)

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Motor Vehicle Tax</b>	<b>Payment- in-lieu</b>	<b>Total</b>
1996	\$ 8,130,026	\$8,635,425	\$ 2,819,752	\$ 1,595,138	\$ 118,283	\$ 21,298,624
1997	8,732,520	9,126,141	2,921,599	1,369,012	120,253	22,269,525
1998	9,476,465	9,781,233	2,922,099	1,341,665	95,443	23,616,905
1999	10,228,830	10,190,751	2,852,957	1,449,320	90,830	24,812,688
2000	11,844,455	10,660,961	3,247,604	1,364,778	66,362	27,184,160
2001	12,773,484	10,997,729	3,466,443	1,528,257	105,418	28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548
2003	15,814,366	11,392,376	3,660,488	1,665,149	125,307	32,657,686
2004	18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594

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

**CITY OF LAWRENCE, KANSAS**

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collection to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
1996	\$ 8,160,690	\$ 7,939,468	97.29%	\$ 190,558	\$ 8,130,026	99.62	\$ 164,680	2.02%
1997	8,807,831	8,602,435	97.67	130,085	8,732,520	99.14	239,991	2.72
1998	9,557,471	9,337,045	97.69	139,420	9,476,465	99.15	320,997	3.36
1999	10,377,742	10,111,307	97.43	256,943	10,228,830	98.57	469,909	4.53
2000	12,143,963	11,688,149	96.25	156,306	11,844,455	97.53	769,417	6.34
2001	13,038,707	12,545,282	96.22	228,202	12,773,484	97.97	1,034,640	7.94
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11
2003	16,086,484	15,512,068	96.43	302,298	15,814,366	98.31	1,761,930	10.95
2004	18,960,069	18,537,307	97.77	417,228	18,954,535	99.97	1,767,464	9.32
2005	20,035,547	19,622,524	97.94	308,969	19,931,493	99.48	1,871,518	9.34

(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	
1996	\$ 331,776,560	\$ 2,375,848,803	\$ 37,404,345	\$ 153,208,295	\$ 18,670,148	\$ 55,889,424	\$ 387,851,053	\$ 2,584,946,522	15.0 %
1997	360,067,050	2,581,012,295	41,742,335	171,013,733	19,709,636	59,128,908	421,519,021	2,811,154,936	15.0 %
1998	396,254,275	2,844,811,518	44,139,690	180,835,431	18,855,954	56,567,862	459,249,919	3,082,214,811	15.0 %
1999	430,724,410	3,093,617,130	49,302,310	197,209,240	18,637,210	55,911,630	498,663,930	3,346,738,000	15.0 %
2000	469,852,465	3,374,649,282	56,523,350	226,093,400	19,076,106	57,228,318	545,451,921	3,657,971,000	14.9 %
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9 %
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9 %
2003	598,234,485	4,296,734,542	54,874,350	219,497,400	21,244,347	63,733,041	674,353,182	4,579,964,983	14.9 %
2004	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	64,783,923	718,149,570	4,908,004,044	14.9 %
2005	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	68,225,046	776,860,997	5,312,461,858	14.9 %

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

**CITY OF LAWRENCE, KANSAS**

**Table 6**

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>City of Lawrence</u>			<u>Douglas County</u>			<u>School District</u>			<u>State of Kansas</u>	<u>Total</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
1996	14.18	8.49	22.67	21.62	3.57	25.19	56.08	11.51	67.59	1.50	116.95
1997	14.76	7.91	22.67	22.02	2.64	24.66	52.27	10.09	62.36	1.50	111.19
1998	15.87	6.73	22.60	22.82	3.02	25.84	39.33	9.17	48.50	1.50	98.43
1999	17.69	6.67	24.35	22.24	2.38	24.62	43.47	11.05	54.52	1.50	104.99
2000	17.15	6.75	23.90	24.32	0.00	24.32	39.61	12.17	51.78	1.50	101.51
2001	17.65	7.12	24.77	24.51	3.38	27.89	45.70	9.64	55.34	1.50	109.50
2002	18.43	7.13	25.56	27.82	0.00	27.82	39.03	10.81	49.84	1.50	104.71
2003	20.99	7.11	28.10	28.65	1.21	29.86	36.71	10.94	47.65	1.50	107.10
2004	20.79	7.07	27.86	29.19	0.67	29.86	39.95	6.76	46.71	1.50	105.93
2005	19.33	7.05	26.38	30.05	0.05	30.10	42.05	10.03	52.08	1.50	110.06

Source: Douglas County Budget Office

**CITY OF LAWRENCE, KANSAS**

**Table 7**

Principal Taxpayers

December 31, 2005

Unaudited

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2005 Assessed Valuation</b>	<b>Percent of Total Assessed Valuation</b>
Western Resources	Electric Utility	\$ 10,783,171	1.39 %
Southwestern Bell	Telephone Utility	8,250,865	1.06
Inland Western Lawrence	Retail Center	5,752,465	0.74
Hallmark Cards	Card Manufacturer	5,145,240	0.66
Lawrence Paper Co.	Paper Manufacturer	5,289,625	0.68
Packer Ware	Plastics Manufacturer	4,372,470	0.56
World Company	Media	3,828,555	0.49
Seralogicals	Biotechnology	3,395,320	0.44
NCS Pearson	Computer Services	3,104,155	0.40
Kresge	District Warehouse	<u>2,933,800</u>	<u>0.38</u>
 Total		 <u>\$ 52,855,666</u>	 <u>6.80 %</u>

Source: Douglas County Clerk.

**Table 8**  
**CITY OF LAWRENCE, KANSAS**

Special Assessment Billings and Collections

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Special Assessments Due</u>	<u>Special Assessments Collected (1)</u>
1996	\$ 849,271	\$ 983,359
1997	807,215	943,073
1998	748,125	1,077,723
1999	520,620	815,907
2000	594,530	767,942
2001	583,177	703,422
2002	568,576	640,943
2003	1,216,907	1,369,411
2004	1,237,588	1,261,948
2005	1,415,000	1,283,188

(1) Includes prepayments and foreclosures.

**Table 9**

**CITY OF LAWRENCE, KANSAS**

Computation of Legal Debt Margin

December 31, 2005

Unaudited

Assessed value – January 1, 2005	\$ <u>848,569,778</u>
Debt limitation (1)	\$ <u>254,570,932</u>
Total bonded debt (including notes)	125,118,000
Less revenue bonds	<u>25,910,000</u>
Total debt applicable to limitation	<u>99,208,000</u>
Legal debt margin	\$ <u>155,362,932</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
1996	74,784	387,851	\$ 56,305,000	\$ 3,969,175	\$ 11,585,000	\$ 40,750,825	11.53	\$ 544.91
1997	77,325	421,519	63,250,000	5,078,420	16,620,000	41,551,580	9.86	537.36
1998	79,190	459,250	62,770,000	6,135,157	15,515,000	41,119,843	8.95	519.26
1999	80,843	498,664	65,605,000	7,993,327	14,360,000	43,251,673	8.67	535.01
2000	81,560	545,452	77,340,000	7,947,026	13,140,000	56,252,974	10.31	689.71
2001	80,098	595,971	74,470,000	7,638,070	11,855,000	54,976,930	9.22	686.37
2002	83,495	629,033	79,230,000	7,006,605	10,510,000	61,713,395	9.80	739.13
2003	85,282	674,353	87,600,000	7,537,669	9,475,000	70,587,331	10.47	827.69
2004	86,040	718,150	83,820,000	8,296,387	8,935,000	66,588,613	9.27	773.93
2005	88,541	776,861	102,990,000	7,774,005	25,910,000	69,305,995	8.92	782.76

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

(2) Amounts expressed in thousands.

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

**Table 11**  
**CITY OF LAWRENCE, KANSAS**

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

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1996	\$ 3,345,000	\$1,260,859	\$ 4,605,859	\$ 39,281,746	11.73 %
1997	3,920,000	2,422,431	6,342,431	44,801,993	14.16
1998	4,700,000	2,487,997	7,187,997	48,456,799	14.83
1999	5,030,000	2,639,541	7,669,541	45,483,315	16.86
2000	10,530,000	2,681,114	13,211,114	49,579,063	26.65
2001	5,845,000	3,127,268	8,972,268	57,248,779	15.67
2002	6,000,000	3,222,847	9,222,847	58,210,942	15.84
2003	6,930,000	3,249,373	10,179,373	61,407,127	16.59
2004	7,130,000	3,096,415	10,226,415	62,602,933	16.34
2005	8,900,000	3,027,330	11,927,330	70,203,421	16.99

(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, 2005

Unaudited

<b>Jurisdiction</b>	<b>Bond Issues Outstanding</b>	<b>Amount Available in Debt Service Fund</b>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Percentage Applicable to City</b>	<b>Amount Applicable to City</b>
Direct – City of Lawrence	\$ 77,080,000	\$ 7,774,005	\$ 69,305,995	100 %	\$ 69,305,995
Overlapping:					
Douglas County	24,362,000	557,490	23,804,510	75	17,734,360
Unified School District No. 497	<u>44,655,000</u>	<u>2,643,003</u>	<u>42,011,997</u>	87	<u>36,550,437</u>
	<u>\$ 146,097,000</u>	<u>10,974,498</u>	<u>135,122,502</u>		<u>\$ 123,590,792</u>

**CITY OF LAWRENCE, KANSAS**

**Table 13**

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Operating Revenue</b>	<b>Operating Expenses</b>	<b>Net Revenue Available For Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
1996	\$ 14,349,648	\$ 8,910,558	\$ 5,439,090	\$ 1,645,000	\$ 464,733	\$2,109,733	3.88
1997	15,456,466	9,618,109	5,838,357	1,290,000	806,524	2,096,524	2.78
1998	17,564,406	10,222,628	7,341,778	1,105,000	874,335	1,979,335	3.71
1999	19,420,407	10,937,931	8,482,476	1,155,000	878,794	2,033,794	4.17
2000	20,886,254	11,564,734	9,321,520	1,220,000	901,286	2,121,286	4.39
2001	21,312,400	12,512,695	8,799,705	1,285,000	874,322	2,159,322	4.08
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.51
2003	22,726,952	14,344,670	8,382,282	1,035,000	545,970	1,580,970	5.30
2004	21,980,918	14,931,102	7,049,816	540,000	494,720	1,034,720	6.81
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958	7.86

**Table 14**  
**CITY OF LAWRENCE, KANSAS**

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<b><u>Year</u></b>	<b><u>Population (1)</u></b>	<b><u>Per Capita Income (2)</u></b>	<b><u>Median Age (3)</u></b>	<b><u>School Enrollment (4)</u></b>	<b><u>Unemployment Rate (5)</u></b>
1996	74,784	\$ 11,760	24.70	9,957	4.9 %
1997	77,325	11,760	24.70	10,136	4.2
1998	79,190	11,760	24.70	10,253	4.4
1999	80,843	11,760	24.70	10,371	3.2
2000	81,560	19,952	25.30	10,329	4.0
2001	80,098	19,952	25.30	10,273	4.4
2002	83,495	19,952	25.30	10,154	4.2
2003	85,282	19,952	25.30	9,919	4.7
2004	86,040	19,952	25.30	9,946	4.2
2005	88,541	19,952	25.30	10,003	3.3

**Data Sources:**

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

Table 15

**CITY OF LAWRENCE, KANSAS**

Property Value and Construction

Last Ten Fiscal Years

Unaudited

<b>Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>State Assessed Property</b>	<b>Total Property Value</b>	<b>New Construction-Number of Units</b>			<b>Valuation Building Permits</b>	
					<b>Commercial</b>	<b>Multi- family</b>	<b>Duplex</b>		
1996	\$ 331,776,560	\$ 37,404,345	\$ 18,670,148	\$ 387,851,053	52	972	122	338	\$ 167,505,304
1997	360,067,050	41,742,335	19,709,636	421,519,021	46	89	37	346	127,422,684
1998	396,254,275	44,139,690	18,855,954	459,249,919	26	33	75	360	141,064,963
1999	430,724,410	49,302,310	18,637,210	498,663,930	38	195	62	392	149,742,874
2000	469,852,465	56,523,350	19,076,106	545,451,921	37	236	46	305	175,039,978
2001	516,933,790	58,430,000	20,607,464	595,971,254	48	302	168	308	152,209,259
2002	553,933,830	54,197,260	20,902,337	629,033,427	37	359	119	304	141,596,618
2003	598,234,485	54,874,350	21,244,347	674,353,182	30	253	157	317	150,516,323
2004	646,375,889	50,179,040	21,594,641	718,149,570	21	105	110	313	117,706,909
2005	700,034,125	54,085,190	22,741,682	776,860,997	33	127	73	232	131,265,191

Table 16

## CITY OF LAWRENCE, KANSAS

## Miscellaneous Statistics

December 31, 2005

Unaudited

Date Chartered	1858	<b>Sewerage System</b>	
Form of Government	Commission - Manager	Mile of Sanitary Sewers	475
Number of Employees	733	Number of Treatment Plants	1
Area in Square Miles	31.30	Number of Service Connections	29,515
		Actual Daily Average of Treatment	12.5 MGD *
		Number of Lift Stations	39
			*(MGD= Million Gallons Daily)
<b>City of Lawrence Facilities and Services:</b>			
Miles of Streets	300	<b>Water System</b>	
<b>Culture and Recreation</b>			
Recreation Centers	5	Number of Water Plants	2
Parks	52	Miles of Water Mains	400
Park Acreage	3,275	Number of Service Connections	29,770
Tennis Courts	20	Number of City Owned Fire Hydrants	2,944
		Daily Average Consumption in Million Gallons	13.0
		Maximum Daily Capacity of Plant in Million Gallons	32.5
<b>Fire Protection</b>			
Number of Stations	5	<b>Libraries</b>	
Number of Firefighters and Officers	137	Public Libraries	1
Number of Fire Calls Answered	1,953	Number of volumes (approximately)	267,134
Number of Medical Calls Answered	6,700		
Number of Medical Transports	3,924	<b>Facilities and Services Not Included in the Reporting Entity:</b>	
Number of Inspections Conducted	5,240	<b>Education</b>	
<b>Police Protection</b>			
Number of Stations	2	Number of Public Elementary Schools	16
Number of Commissioned Police Officers	138	Number of Public Elementary School Instructors	445
Number of Full Time Civilians	34	Number of Public Secondary Schools	7
Number of Patrol Units	25	Number of Public Secondary School Instructors	433
Number of Calls for Service	110,192	Number of Universities	2
Arrests Processed through County Jail	2,834		
Officer Issued Traffic Violations	24,008	<b>Hospitals</b>	
Officer Issued Parking Violations	14,421	Number of Hospitals	1
		Number of Patient Beds	186

## **SINGLE AUDIT SECTION**

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**LOWENTHAL SINGLETON WEBB & WILSON**  
PROFESSIONAL ASSOCIATION

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CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and City Commission  
City of Lawrence, Kansas

We have audited the financial statements of the City of Lawrence, Kansas as of and for the year ended December 31, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standard," issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated March 31, 2006.

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

*Lowenthal, Singleton, Webb & Wilson*

Professional Association

March 31, 2006

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

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2005. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City 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, 2005.

**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 its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

*Kowenthal, Singleton, Webb & Wilson*

Professional Association

March 31, 2006

**CITY OF LAWRENCE, KANSAS**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2005**

Federal Grantor Agency Pass-Through Grantor / Program Name	Federal CFDA Number	Grant Program Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct Assistance</b>			
Community Development Block Grant/ Entitlement Grants	14.218	B-04-MC-20-0006	606,311
Community Development Block Grant/ Entitlement Grants	14.218	B-05-MC-20-0005	<u>350,043</u>
			<u>956,354</u>
Home - Investment Partnerships Program	14.239	M-04-MC-20-0205	643,634
Home - Investment Partnerships Program	14.239	M-05-MC-20-0205	<u>599,921</u>
			<u>1,243,555</u>
Fair Housing Assistance - State & Local (03)	14.401	FF207K037011	23,440
Fair Housing Assistance - State & Local (04)	14.401	FF207K047011	<u>108,229</u>
			<u>131,669</u>
<b>KS Department of Commerce and Housing</b>			
Emergency Shelter Grant (04)	14.231	S-02-DC-20-0001-2004-15	6,437
Emergency Shelter Grant (05)	14.231	S-03-DC-20-0001-2005-15	<u>42,092</u>
			<u>48,529</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>2,380,107</u></b>
<b>U. S. Department of Transportation</b>			
<b>Federal Transportation Administration</b>			
Federal Transit Formula Grant	20.507	KS-90-X100	259,730
Federal Transit Formula Grant	20.507	KS-90-X101	<u>1,129,009</u>
Federal Transit Capital Investments Grant (5309)	20.500	KS-03-0022-00	50,547
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004710	117,960
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004711	158,434
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004712	<u>230,709</u>
			<u>1,946,389</u>
<b>KS Department of Transportation</b>			
Comprehensive Transportation Planning Grant (03)	20.205	03 P.L. and Sect. 5303 Funds	69,757
Bicycle Work Program Grant (2000)	20.205	23 TE-0178-01/TEA-T017 (801)	3,843
Lawrence Police Department Traffic Safety Project	20.600	PT 03/05-03-05-02	334,194
Lawrence Police Department Traffic Safety Project :B.A.T.	20.205	AL-9914-05	72,200
Special Traffic Enforcement Program (STEP)		OP-1207-06	1,049
US 59 Corridor Enforcement Program			<u>1,800</u>
			<u>482,843</u>
<b>Total Department of Transportation</b>			<b><u>2,429,232</u></b>
<b>U.S. Department of Justice</b>			
<b>Direct Assistance</b>			
COPS in Schools	16.710	KS02301-2002-SHWX0166	36,728
Enforcement of Underage Drinking Laws		JJ-1139-05	<u>6,674</u>
			<u>43,402</u>
<b>KS Office of the Governor</b>			
Edward Byrne Memorial Law Enforcement Grant (04)	16.579	04Bryne-37	<u>28,070</u>
			<u>28,070</u>
<b>Total Department of Justice</b>			<b><u>71,472</u></b>
<b>Federal Emergency Management Agency (FEMA)</b>			
<b>Direct Assistance</b>			
Assistance to Firefighters Grant (03)	83.554	EMW-2003-FG-18124	<u>230</u>
<b>Total FEMA</b>			<b><u>230</u></b>
<b>U.S. Department of the Interior</b>			
<b>KS Historical Society</b>			
Historic Preservation Fund	16.904	20-04-19317-007	2,250
Historic Preservation Fund	16.904	20-04-19317-008	<u>10,686</u>
<b>Total Department of the Interior</b>			<b><u>12,936</u></b>
<b>Total Federal Financial Awards Expenditures</b>			<b><u>\$ 4,893,976</u></b>

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

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

CITY OF LAWRENCE, KANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended December 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<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:		
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
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>
-----------------------	---

20.507

Transit Formula Grant

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

\$300,000

Auditee qualified as low-risk auditee?

Yes  No

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted