

CITY OF LAWRENCE, KANSAS

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2007

**Prepared by:
Department of Finance**

CITY OF LAWRENCE, KANSAS

Mission Statement

MISSION

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

VALUES

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

We are committed to these basic principles:

*Integrity
Courtesy
Fairness
Honesty*

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

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

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

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

CITY OF LAWRENCE, KANSAS

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INTRODUCTORY SECTION



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CITY MANAGER

City of Lawrence KANSAS

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CITY COMMISSION

MAYOR
SUE HACK

COMMISSIONERS
MICHAEL H. DEVER
ROBERT CHESTNUT
DENNIS "BOOG" HIGHBERGER
MIKE AMYX

April 30, 2008

To the Citizens of Lawrence:

The Comprehensive Annual Financial Report (CAFR) of the City of Lawrence for the year ended December 31, 2007 is hereby submitted. The report was prepared by the Finance Department, which is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Unless waived by the local government, Kansas Statutes require that the financial statements be presented in conformance with generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The financial statements have been audited by Lowenthal Singleton Webb and Wilson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Lawrence for the fiscal year ended December 31, 2007 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, 2007, 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 requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These Single Audit reports are part of this report.

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

Profile of the City

The City of Lawrence was founded in 1854 as a project of the New England Emigrant Aid Society. The City is located thirty-eight miles west of Kansas City, Missouri, and twenty-five miles east of Topeka, the state capitol. In addition, Lawrence is home to the University of Kansas, which is the largest local employer. The City encompasses approximately 31.3 square miles and had an estimated population in 2007 of 90,311.

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

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

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

Factors Affecting Financial Condition

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

Local economy. The local economy is varied and diverse. Employment opportunities are provided by over 2100 local employers. Major employers include the University of Kansas, Lawrence Public Schools, Hallmark Cards, Lawrence Paper Company, Amarr Garage Doors, Berry Plastics, K-Mart Distribution Center, and Del Monte. On March 6, 2007, the City Commission approved a request from API Foils for a 55% tax abatement on \$4 -5 million in new construction and \$11 -12 million in machinery and equipment. On April 8, 2008, the City Commission authorized tax increment financing and transportation development districts for the Oread hotel project. The project will include 92 hotel rooms and approximately 14 condominiums within 116,000 square feet of space. Upon completion, the value of the hotel is estimated at \$14.3 million.

The average unemployment of the Lawrence MSA in 2007 was 3.7%. The total civilian labor force was 63,049 as of December 2007. The average annual unemployment rate for 2003, 2004, 2005 and 2006 was 4.7%, 4.2%, 4.0%, and 3.7% respectively. The number of homes sold in Lawrence during 2007 was 1,431, a decrease of 8% compared to 2006. The average selling price for a home was \$201,452 during the year, an increase of 1.0% from the 2006 average.

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

The City Commission has reviewed a ten year capital improvement plan for the water and sanitary sewer utility. The plan includes over \$180 million in projects with the largest cost being \$88 million for the City's second wastewater treatment plant. A rate study to determine the cost of service and level of water and sanitary sewer rates for the next five years was completed in June of 2004 and approved by the City Commission in December 2004. The current plan calls for annual rate increases of 6.0% for water service and 6.0% for sanitary sewer service over the next three years. The projects will be financed with a combination of cash and revenue bonds.

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

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

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of Federal agencies, and the Kansas Municipal Investment Pool. The maturities of investments varied from three months to four years with an average maturity just over one year. The weighed average yield on investments during the year was 5.2%. The City's cash management policy was certified by the Municipal Treasurer's Association in 2002. In addition, the State's Pooled Money Investment Board has granted the City expanded investment powers.

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lawrence for its comprehensive annual financial report (CAFR) for the year ended December 31, 2006. This was the sixteenth 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 2007 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

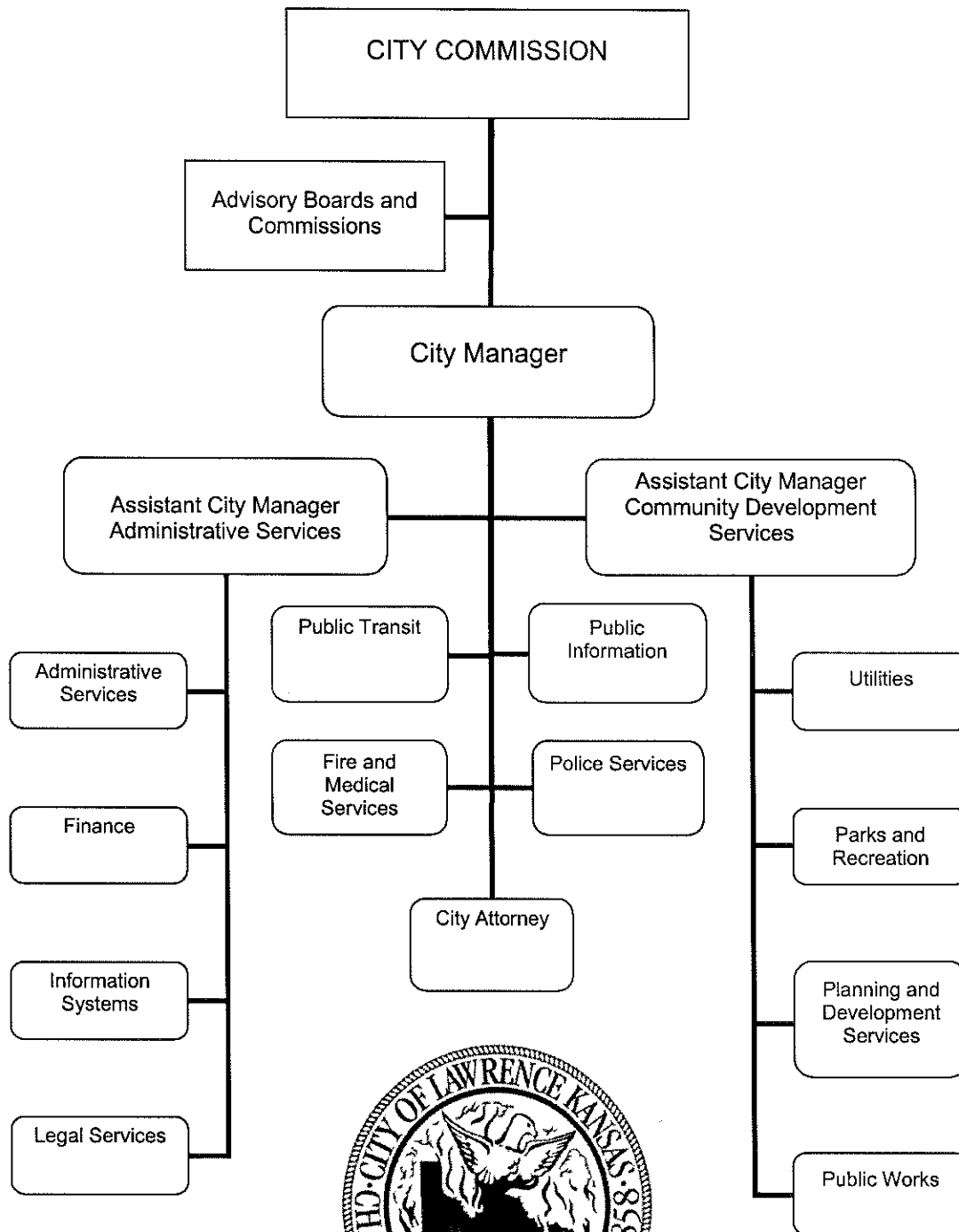
The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Special acknowledgement must be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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "A. Ed Mullins". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

A. Ed Mullins
Finance Director

City of Lawrence Organizational Chart



CITY OF LAWRENCE, KANSAS

List of Principal Officials

December 31, 2007

<u>Title</u>	<u>Name</u>
Mayor	Sue Hack
Vice Mayor	Michael H. Dever
Commission Member	Robert Chestnut
Commission Member	Mike Amyx
Commission Member	Dennis Highberger
City Manager	David Corliss
Assistant City Manager	Cynthia Boecker
Assistant City Manager	Diane Stoddard
Neighborhood Resources Director	Victor Torres
Finance Director	A. Ed Mullins
Fire Chief	Mark Bradford
Legal Services Director	Toni Wheeler
Parks & Recreation Director (Acting)	Ernie Shaw
Planning Director	Scott McCullough
Police Chief	Ron Olin
Public Works Director	Charles Soules
Utilities Director	Dave Wagner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawrence
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS

Mayor and City Commission
City of Lawrence, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, as of and for the year ended December 31, 2007, 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 \$187,711,665 as of December 31, 2007 and total expenses of \$116,211,402 for the year then ended, and the Lawrence-Douglas County Housing Authority which statements reflect total assets of \$17,719,112 as of December 31, 2007 and total expenses of \$6,923,169 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas, at December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated April 30, 2008, 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.

Lowenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2008

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, 2007. 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 2007 by \$310,179,734. Of this amount, \$64,904,076 may be used to meet the government's ongoing obligations.
- An event that helped increase net assets was a \$21.5 million increase in total capital assets.
- As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$35,267,691, an increase of \$5,736,863 in comparison with the prior year. Approximately 74% is available for spending at the City's discretion. The increase occurred because a smaller note issue in the Capital Projects Fund reduced the fund's deficit.
- At the end of 2007, the City's unreserved general fund balance was \$11,449,526 or 21.6% of total general fund expenditures.
- The City's total debt increased by \$14.2 million or 11.2% during the year. The increase in debt was primarily due to the 2007 water and sewer revenue bond.

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. Prior year net assets were restated due to reclassification of debt. Please refer to Note 15 on page 55 for complete information on the restatement.

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

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

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

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

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

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

The City of Lawrence maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

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

	Governmental		Business-type		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other Assets	\$ 93,794	\$ 87,982	\$ 59,701	\$ 61,795	\$ 153,495	\$ 149,777
Capital Assets	<u>184,650</u>	<u>185,032</u>	<u>193,342</u>	<u>171,393</u>	<u>377,992</u>	<u>356,425</u>
Total	<u>\$ 278,444</u>	<u>\$ 273,014</u>	<u>\$ 253,043</u>	<u>\$ 233,188</u>	<u>\$ 531,487</u>	<u>\$ 506,202</u>
Other Liabilities	\$ 37,358	\$ 43,106	\$ 4,740	\$ 3,600	\$ 42,098	\$ 46,706
Long term Liabilities	<u>85,197</u>	<u>81,732</u>	<u>94,012</u>	<u>78,486</u>	<u>179,209</u>	<u>160,218</u>
Total	<u>\$ 122,555</u>	<u>\$ 124,838</u>	<u>\$ 98,752</u>	<u>\$ 82,086</u>	<u>\$ 221,307</u>	<u>\$ 206,924</u>
Net Assets:						
Capital Assets Net of Debt	\$ 94,180	\$ 93,545	\$ 100,895	\$ 92,039	\$ 195,075	\$ 185,584
Restricted	<u>22,970</u>	<u>17,954</u>	<u>27,231</u>	<u>16,877</u>	<u>50,201</u>	<u>34,831</u>
Unrestricted	<u>38,739</u>	<u>36,677</u>	<u>26,165</u>	<u>42,186</u>	<u>64,904</u>	<u>78,863</u>
Total	<u>\$ 155,889</u>	<u>\$ 148,176</u>	<u>\$ 154,291</u>	<u>\$ 151,102</u>	<u>\$ 310,180</u>	<u>\$ 299,278</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 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase in net assets for the governmental type funds due in large part to an increase in accounts receivable. Special assessment receivables increased by \$4.8 million due to the completion of benefit district projects. Other governmental liabilities decreased in 2007 primarily due to a \$6.1 million reduction in the amount of temporary notes outstanding. However, long term government liabilities increased as the result of the issuance of \$11.3 million in general obligation bonds less the retirement of \$9.6 million in general obligation bonds. A total \$6.5 million of the general obligation bonds are payable from Business-type activities. Restricted governmental net assets increased because of the additional debt outstanding.

There was also an increase in net assets reported in connection with the business-type activities. The Water and Sewer Fund and Storm Water Fund had positive net income for the year, with over \$3.8 million earned by the Water and Sewer Fund. The other business-type activities reported combined net loss of slightly less than \$930,000. Capital Assets increased by approximately \$21.9 million as the result of the construction of water and sewer projects including the expansion of the Clinton water treatment plant. Long term liabilities increased with the issuance of \$19.8 million in water and sewer revenue bonds and the retirement of \$3.5 million in debt.

Overall, the City's net assets increased by \$10,902,177 during 2007 as a result of positive net income in the business type funds and the continued construction of capital assets. Water and sewer revenues exceeded expenses by over \$3.8 million. The City is also using some of its cash reserves to pay for water and sewer capital projects. The Storm Water Utility experienced positive net income of \$251,516. The Storm Water Utility is responsible for retiring \$6.5 million in general obligation debt. A more complete analysis of the changes in the City's net assets is shown below.

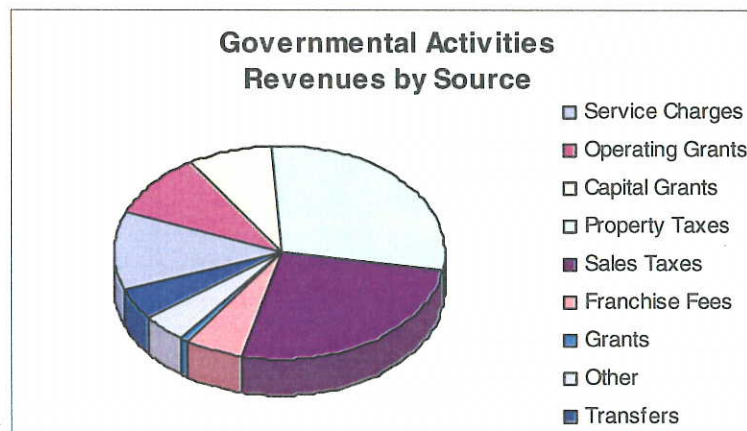
City of Lawrence's Changes in Net Assets
(000's)

	Governmental		Business-type		Total	
	<u>2007</u>	<u>2006</u> (Restated)	<u>2007</u>	<u>2006</u> (Restated)	<u>2007</u>	<u>2006</u> (Restated)
Revenues:						
Program Revenues:						
Charges for Service	\$ 9,918	\$ 10,233	\$ 41,320	\$ 41,086	\$ 51,238	\$ 51,319
Operating Grants	8,107	8,297	-	-	8,107	8,297
Capital Grants	6,983	7,464	17	85	7,000	7,549
General Revenues:						
Property Taxes	23,769	22,525	-	-	23,769	22,525
Sales Taxes	22,173	21,734	-	-	22,173	21,734
Franchise Fees	4,784	3,987	-	-	4,784	3,987
Unrestricted Grants	549	543	-	-	549	543
Other	<u>3,478</u>	<u>3,285</u>	<u>3,106</u>	<u>2,934</u>	<u>6,584</u>	<u>6,219</u>
Total	79,761	78,068	44,443	44,105	124,204	122,173
Expenses						
General Government	19,366	17,850	-	-	19,366	17,850
Public Safety	28,092	26,851	-	-	28,092	26,851
Public Works	14,679	16,810	-	-	14,679	16,810
Social Services	1,917	2,651	-	-	1,917	2,651
Recreation	8,615	8,881	-	-	8,615	8,881
Health	993	976	-	-	993	976
Interest on Debt	2,655	3,175	-	-	2,655	3,175
Water and Sewer	-	-	23,578	21,182	23,578	21,182
Sanitation	-	-	9,593	9,146	9,593	9,146
Public Parking	-	-	1,110	934	1,110	934
Storm Water	-	-	1,778	1,710	1,778	1,710
Golf	-	-	926	818	926	818
Total expenses	<u>76,317</u>	<u>77,194</u>	<u>36,985</u>	<u>33,790</u>	<u>113,302</u>	<u>110,984</u>
Excess [deficiency]	3,444	874	7,458	10,315	10,902	11,189
Transfers	<u>4,269</u>	<u>2,102</u>	<u>[4,269]</u>	<u>[2,102]</u>	-	-
Change in Net Assets	7,713	2,976	3,189	8,213	10,902	11,189
Beginning Net Assets	<u>148,176</u>	<u>145,200</u>	<u>151,102</u>	<u>142,889</u>	<u>299,278</u>	<u>288,089</u>
Ending Net Assets	<u>\$ 155,889</u>	<u>\$ 148,176</u>	<u>\$ 154,291</u>	<u>\$ 151,102</u>	<u>\$ 310,180</u>	<u>\$299,278</u>

Governmental activities. Governmental activities increased the City's net assets by \$7,713,306 during the year. Key elements of governmental activities during the year are as follows.

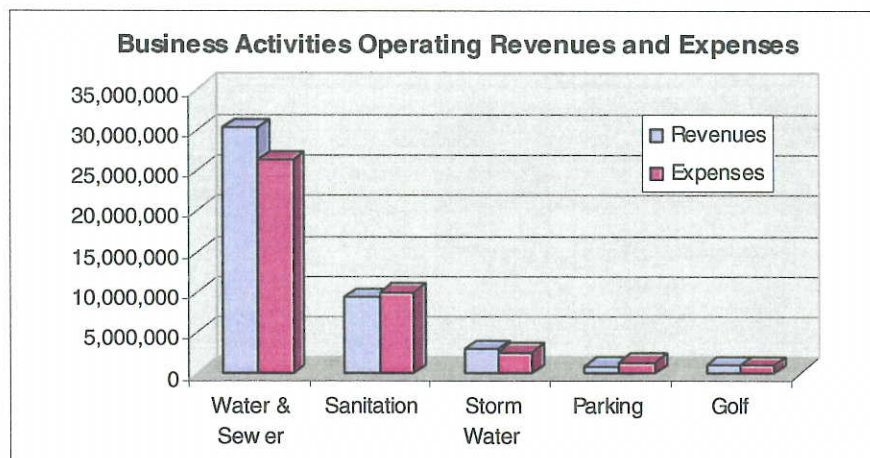
Total governmental revenues grew by 2.2% in 2007. Property taxes revenue increased due to a 6.1% increase in assessed valuation and a .02 mill increase in the total levy. Franchise fees increased by 20.0% because of significant increases in rates. Service charges decreased because of a reduction in the reimbursement for ambulance services. Sales tax revenue increased by 2.0%. Transfers from other funds, especially the Water and Sewer Fund, were increased significantly to fund general governmental operations.

Expenses for governmental purposes decreased 1.1% because of a concern over slowing governmental revenues. Employees received a 3.0% general wage adjustments and increases in employer paid health care. A total of four new employees were budgeted in the City Manager's office. Public safety expenses increased due to the hiring of two new employees in the fire department and two new employees in the police department. Public Works expenses decreased because of reduced expenses for capital projects, a total of four new positions were authorized.



Business-type activities. Business-type activities increased the City's net assets by \$3,188,871. The Water and Sewer Fund and Storm Water Fund experienced positive net income with the Sanitation, Public Parking and Golf Course Funds showed loses. The key elements of the changes in net assets are as follows:

- Positive net income in the Water and Sewer equaling \$3.8 million. Water rates were increased 6.0% on average and sewer rates increased 6.0% on average in 2007.
- Positive net income in the Storm Water Fund equaling \$251,516. Storm water fees were not changed in 2007.
- A reduction of cash in the Water and Sewer Fund due to funding of capital projects.
- An increase in water and sewer operating expenses of 11.3%.



Financial Analysis of the Government's Funds

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

As of December 31, 2007, the City of Lawrence's governmental funds reported combined ending fund balances of \$35,267,691, an increase of \$5,736,863 from the prior year. Approximately 74% of the total is unreserved and thus available for spending in future years. The remaining amount has been committed to liquidate contracts and purchase orders and pay debt service and legal claims.

The General Fund is the primary operating fund of the City. At the end of 2007, unreserved general fund balance totaled \$11,449,526, while total general fund balance was \$12,256,840. Unreserved general fund balance represents 21.6% of total general fund expenditures, within the 15-30% range established by the City Commission's adopted fund balance policy.

Key factors affecting the general fund balance are as follows:

- An increase in assessed value with a constant General Fund levy
- A 2.0% increase in sales tax distributions
- A 20.0% increase in franchise revenue due to an increase in the franchise fees
- A decrease in expenditures from the prior year

The debt service fund has a total fund balance of \$7,736,675, all of which is reserved for debt service. The \$447,173 increase in fund balance was the result of transferred interest earnings on capital projects. The amount of debt payments are projected to increase in the near future along with special assessment revenue.

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

Unrestricted fund equity of the Water and Sewer Fund totaled \$19,099,337 at the end of 2007. The unrestricted fund equity of the Sanitation Fund amounted to \$2,455,774 at the end of 2007. The net income for the Water and Sewer Fund was \$3,783,164. The Sanitation Fund had a net loss of \$746,605. The anticipated future population growth of Lawrence has had an impact on the funds. Increased demands for water and sanitary sewer services will result in the need to expand existing facilities on the water side and construct a second wastewater treatment plant by 2012. The Sanitation Fund must continue to add collection 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 2007 adopted budget was not amended by the City Commission during the year. On the revenue side, nearly every revenue category with the exception of property taxes, franchise fees, and interest earnings were less than the budgeted amount. Expenditure adjustments between programs and line items were significant since departments were directed to reduce spending. The more significant operational changes to the 2007 budget from prior year budgets are listed below:

- A new pay plan was adopted in 2005 that provided higher pay ranges for most employees.
- A 3% cost of living adjustment was budgeted for all employees.
- Departments and outside agencies were requested to reduce their operating budgets by 6%.
- A total of 11.5 new positions were authorized with most occurring in public works.
- A budgeted reduction for street maintenance projects of \$585,000.

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

Capital Asset and Debt Administration

Capital assets. The City's investments in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$377,992,130 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, and bridges. The increase in capital assets for the current year was 6.0%. (For additional information on the city's capital assets please read Note 8 on page 49.)

Major capital asset additions during the year included the following:

- Construction of Kasold from 15th to 23rd Street
- Construction of Fire Station #4
- Completion of the Monterey Way and Peterson Road benefit district projects
- Completion of the Kasold Drive to the Kansas Turnpike
- Construction of park projects, including DeVictor, Burroughs Trail, and Clinton

City of Lawrence's Capital Assets (net of depreciation) (000's)						
	Governmental		Business-type		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 14,576	\$ 14,576	\$ 5,658	\$ 5,152	\$ 20,234	\$ 19,728
Buildings	30,257	31,975	58,279	59,787	88,536	91,762
Improvements	16,593	16,865	99,379	84,643	115,972	101,508
Equipment	5,808	5,911	4,640	4,488	10,448	10,399
Infrastructure	108,499	101,550	-	-	108,499	101,550
Construction in Progress	8,917	14,154	25,386	17,322	34,303	31,476
Total	<u>\$ 184,650</u>	<u>\$ 185,031</u>	<u>\$ 193,342</u>	<u>\$ 171,392</u>	<u>\$ 377,992</u>	<u>\$ 356,423</u>

Long-term debt. At the end of 2007, the City of Lawrence had total bonded debt outstanding of \$130,240,000. Of this amount, \$86,775,000 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 \$42,447,047 due in accordance with the State Revolving Loan Fund (SRF) program for water and wastewater projects. (For additional information on the city's debt please read Note 7 on page 43.)

City of Lawrence's Outstanding Debt General Obligation and Revenue Bonds (000's)						
	Governmental		Business-type		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation	\$ 80,240	\$ 75,099	\$ 6,535	\$ 9,971	\$ 86,775	\$ 85,070
Revenue	-	-	43,465	24,860	43,465	24,860
SRF	-	-	42,447	44,542	42,447	44,542
Other Notes Payable	4	23	-	-	4	23
Total	<u>\$ 80,244</u>	<u>\$ 75,122</u>	<u>\$ 92,447</u>	<u>\$ 79,373</u>	<u>\$ 172,691</u>	<u>\$ 154,495</u>

The City's total outstanding debt increased \$18.2 million during the year. The major component of this increase was the issuance of \$19,800,000 in revenue debt for utility improvements primarily the expansion of the Clinton Water Treatment plant. A total of \$11.3 million in general obligation debt was issued and \$9.6 million was retired. Over \$6.5 million in general obligation debt will be retired 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, 2007 the debt limitation for the City of Lawrence was \$269,319,365, which is significantly in excess of the \$97,000,000 in general obligation debt the City had outstanding as of December 31, 2007.

Economic Factors and 2008 Budget

The unemployment rate for the City of Lawrence was 3.7% as of December 31, 2007. This is below the State average of 4.0%. The City experienced an increase of 3.5% in its assessed valuation in 2007. The 2007 assessed valuation is used to fund the 2008 budget. The City Commission approved the formation of a tax increment financing district and transportation development district for the Oread Hotel project. The hotel and underground parking lot will be located just north of the University of Kansas campus.

During 2007, unreserved fund balance in the general fund increased by \$365,778. A significant reduction in general fund balance is projected for 2008. Because of slow economic growth during the time the 2008 budget was being developed, the budget incorporated smaller increases in the growth rates for the major revenue sources. In addition, because of budget constraints funding for infrastructure maintenance were increased by only \$100,000. A total of eight new positions were added to the 2008 budget and a two percent general wage adjustment was provided. Seven of the new positions were in the Utilities Department to more appropriately staff the department.

The City Commission approved an increase in the rates charged for water service by an average of 6% and the rates for sanitary sewer service by an average of 6% effective for 2008. The increase in sanitation rates was 4% for 2008. The water rate increase was approved to provide funding for the expansion of the Clinton Water Treatment plant and for other improvements. 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.

BASIC FINANCIAL STATEMENTS

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CITY OF LAWRENCE, KANSAS

Statement of Net Assets December 31, 2007

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 6,215,276	7,616,543	13,831,819	20,482,859
Investments	45,303,248	47,922,307	93,225,555	66,849,302
Receivables (net of allowance of \$82,240)	42,126,310	3,144,956	45,271,266	20,065,773
Inventories	148,862	843,587	992,449	1,459,632
Prepaid items	—	173,448	173,448	2,921,602
Deferred costs	—	—	—	729,313
Other assets	—	—	—	1,010,479
Capital assets (Net)				
Land and construction in progress	23,493,446	31,044,518	54,537,964	35,584,979
Other capital assets, net of depreciation	161,156,729	162,297,437	323,454,166	60,326,690
Total assets	\$ 278,443,871	253,042,796	531,486,667	209,430,629
Liabilities				
Accounts payable and accrued expenses	\$ 4,058,451	4,739,955	8,798,406	14,005,673
Unearned revenue	23,074,557	—	23,074,557	453,801
Temporary notes payable	10,225,000	—	10,225,000	—
Long-term liabilities				
Due within one year	11,001,792	5,656,058	16,657,850	3,146,048
Due in more than one year	74,195,074	88,356,046	162,551,120	65,498,770
Total liabilities	\$ 122,554,874	98,752,059	221,306,933	83,104,292
Net Assets				
Invested in capital assets, net of debt	\$ 94,180,228	100,895,359	195,075,587	42,723,552
Restricted for:				
Capital acquisitions	—	23,031,926	23,031,926	2,096,215
Debt service	22,576,041	4,198,622	26,774,663	1,022,396
Other purposes	393,482	—	393,482	2,757,325
Unrestricted	38,739,246	26,164,830	64,904,076	77,726,849
Total net assets	\$ 155,888,997	154,290,737	310,179,734	126,326,337

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, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 19,365,613	1,213,241	2,133,578	3,767	(16,015,027)	—	(16,015,027)	—
Public safety	28,091,852	6,390,357	30,910	—	(21,670,585)	—	(21,670,585)	—
Public works	14,467,570	173,148	2,827,620	343,224	(11,123,578)	—	(11,123,578)	—
Health	992,789	153,058	—	—	(839,731)	—	(839,731)	—
Social services	1,917,240	188,528	1,727,045	—	(1,667)	—	(1,667)	—
Culture and recreation	7,834,774	1,764,266	602,460	—	(5,468,048)	—	(5,468,048)	—
Tourism	779,687	6,000	785,956	—	12,269	—	12,269	—
Airport	212,253	29,320	—	—	(182,933)	—	(182,933)	—
Interest on long-term debt	2,655,108	—	—	6,635,963	3,980,855	—	3,980,855	—
Total governmental activities	76,316,886	9,917,918	8,107,569	6,982,954	(51,308,445)	—	(51,308,445)	—
Business-type activities:								
Water & sewer	23,578,051	27,702,909	—	—	—	4,124,858	4,124,858	—
Sanitation	9,593,230	8,980,990	16,844	—	—	(595,396)	(595,396)	—
Parking	1,110,029	876,578	—	—	—	(233,451)	(233,451)	—
Stormwater	1,778,006	2,836,484	—	—	—	1,058,478	1,058,478	—
Golf course	925,676	923,375	—	—	—	(2,301)	(2,301)	—
Total business-type activities	36,984,992	41,320,336	16,844	—	—	4,352,188	4,352,188	—
Total primary government	\$ 113,301,878	\$ 51,238,254	\$ 8,124,413	\$ 6,982,954	\$ (51,308,445)	\$ 4,352,188	\$ (46,956,257)	—
Component units:								
Lawrence Housing Authority	\$ 6,923,169	1,225,907	5,681,951	274,458	—	—	—	259,147
Lawrence Memorial Hospital	116,211,402	125,878,272	—	1,889,393	—	—	—	11,556,263
Lawrence Public Library	3,320,559	135,639	3,207,558	—	—	—	—	22,638
Total component units	\$ 126,455,130	127,239,818	8,889,509	2,163,851	—	—	—	11,838,048
General Revenues								
Taxes								
Property taxes, levied for general purposes					17,470,258	—	17,470,258	—
Property taxes, levied for debt service					6,298,511	—	6,298,511	—
Franchise taxes					4,784,605	—	4,784,605	—
Sales taxes					22,172,560	—	22,172,560	—
Grants and contributions not restricted to specific programs					548,596	—	548,596	—
Unrestricted investment earnings					3,290,116	2,464,859	5,754,975	4,787,514
Miscellaneous					187,713	641,216	828,929	112,149
Transfers					4,269,392	(4,269,392)	—	—
Total general revenues and transfers					59,021,751	(1,163,317)	57,858,434	4,899,663
Change in net assets					7,713,306	3,188,871	10,902,177	16,737,711
Net assets-beginning, as restated					148,175,691	151,101,866	299,277,557	109,588,626
Net assets-ending					\$ 155,888,997	\$ 154,290,737	\$ 310,179,734	\$ 126,326,337

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

CITY OF LAWRENCE, KANSAS

Balance Sheet Governmental Funds December 31, 2007

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,658,775	852,507	71,615	2,995,634	5,578,531
Investments	10,369,131	7,299,360	9,300,000	13,353,832	40,322,323
Receivables:					
Taxes	13,607,281	5,509,689	—	3,852,825	22,969,795
Special assessments	—	15,876,643	—	—	15,876,643
Intergovernmental	513,307	—	—	819,876	1,333,183
Accounts (net of allowance of \$4,166)	256,359	30,922	—	119,243	406,524
Franchise fees	478,448	—	—	—	478,448
Loans	—	—	—	370,482	370,482
Accrued interest	129,832	63,911	116,794	176,743	487,280
Due from other funds	375,000	—	—	—	375,000
Total assets	<u>\$ 27,388,133</u>	<u>29,633,032</u>	<u>9,488,409</u>	<u>21,688,635</u>	<u>88,198,209</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,256,630	—	9,059	215,276	1,480,965
Accrued payroll	781,434	—	—	107,994	889,428
Due to other funds	—	—	—	375,000	375,000
Temporary notes payable	—	—	10,225,000	—	10,225,000
Unearned revenue	13,093,229	21,896,357	—	4,970,539	39,960,125
Total liabilities	<u>15,131,293</u>	<u>21,896,357</u>	<u>10,234,059</u>	<u>5,668,809</u>	<u>52,930,518</u>
Fund balances:					
Reserved for encumbrances	807,314	3,800	—	236,514	1,047,628
Reserved for debt service	—	7,732,875	—	—	7,732,875
Reserved for loans	—	—	—	370,482	370,482
Reserved for donor restriction	—	—	—	23,000	23,000
Unreserved, reported in:					
General fund	11,449,526	—	—	—	11,449,526
Special revenue funds	—	—	—	15,389,830	15,389,830
Capital projects funds	—	—	(745,650)	—	(745,650)
Total fund balances	<u>12,256,840</u>	<u>7,736,675</u>	<u>(745,650)</u>	<u>16,019,826</u>	<u>35,267,691</u>
Total liabilities and fund balances	<u>\$ 27,388,133</u>	<u>29,633,032</u>	<u>9,488,409</u>	<u>21,688,635</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	184,617,665
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	16,885,568
Internal service funds are used by management to charge the costs of fleet repairs office supplies, and health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,447,833
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(86,329,760)
Net assets of governmental activities	<u>\$ 155,888,997</u>

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

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 31,709,349	6,298,511	—	4,020,527	42,028,387
Special assessments	—	1,880,223	75,618	—	1,955,841
Licenses and permits	928,922	—	—	—	928,922
Charges for services	4,104,360	—	—	1,658,087	5,762,447
Fines, forfeitures and penalties	2,499,828	—	—	150,991	2,650,819
Interest	1,398,989	635,717	402,858	645,757	3,083,321
Intergovernmental	9,428,723	—	203,511	7,764,022	17,396,256
Reimbursements	6,739	—	64,095	—	70,834
Miscellaneous	144,998	108,551	—	386,939	640,488
Total revenues	<u>50,221,908</u>	<u>8,923,002</u>	<u>746,082</u>	<u>14,626,323</u>	<u>74,517,315</u>
Expenditures:					
Current expenditures:					
General government	12,364,266	—	—	7,148,033	19,512,299
Public safety	26,467,705	—	—	725,340	27,193,045
Public works	5,425,080	—	—	2,544,377	7,969,457
Health	931,629	—	—	59,039	990,668
Social services	209,089	—	—	1,310,310	1,519,399
Culture and recreation	3,231,306	—	—	4,058,306	7,289,612
Tourism	—	—	—	779,687	779,687
Airport	96,545	—	—	—	96,545
Capital outlay	581,541	—	5,347,358	1,805,998	7,734,897
Debt service:					
Principal retirement	18,629	7,570,032	—	1,013,363	8,602,024
Interest and fiscal charges	648	2,173,837	—	536,486	2,710,971
Total expenditures	<u>49,326,438</u>	<u>9,743,869</u>	<u>5,347,358</u>	<u>19,980,939</u>	<u>84,398,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>895,470</u>	<u>(820,867)</u>	<u>(4,601,276)</u>	<u>(5,354,616)</u>	<u>(9,881,289)</u>
Other financing sources (uses):					
Transfers in	3,123,322	1,268,040	—	5,217,302	9,608,664
Transfers (out)	(3,696,000)	—	(1,268,040)	(371,472)	(5,335,512)
Issuance of general obligation bonds	—	—	11,345,000	—	11,345,000
Total other financing sources (uses)	<u>(572,678)</u>	<u>1,268,040</u>	<u>10,076,960</u>	<u>4,845,830</u>	<u>15,618,152</u>
Net changes in fund balances	<u>322,792</u>	<u>447,173</u>	<u>5,475,684</u>	<u>(508,786)</u>	<u>5,736,863</u>
Fund balance, beginning of year	<u>11,934,048</u>	<u>7,289,502</u>	<u>(6,221,334)</u>	<u>16,528,612</u>	<u>29,530,828</u>
Fund balance, end of year	<u>\$ 12,256,840</u>	<u>7,736,675</u>	<u>(745,650)</u>	<u>16,019,826</u>	<u>35,267,691</u>

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, 2007

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

Net changes in fund balances - total governmental funds	\$ 5,736,863
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.	(313,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,031,877
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.	(2,742,976)
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.	(653,056)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>654,156</u>
Change in net assets of governmental activities	\$ <u><u>7,713,306</u></u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2007
(With Comparative Actual Amounts for 2006)

	2007				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2006 Actual
Revenues:					
Taxes	\$ 31,470,707	31,470,707	31,709,349	238,642	29,982,938
Special assessments	—	—	—	—	1,510
Licenses and permits	1,144,500	1,144,500	928,922	(215,578)	1,128,747
Charges for services	4,739,450	4,739,450	4,104,360	(635,090)	4,410,451
Fines, forfeitures and penalties	2,750,000	2,750,000	2,499,828	(250,172)	2,455,620
Interest	1,000,000	1,000,000	1,398,989	398,989	1,554,141
Intergovernmental	9,942,000	9,942,000	9,428,723	(513,277)	9,271,941
Reimbursements	25,000	25,000	6,739	(18,261)	—
Miscellaneous	142,900	142,900	144,998	2,098	269,967
Total revenues	<u>51,214,557</u>	<u>51,214,557</u>	<u>50,221,908</u>	<u>(992,649)</u>	<u>49,075,315</u>
Expenditures:					
General government	13,193,705	16,879,720	12,328,307	4,551,413	11,886,176
Public safety	27,179,357	26,595,699	26,613,728	(18,029)	25,420,467
Public works	5,952,425	5,798,240	5,437,218	361,022	5,877,167
Health	1,034,075	999,325	890,523	108,802	931,208
Social services	315,183	230,183	209,089	21,094	295,365
Culture and recreation	3,327,945	3,222,469	3,187,892	34,577	3,177,271
Airport	106,059	106,059	94,618	11,441	84,464
Capital outlay	936,203	523,257	502,801	20,456	646,965
Debt service:					
Principal retirement and interest expense	19,277	19,277	19,276	1	19,276
Total expenditures	<u>52,064,229</u>	<u>54,374,229</u>	<u>49,283,452</u>	<u>5,090,777</u>	<u>48,338,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(849,672)</u>	<u>(3,159,672)</u>	<u>938,456</u>	<u>4,098,128</u>	<u>736,956</u>
Other financing sources (uses):					
Transfers in	3,025,600	3,025,600	3,123,322	97,722	1,645,662
Transfers out	<u>(6,006,000)</u>	<u>(3,696,000)</u>	<u>(3,696,000)</u>	<u>—</u>	<u>(5,771,750)</u>
Total other financing sources (uses)	<u>(2,980,400)</u>	<u>(670,400)</u>	<u>(572,678)</u>	<u>97,722</u>	<u>(4,126,088)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>\$ (3,830,072)</u>	<u>(3,830,072)</u>	<u>365,778</u>	<u>4,195,850</u>	<u>(3,389,132)</u>
Fund balance, beginning of year			11,934,048		15,327,743
Net change in reserve for encumbrances			<u>(42,986)</u>		<u>(4,563)</u>
Fund balance, end of year			<u>\$ 12,256,840</u>		<u>11,934,048</u>

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

CITY OF LAWRENCE, KANSAS

Balance Sheet
Proprietary Funds
December 31, 2007

Assets	Business-type Activities-Enterprise Funds					Governmental
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
Current assets:						
Cash	\$ 3,545,201	348,636	222,935	251,935	4,368,707	984,201
Investments	15,267,983	2,129,866	1,064,933	400,000	18,862,782	7,337,504
Receivables:						
Accounts (net of allowance of \$101,949)	1,712,769	749,903	175,970	27,974	2,666,616	299,227
Accrued interest	251,486	35,768	13,534	7,997	308,785	74,283
Inventories	663,337	---	---	29,687	693,024	299,425
Prepaid items	173,448	---	---	---	173,448	---
Restricted cash:						
Customer deposits	194,156	3,755	---	---	197,911	---
Current portion of revenue bonds	624,588	---	---	---	624,588	---
Restricted investments:						
Customer deposits	729,867	---	---	---	729,867	---
Current portion of revenue bonds	820,412	---	---	---	820,412	---
Total current assets	<u>23,983,247</u>	<u>3,267,928</u>	<u>1,477,372</u>	<u>717,593</u>	<u>29,446,140</u>	<u>8,994,640</u>
Noncurrent assets						
Restricted cash	2,077,881	---	---	---	2,077,881	---
Restricted investments	25,152,667	---	---	---	25,152,667	---
Total restricted assets	<u>27,230,548</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>27,230,548</u>	<u>---</u>
Capital assets						
Land	3,379,446	---	1,799,729	479,055	5,658,230	---
Buildings and improvements	189,884,669	1,518,252	12,863,584	7,700,727	211,967,232	459,715
Equipment	6,863,318	7,742,831	1,301,375	536,981	16,444,505	271,137
Construction in progress	25,386,288	---	---	---	25,386,288	0
Accumulated depreciation	(53,459,907)	(6,264,095)	(1,920,157)	(4,509,307)	(66,153,466)	(659,176)
Total capital assets	<u>172,053,814</u>	<u>2,996,988</u>	<u>14,044,531</u>	<u>4,207,456</u>	<u>193,302,789</u>	<u>71,676</u>
Total noncurrent assets	<u>199,284,362</u>	<u>2,996,988</u>	<u>14,044,531</u>	<u>4,207,456</u>	<u>220,533,337</u>	<u>71,676</u>
Total assets	<u>\$ 273,267,609</u>	<u>6,264,916</u>	<u>15,521,903</u>	<u>4,925,049</u>	<u>249,979,477</u>	<u>9,066,316</u>
Liabilities and Net Assets						
Liabilities:						
Current liabilities						
Accounts payable	\$ 2,290,848	104,755	9,672	22,626	2,427,901	198,350
Accrued interest payable	741,800	---	91,635	---	833,435	---
Claims payable	---	---	---	---	---	497,388
Accrued payroll	173,016	113,111	18,486	21,857	326,470	21,100
Accrued vacation and sick pay	412,664	342,151	41,579	51,837	848,231	59,969
Current portion of general obligation bonds	---	---	1,029,848	---	1,029,848	---
Total unrestricted current liabilities	<u>3,618,328</u>	<u>560,017</u>	<u>1,191,220</u>	<u>96,320</u>	<u>5,465,885</u>	<u>776,807</u>
Current liabilities payable from restricted assets:						
Customer deposits	924,023	3,755	---	---	927,778	---
Current portion of revenue bonds	1,445,000	---	---	---	1,445,000	---
Total current liabilities payable from restricted assets	<u>2,369,023</u>	<u>3,755</u>	<u>---</u>	<u>---</u>	<u>2,372,778</u>	<u>---</u>
Total current liabilities	<u>5,987,351</u>	<u>563,772</u>	<u>1,191,220</u>	<u>96,320</u>	<u>7,838,663</u>	<u>776,807</u>
Noncurrent liabilities						
Compensated absences	341,559	248,382	26,310	37,821	654,072	65,933
General obligation bonds payable	---	---	5,504,701	---	5,504,701	---
Revenue bonds payable	42,020,000	---	---	---	42,020,000	---
Notes payable	42,447,047	---	---	---	42,447,047	---
Total noncurrent liabilities	<u>84,808,606</u>	<u>248,382</u>	<u>5,531,011</u>	<u>37,821</u>	<u>90,625,820</u>	<u>65,933</u>
Total liabilities	<u>90,795,957</u>	<u>812,154</u>	<u>6,722,231</u>	<u>134,141</u>	<u>98,464,483</u>	<u>842,740</u>
Net assets:						
Invested in capital assets, net of debt	86,141,767	2,996,988	7,509,982	4,207,456	100,856,193	71,676
Restricted for:						
Water and sewer improvements	23,031,926	---	---	---	23,031,926	---
Debt service	4,198,622	---	---	---	4,198,622	---
Unrestricted	19,099,337	2,455,774	1,289,690	583,452	23,428,253	8,151,900
Total net assets	<u>132,471,652</u>	<u>5,452,762</u>	<u>8,799,672</u>	<u>4,790,908</u>	<u>151,514,994</u>	<u>8,223,576</u>
Total liabilities and net assets	<u>\$ 223,267,609</u>	<u>6,264,916</u>	<u>15,521,903</u>	<u>4,925,049</u>	<u>249,979,477</u>	<u>9,066,316</u>
Total net assets					151,514,994	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					2,775,743	
Net assets of business-type activities					<u>\$ 154,290,737</u>	

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2007

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 27,593,620	8,809,122	2,836,484	1,799,953	41,039,179	10,294,682
Other sales	109,289	171,868	—	—	281,157	—
Total operating revenues	<u>27,702,909</u>	<u>8,980,990</u>	<u>2,836,484</u>	<u>1,799,953</u>	<u>41,320,336</u>	<u>10,294,682</u>
Operating expenses:						
Continuing operations	—	8,908,632	1,082,932	1,690,384	11,681,948	2,921,606
Transmission and distribution	11,471,670	—	—	—	11,471,670	—
General administration	3,889,846	—	—	—	3,889,846	589,130
Health insurance claims	—	—	—	—	—	6,082,169
Depreciation and amortization	4,967,999	793,916	427,798	358,967	6,548,680	36,411
Total operating expenses	<u>20,329,515</u>	<u>9,702,548</u>	<u>1,510,730</u>	<u>2,049,351</u>	<u>33,592,144</u>	<u>9,629,316</u>
Operating income (loss)	<u>7,373,394</u>	<u>(721,558)</u>	<u>1,325,754</u>	<u>(249,398)</u>	<u>7,728,192</u>	<u>665,366</u>
Nonoperating revenues (expenses)						
Interest income	2,123,986	149,347	67,877	22,225	2,363,435	310,581
Interest expense and fiscal charges	(3,349,429)	—	(276,645)	—	(3,626,074)	—
Gain (loss) on sale of capital assets	48,032	4,024	(22,220)	—	29,836	4,562
Federal and state grant	—	16,844	—	—	16,844	—
Other	426,231	183,038	—	—	609,269	14,168
Total nonoperating revenues (expenses)	<u>(751,180)</u>	<u>353,253</u>	<u>(230,988)</u>	<u>22,225</u>	<u>(606,690)</u>	<u>329,311</u>
Income (loss) before transfers	<u>6,622,214</u>	<u>(368,305)</u>	<u>1,094,766</u>	<u>(227,173)</u>	<u>7,121,502</u>	<u>994,677</u>
Transfers (out)	<u>(2,839,050)</u>	<u>(378,300)</u>	<u>(843,250)</u>	<u>(205,552)</u>	<u>(4,266,152)</u>	<u>(7,000)</u>
Change in net assets	<u>3,783,164</u>	<u>(746,605)</u>	<u>251,516</u>	<u>(432,725)</u>	<u>2,855,350</u>	<u>987,677</u>
Net assets, beginning of year, as restated	<u>128,688,488</u>	<u>6,199,367</u>	<u>8,548,156</u>	<u>5,223,633</u>		<u>7,235,899</u>
Net assets, end of year	<u>\$ 132,471,652</u>	<u>5,452,762</u>	<u>8,799,672</u>	<u>4,790,908</u>		<u>8,223,576</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>333,521</u>	
Change in net assets of business-type activities					<u>\$ 3,188,871</u>	

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

CITY OF LAWRENCE, KANSAS

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2007

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitation	Storm Water Utility	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 28,453,348	9,174,675	2,864,020	1,782,770	42,274,813	10,248,833
Payments to suppliers	(6,889,722)	(3,094,576)	(370,907)	(598,053)	(10,953,258)	(8,429,234)
Payments to employees	(7,704,396)	(5,715,271)	(697,879)	(1,080,375)	(15,197,921)	(921,821)
Net cash provided by (used in) operating activities	13,859,230	364,828	1,795,234	104,342	16,123,634	897,778
Cash flows from noncapital financing activities:						
Transfers out	(2,839,050)	(378,300)	(843,250)	(205,552)	(4,266,152)	(7,000)
Proceeds from noncapital grant	—	16,844	—	—	16,844	—
Net cash provided by (used in) noncapital financing activities	(2,839,050)	(361,456)	(843,250)	(205,552)	(4,249,308)	(7,000)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(27,373,795)	(710,982)	(243,011)	(90,559)	(28,418,347)	—
Proceeds from sales of capital assets	48,032	4,024	—	—	52,056	4,562
Proceeds from capital grant	—	—	—	—	—	—
Proceeds from notes payable	—	—	—	—	—	—
Proceeds from revenue bonds	19,800,000	—	—	—	19,800,000	—
Principal payments on debt	(3,541,154)	—	(1,056,605)	—	(4,597,759)	—
Interest payments on debt	(3,057,372)	—	(277,516)	—	(3,334,888)	—
Net cash used in capital and related financing activities	(14,124,289)	(706,958)	(1,577,132)	(90,559)	(16,498,938)	4,562
Cash flows from investing activities:						
Receipt of interest and dividends	2,369,984	140,618	72,113	17,786	2,600,501	299,559
Purchases of investments	(181,520,338)	(6,229,502)	(3,264,905)	(849,969)	(191,864,714)	(15,836,992)
Sales of investments	184,911,015	6,488,344	3,558,294	768,326	195,725,979	14,791,775
Net cash provided by (used in) investing activities	5,760,661	399,460	365,502	(63,857)	6,461,766	(745,658)
Net increase (decrease) in cash	2,656,552	(304,126)	(259,646)	(255,626)	1,837,154	149,682
Cash and cash equivalents, beginning of year	3,785,274	656,517	482,581	507,561	5,431,933	834,519
Cash and cash equivalents, end of year	\$ 6,441,826	352,391	222,935	251,935	7,269,087	984,201
Components of cash and cash equivalents at end of year:						
Cash	\$ 3,545,201	348,636	222,935	251,935	4,368,707	984,201
Restricted cash - customer deposits	194,156	3,755	—	—	197,911	—
Restricted cash - revenue bonds	624,588	—	—	—	624,588	—
Restricted cash - noncurrent	2,077,881	—	—	—	2,077,881	—
	\$ 6,441,826	352,391	222,935	251,935	7,269,087	984,201
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 7,373,394	(721,558)	1,325,754	(249,398)	7,728,192	665,366
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	4,879,394	773,371	417,963	358,967	6,429,695	36,411
Other income	426,231	183,038	—	—	609,269	14,168
Change in:						
Accounts receivable	297,918	11,122	27,536	(17,183)	319,393	(60,017)
Inventories of supplies	(15,401)	—	—	(18,907)	(34,308)	(65,007)
Accounts payable	680,942	(15,909)	1,644	5,843	672,520	106,130
Claims payable	—	—	—	—	—	169,802
Accrued payroll	50,321	24,787	7,130	6,764	89,002	6,807
Customer deposits	26,289	(475)	—	—	25,814	—
Accrued vacation and sick pay	140,142	110,452	15,207	18,256	284,057	24,118
Total adjustments	6,485,836	1,086,386	469,480	353,740	8,395,442	232,412
Net cash provided by (used in) operating activities	\$ 13,859,230	364,828	1,795,234	104,342	16,123,634	897,778

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, 2007

Assets		
Cash	\$	214,198
Invesstments		100,000
Accounts receivable		277
Restricted assets - court receivables		<u>70,683</u>
Total assets	\$	<u><u>385,158</u></u>
Liabilities		
Accounts payable	\$	314,475
Court bonds payable		<u>70,683</u>
Total liabilities	\$	<u><u>385,158</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, 2007

Assets	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Current assets:				
Cash	\$ 1,258,069	17,988,581	1,236,209	20,482,859
Investments	3,112,920	63,736,382	—	66,849,302
Receivables (net)	1,038,077	19,027,696	—	20,065,773
Inventories	44,782	1,414,850	—	1,459,632
Prepaid items	77,518	2,844,084	—	2,921,602
Deferred costs	—	729,313	—	729,313
Other assets	17,323	993,156	—	1,010,479
Capital assets (net)				
Land and construction in progress	2,033,851	33,551,128	—	35,584,979
Other capital assets, net of depreciation	10,136,572	47,426,475	2,763,643	60,326,690
Total assets	<u>\$ 17,719,112</u>	<u>187,711,665</u>	<u>3,999,852</u>	<u>209,430,629</u>
Liabilities				
Accounts payable and accrued expenses	\$ 361,282	13,461,217	183,174	14,005,673
Unearned revenue	8,522	445,279	—	453,801
Long-term liabilities				
Due within one year	—	3,146,048	—	3,146,048
Due in more than one year	835,977	64,662,793	—	65,498,770
Total liabilities	<u>\$ 1,205,781</u>	<u>81,715,337</u>	<u>183,174</u>	<u>83,104,292</u>
Net Assets				
Invested in capital assets, net of debt	\$ 11,434,554	28,525,355	2,763,643	42,723,552
Restricted for:				
Capital acquisitions	—	2,096,215	—	2,096,215
Debt service	—	1,022,396	—	1,022,396
Other purposes	2,757,325	—	—	2,757,325
Unrestricted	2,321,452	74,352,362	1,053,035	77,726,849
Total net assets	<u>\$ 16,513,331</u>	<u>105,996,328</u>	<u>3,816,678</u>	<u>126,326,337</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, 2007

	Lawrence Housing Authority	Lawrence Memorial Hospital	Lawrence Public Library	Total Component Units
Expenses	\$ 6,923,169	116,211,402	3,320,559	126,455,130
Program revenues:				
Charges for services	1,225,907	125,878,272	135,639	127,239,818
Operating grants and contributions	5,681,951	—	3,207,558	8,889,509
Capital grants and contributions	274,458	1,889,393	—	2,163,851
Net (expense) revenue	259,147	11,556,263	22,638	11,838,048
General Revenues				
Unrestricted investment earnings	258,676	4,453,628	75,210	4,787,514
Miscellaneous	38,965	71,290	1,894	112,149
Total general revenues and transfers	297,641	4,524,918	77,104	4,899,663
Change in net assets	556,788	16,081,181	99,742	16,737,711
Net assets-beginning	15,956,543	89,915,147	3,716,936	109,588,626
Net assets-ending	\$ 16,513,331	105,996,328	3,816,678	126,326,337

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, 2007

(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, 2007

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

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

C. Inventories

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

D. Budgetary Procedures

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

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

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

- 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 2008. 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, 2007

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, 2007

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 2007.

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, 2007

(2) Reporting Entity

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

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

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

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

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

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

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

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$86,329,760 difference are as follows:

Bonds payable	\$	80,240,451
Notes payable		4,496
Accrued interest payable		1,195,591
Claims and judgments payable		182,118
Compensated absences		<u>4,707,104</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u><u>86,329,760</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$313,558 difference are as follows:

Capital outlay	\$	7,053,198
Depreciation expense		<u>(7,366,756)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>(313,558)</u></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 \$2,742,976 difference are as follows:

Debt issued:		
Issuance of general obligation bonds	\$	(11,345,000)
Principal repayments:		
General obligation debt		8,583,395
Notes payable		<u>18,629</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets - governmental activities	\$	<u><u>(2,742,976)</u></u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

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 \$653,056 difference are as follows:

Compensated absences	\$	(675,937)
Claims and judgments		(32,982)
Accrued interest		55,863
Net adjustment to increase net changes in fund balances - total		
governmental funds to arrive at changes in net assets - governmental activities	\$	<u>(653,056)</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, 2007, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>%</u>	<u>Ratings</u>
Certificates of Deposit	\$ 55,600,000	0.26	60	Not applicable
U.S. Government Agencies	35,815,555	0.05	38	Not applicable
State Treasurer's investment pool	1,810,000	0.53	2	S&P AAAf/S1+
Total fair value	<u>\$ 93,225,555</u>		100%	
Portfolio weighted average maturity		0.19		

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

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

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

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

(6) Tax Revenue

Tax revenue for the year ended December 31, 2007 is as follows:

		Primary Government		
		General Fund	Special Revenue Funds	Debt Service Funds
				Total
Property taxes	\$	12,226,936	3,692,385	5,762,301
Motor vehicle tax		1,116,637	320,082	523,625
Payment in lieu of tax		106,158	8,060	12,585
Utility franchise taxes		4,784,605	-	-
Sales taxes		13,475,013	-	-
Tax revenue	\$	31,709,349	4,020,527	6,298,511
				42,028,387

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2007 were as follows:

Fund	Levy
Primary government:	
General	\$ 14.867
Library	3.258
Public Transportation	0.746
Recreation	0.482
Debt Service	7.005
Total primary government	\$ 26.358

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

(7) Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2007:

<u>Type of Issue</u>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 77,478,846	11,345,000	8,583,395	80,240,451	8,725,152
Long term notes payable	23,125	-	18,629	4,496	4,496
Estimated claims and judgements payable	149,136	32,982	-	182,118	-
Accrued vacation and sick pay	4,033,534	3,274,407	2,538,140	4,769,801	2,272,144
Total primary government	<u>\$ 81,684,641</u>	<u>14,652,389</u>	<u>11,140,164</u>	<u>85,196,866</u>	<u>11,001,792</u>
Business-type activities:					
General obligation bonds	\$ 7,591,154	-	1,056,605	6,534,549	1,029,848
Revenue bonds	24,860,000	19,800,000	1,195,000	43,465,000	1,445,000
Long term notes payable	44,793,201	-	2,346,154	42,447,047	2,302,643
Accrued vacation and sick pay	1,270,291	1,173,170	877,953	1,565,508	878,567
Total primary government	<u>\$ 78,514,646</u>	<u>20,973,170</u>	<u>5,475,712</u>	<u>94,012,104</u>	<u>5,656,058</u>

The following is a summary of temporary note transactions for the year ended December 31, 2007:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities	<u>\$ 16,345,000</u>	<u>10,225,000</u>	<u>16,345,000</u>	<u>10,225,000</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

Debt payable, other than claims and judgments and compensated absences, at December 31, 2007 is composed of the following:

Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
Revenue bonds:						
Water and sewerage improvement	2005	2025	4.0-4.25	\$ 25,910,000	\$ 23,665,000	1,340,000
Water and sewerage improvement	2007	2032	3.75-4.65	19,800,000	19,800,000	105,000
					<u>43,465,000</u>	<u>1,445,000</u>
Long term notes payable -						
Kansas Partnership Fund	1998	2008	3.50	290,127	4,496	4,496
					<u>4,496</u>	<u>4,496</u>
Kansas Public Wastewater Loan Fund	2000	2021	3.44	44,522,971	32,716,276	1,854,625
Kansas Public Water Supply Loan Fund	2001	2023	4.21	6,169,389	5,001,979	234,498
Kansas Public Water Supply Loan Fund	2002	2023	4.14	5,563,007	4,728,792	213,520
					<u>42,447,047</u>	<u>2,302,643</u>
Debt Issue	Date Issued	Date Matured	Interest Rate	Original Amount	Balance At End of Year	Due in One Year
General obligation bonds:						
Internal improvement	1999	2008	3.15-4.2	4,405,000	570,000	570,000
Internal improvement	1999	2009	4.5-6.0	2,110,000	610,000	300,000
Internal improvement	2000	2009	4.875-6.25	2,450,000	845,000	410,000
Internal improvement	2000	2010	4.25-5.95	2,455,000	865,000	275,000
Internal improvement	2000	2010	4.5-5.75	560,000	175,000	55,000
Internal improvement	2000	2020	4.5-6.5	4,280,000	2,380,000	135,000
Internal improvement	2000	2010	4.625-5	4,990,000	2,675,000	850,000
Internal improvement	2000	2020	4.7-5.75	8,645,000	7,235,000	405,000
Internal improvement	2001	2012	4.37-6.125	2,840,000	1,340,000	250,000
Internal improvement	2001	2013	3.25-5.15	1,420,000	800,000	120,000
Internal improvement	2002	2013	3.5-4.25	9,070,000	4,975,000	730,000
Internal improvement	2002	2019	3.9-4.95	2,115,000	1,730,000	135,000
Internal improvement	2002	2014	2.8-3.7	920,000	600,000	75,000
Refunding	2003	2016	2.25-4.2	4,270,000	2,150,000	205,000
Refunding	2003	2016	2.25-4.2	10,190,000	7,205,000	690,000
Internal improvement	2003	2014	2.25-3.6	2,905,000	1,785,000	230,000
Internal improvement	2003	2015	2.5-3.8	3,145,000	2,275,000	240,000
Internal improvement	2004	2015	2.25-4.0	3,520,000	2,400,000	275,000
Internal improvement	2004	2016	2.5-3.0	10,600,000	8,205,000	820,000
Internal improvement	2004	2016	3.0-4.5	1,600,000	1,240,000	125,000
Internal improvement	2005	2017	3.2-4.0	11,095,000	9,460,000	835,000
Internal improvement	2006	2018	4.00	17,130,000	15,910,000	1,230,000
Internal improvement	2007	2019	4.00-4.25	11,345,000	11,345,000	795,000
					<u>86,775,000</u>	<u>9,755,000</u>
Total primary government					<u>\$ 172,691,543</u>	<u>13,507,139</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

In 2007, the City issued \$11,345,000 of general obligation bonds for paying the costs of certain street, building, traffic signal, and other improvements. The General Obligation Bonds, Series 2007-A, are due in annual installments of \$795,000 to \$1,150,000 with interest due in semiannual installments at an average rate of 3.77% through September 1, 2019.

In 2007, the City issued \$10,225,000 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 2007-I, bear interest of 4.25% and mature October 1, 2008.

The City intends to redeem all temporary notes outstanding at December 31, 2007 in 2008 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:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	8,725,152	3,223,165	11,948,317
2009		8,789,166	2,904,668	11,693,834
2010		8,488,114	2,564,352	11,052,466
2011		7,439,010	2,233,988	9,672,998
2012		7,723,347	1,948,681	9,672,028
2013-2017		31,985,663	5,369,502	37,355,165
2018-2022		7,089,999	539,655	7,629,654
Total	\$	<u>80,240,451</u>	<u>18,784,011</u>	<u>99,024,462</u>

General obligation bonds to be paid with enterprise revenues:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	1,029,848	235,240	1,265,088
2009		665,834	194,997	860,831
2010		561,886	169,854	731,740
2011		575,990	150,864	726,854
2012		596,653	131,544	728,197
2013-2017		3,104,338	326,979	3,431,317
Total	\$	<u>6,534,549</u>	<u>1,209,478</u>	<u>7,744,027</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

Total general obligation bonds:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	9,755,000	3,458,405	13,213,405
2009		9,455,000	3,099,665	12,554,665
2010		9,050,000	2,734,206	11,784,206
2011		8,015,000	2,384,852	10,399,852
2012		8,320,000	2,080,225	10,400,225
2013-2017		35,090,001	5,696,481	40,786,482
2018-2022		<u>7,089,999</u>	<u>539,655</u>	<u>7,629,654</u>
Total	\$	<u>86,775,000</u>	<u>19,993,489</u>	<u>106,768,489</u>

Revenue bonds:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	1,445,000	1,862,600	3,307,600
2009		1,545,000	1,804,800	3,349,800
2010		1,665,000	1,743,000	3,408,000
2011		1,695,000	1,676,400	3,371,400
2012		1,750,000	1,608,600	3,358,600
2013-2017		9,675,000	6,924,138	16,599,138
2018-2022		10,775,000	4,727,688	15,502,688
2023-2027		8,605,000	2,427,313	11,032,313
2028-2032		<u>6,310,000</u>	<u>877,050</u>	<u>7,187,050</u>
Total	\$	<u>43,465,000</u>	<u>23,651,589</u>	<u>67,116,589</u>

Long-term notes payable, Kansas Partnership Fund:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	<u>4,496</u>	<u>79</u>	<u>4,575</u>
Total		<u>4,496</u>	<u>79</u>	<u>4,575</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

Long-term notes payable, State Revolving Loan Fund:

<u>Year</u>		<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$	2,302,643	1,397,041	3,699,684
2009		2,385,898	1,320,046	3,705,944
2010		2,472,184	1,240,250	3,712,434
2011		2,561,612	1,157,550	3,719,162
2012		2,654,296	1,071,840	3,726,136
2013-2017		14,784,364	3,960,201	18,744,565
2018-2022		14,674,488	1,320,920	15,995,408
2023-2027		611,562	15,444	627,006
Total	\$	<u>42,447,047</u>	<u>11,483,292</u>	<u>53,930,339</u>

In 2007, the City issued \$19,800,000 in Water and Sewage System revenue bonds. The bonds are due in annual installments of \$105,000 to \$1,375,000 with interest due in semiannual installments at rates of 3.75% to 4.65% through November 1, 2032. The bonds were issued for the purpose of financing various water and sewer system improvements, primarily the expansion of the Clinton Water Treatment Plant.

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

Conduit Debt: The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2007, total outstanding conduit debt was \$36,400,000.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

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:

<u>Type of Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 67,040,910	-	1,327,195	65,549,955	1,505,000
Retirement plan obligation	957,396	62,090	210,258	809,228	191,390
Capital lease obligations	394,829	-	394,829	-	-
	<u>\$ 68,393,135</u>	<u>62,090</u>	<u>1,932,282</u>	<u>66,359,183</u>	<u>1,696,390</u>

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

<u>Debt Issue</u>	<u>Date Matures</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance At End of Year</u>	<u>Due in One Year</u>
Series 2003	2019	2.50-5.38	\$ 17,450,000	\$ 14,370,000	\$ 915,000
Series 2006	2036	5.00-5.25	51,845,000	51,200,000	590,000
Unamortized loss on refunding				(20,045)	-
				<u>\$ 65,549,955</u>	<u>1,505,000</u>

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

Annual debt service requirements for hospital revenue bonds as of December 31, 2007 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2008	\$ 1,505,000	3,336,212	4,841,212
2009	1,570,000	3,270,112	4,840,112
2010	1,630,000	3,206,002	4,836,002
2011	1,715,000	3,121,912	4,836,912
2012	1,815,000	3,033,575	4,848,575
2013-2017	10,530,000	13,661,426	24,191,426
2018-2022	9,885,000	10,832,415	20,717,415
2023-2027	10,280,000	8,430,792	18,710,792
2028-2032	13,325,000	5,502,344	18,827,344
2033-2036	13,315,000	1,740,895	15,055,895
Total	<u>\$ 65,570,000</u>	<u>56,135,685</u>	<u>121,705,685</u>

Arbitrage – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The City has no arbitrage liability for tax-exempt debt as of December 31, 2007.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

(8) Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,576,270	-	-	14,576,270
Construction in progress	14,153,700	5,411,827	(10,648,351)	8,917,176
Total capital assets, not being depreciated	<u>28,729,970</u>	<u>5,411,827</u>	<u>(10,648,351)</u>	<u>23,493,446</u>
Capital assets, being depreciated:				
Buildings	52,644,417	27,211	-	52,671,628
Improvements other than buildings	23,449,342	765,862	-	24,215,204
Machinery and equipment	24,432,101	1,664,497	(550,941)	25,545,657
Infrastructure	146,621,472	9,832,152	-	156,453,624
Total capital assets being depreciated	<u>247,147,332</u>	<u>12,289,722</u>	<u>(550,941)</u>	<u>258,886,113</u>
Less accumulated depreciation for:				
Buildings	20,669,122	1,745,031	-	22,414,153
Improvements other than buildings	6,584,262	1,038,030	-	7,622,292
Machinery and equipment	18,521,118	1,719,549	(502,593)	19,738,074
Infrastructure	45,071,157	2,883,708	-	47,954,865
Total accumulated depreciation	<u>90,845,659</u>	<u>7,386,318</u>	<u>(502,593)</u>	<u>97,729,384</u>
Total capital assets, being depreciated, net	<u>156,301,673</u>	<u>4,903,404</u>	<u>(48,348)</u>	<u>161,156,729</u>
Governmental activities capital assets, net	<u>\$ 185,031,643</u>	<u>10,315,231</u>	<u>(10,696,699)</u>	<u>184,650,175</u>

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,151,913	506,318	-	5,658,231
Construction in progress	17,321,600	27,303,087	(19,238,400)	25,386,287
Total capital assets, not being depreciated	22,473,513	27,809,405	(19,238,400)	31,044,518
Capital assets, being depreciated:				
Buildings	70,000,055	-	-	70,000,055
Improvements other than buildings	123,859,676	18,343,113	-	142,202,789
Machinery and equipment	15,412,967	1,504,231	(332,978)	16,584,220
Total capital assets being depreciated	209,272,698	19,847,344	(332,978)	228,787,064
Less accumulated depreciation for:				
Buildings	10,213,073	1,508,216	-	11,721,289
Improvements other than buildings	39,216,167	3,607,554	-	42,823,721
Machinery and equipment	10,924,599	1,330,776	(310,758)	11,944,617
Total accumulated depreciation	60,353,839	6,446,546	(310,758)	66,489,627
Total capital assets, being depreciated, net	148,918,859	13,400,798	(22,220)	162,297,437
Business-type activities capital assets, net	\$ 171,392,372	41,210,203	(19,260,620)	193,341,955

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

Governmental activities:	
General government	\$ 121,568
Public safety	406,802
Public works	5,794,772
Health	800
Social services	414,269
Culture and recreation	512,768
Airport	115,777
Total governmental funds	7,366,756
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	19,562
Total depreciation expense - governmental activities	\$ 7,386,318
Business-type activities:	
Water & sewer	\$ 4,879,396
Sanitation	773,371
Parking	176,916
Storm water	417,963
Golf course	182,051
Total proprietary funds	6,429,697
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	16,849
Total depreciation expense - business-type activities	\$ 6,446,546

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

(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 2007 was 4.31% from January 1 to June 30 and 4.31% from July 1 to December 31. The City's employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$1,243,576, \$1,022,060, and \$828,720, respectively, equal to the required contributions for each year. The KP&F participating employer rate established for fiscal years beginning in 2007 is 12.58%. 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, 2007, 2006, and 2005 were \$2,534,222, \$2,264,361, and \$1,970,161, respectively, equal to the required contributions for each year.

(10) Interfund Transactions

Interfund Receivables and Payables

At December 31, 2007, the following funds had interfund receivables and payables to the following funds

<u>Due From</u>	<u>General Fund</u>
Special Revenue Funds:	
Equipment Reserve	\$ 95,000
Community Development	210,000
Home Program	35,000
Transportation Planning	35,000
	<u>\$ 375,000</u>

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

City of Lawrence, Kansas
Notes to Basic Financial Statements
December 31, 2007

Interfund Transfers

A summary of transfers for the year ended December 31, 2007 follows:

<u>Receiving Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,123,322	3,696,000
Special Revenue Funds:		
Guest Tax	-	48,750
Transportation	232,000	-
Recreation	1,400,000	-
Capital Improvement Reserve	605,552	-
Equipment Reserve	-	232,000
Guest Tax Reserve	48,750	-
Liability Reserve	50,000	-
Sales Tax Reserve	2,296,000	-
Workers Comp Reserve	585,000	-
Outside Agency	-	90,722
	<u>5,217,302</u>	<u>371,472</u>
Bond & Interest Fund	<u>1,268,040</u>	-
Capital Project Fund	<u>-</u>	<u>1,268,040</u>
Enterprise Funds:		
Water and Sewer System	-	2,839,050
Sanitation	-	378,300
Public Parking	-	205,552
Storm Water Utility	-	843,250
	<u>-</u>	<u>4,266,152</u>
Internal Service – Central Maintenance	<u>-</u>	<u>7,000</u>
	<u>\$ 9,608,664</u>	<u>9,608,664</u>

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

(11) Commitments and Contingencies

A. Contract Commitments

At December 31, 2007, the City had construction contract commitments totaling approximately \$23,259,311. The City expects to receive the contracted services during fiscal year 2008.

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

B. Insurance

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

Claims expenditures and liabilities are reported based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That reserve was \$3,099,486 at December 31, 2007. The primary government's claims liability reported in the Statement of Net Assets at December 31, 2007 was \$182,118. The liability reported in the financial statements at December 31, 2007 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>2007</u>	<u>2006</u>
Unpaid claims, January 1	\$ 327,586	279,262
Incurred claims (including IBNRs)	4,834,475	4,130,427
Claim payments	<u>4,664,673</u>	<u>4,082,103</u>
Unpaid claims, December 31	\$ <u>497,388</u>	<u>327,586</u>

(12) Fund Deficit

At December 31, 2007, the Home Program Fund and the Transportation Planning Fund had respectively, fund deficits of \$54,899 and \$37,195. These deficits are a result of program expenditures for which reimbursements have not yet been requested. The Capital Project Fund had a deficit of \$745,650 due to projects for which permanent financing has not yet been obtained.

(13) Cost Sharing Arrangements

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

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

City of Lawrence, Kansas

Notes to Basic Financial Statements

December 31, 2007

was modified in 1997 following the combination of the County emergency medical services and the City fire department in 1996 discussed below.

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

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

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

(14) 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, 2007

(15) Prior Year Restatements

A portion of the Series 1996T general obligation bonds was being paid by the Golf Course Fund. Beginning in 2007, responsibility for paying the bonds was transferred to the governmental funds by decision of the City Commission. In addition, the 2000 Kansas Wastewater Loan was finalized, which resulted in a restatement of the outstanding principal at December 31, 2006. The effect on net assets is as follows:

	Governmental Activities	Business-Type Activities
Net Assets at December 31, 2006 as reported	\$ 150,563,936	148,964,371
Debt transferred from Golf Course Fund	(2,388,245)	2,388,245
Restatement of outstanding notes payable	-	(250,750)
Net Assets at December 31, 2006 as restated	<u>\$ 148,175,691</u>	<u>151,101,866</u>

The effect on fund balances is as noted below:

Net assets, Water and Sewer Fund, December 31, 2006 as reported	\$ 128,939,238
Restatement of outstanding notes payable	<u>(250,750)</u>
Net assets, Water and Sewer Fund, December 31, 2006 as restated	<u>\$ 128,688,488</u>
Net assets, Golf Course Fund, December 31, 2006 as reported	\$ (277,108)
Debt transferred to governmental activities	<u>2,388,245</u>
Net assets, Golf Course Fund, December 31, 2006 as restated	<u>2,111,137</u>

(16) New Governmental Accounting Standards

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

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

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

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Nonmajor Governmental Funds

Special Revenue Funds **Fund Descriptions**

BUDGETED FUNDS

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

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

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

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

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

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

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

NONBUDGETED FUNDS

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

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

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

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

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

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

Special Revenue Funds
Fund Descriptions, Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

Assets	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Cash	\$ 88,219	357,853	365,974	135,100	94,398	92,829	128,634	79,106	453,888	4,467	27,252	120,028	370,779	12,845	209,311
Investments	200,000	—	300,000	500,000	—	500,000	—	64,933	2,994,650	3,063,892	32,392	1,397,325	2,623,449	—	1,427,191
Receivables:															
Taxes	—	2,562,716	911,625	378,484	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts	—	—	561	2,145	—	—	—	442	—	114,145	—	—	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accrued interest	—	—	—	—	—	—	—	—	42,057	47,521	27	21,175	42,016	—	21,679
Total assets	\$ 288,219	2,920,569	1,578,160	1,015,729	94,398	502,829	128,634	144,481	3,490,595	3,230,025	59,671	1,538,528	3,036,244	12,845	1,658,181
Liabilities and Fund Balances															
Liabilities:															
Accounts payable	\$ —	—	1,038	31,352	846	1,076	16,384	—	—	7,527	4,818	1,077	14,999	—	96,146
Accrued payroll	—	—	931	43,167	5,014	44,933	502	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—	95,000	—	—	—	—	—
Deferred revenue	—	2,785,821	1,001,542	415,015	—	—	—	442	—	586	—	—	—	—	—
Total liabilities	—	2,785,821	1,003,511	489,534	5,860	46,009	16,886	442	—	103,113	4,818	1,077	14,999	—	96,146
Fund balances:															
Reserved for encumbrances	—	—	28,145	30,887	—	98,225	79,257	—	—	—	—	—	—	—	—
Reserved for loans	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reserved for donor restriction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unreserved:															
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	1,537,451	—	—	1,562,035
Undesignated	288,219	134,748	546,504	495,308	88,538	448,595	32,491	144,039	3,490,595	3,126,912	54,853	—	3,021,245	12,845	—
Total fund balances	288,219	134,748	574,649	526,195	88,538	546,820	111,748	144,039	3,490,595	3,126,912	54,853	1,537,451	3,021,245	12,845	1,562,035
Total liabilities and fund balances	\$ 288,219	2,920,569	1,578,160	1,015,729	94,398	502,829	128,634	144,481	3,490,595	3,230,025	59,671	1,538,528	3,036,244	12,845	1,658,181

(Continued)

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Governmental Funds, Continued December 31, 2007

	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mansuetaum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	Total Nonmajor Governmental Funds
Assets													
Cash	\$ 79,597	3,322	4,203	29,085	156,436	66,993	36,043	2,713	365	1,652	3,449	71,093	2,995,634
Investments	—	30,000	—	70,000	—	50,000	100,000	—	—	—	—	—	13,353,832
Receivables:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	3,852,825
Intergovernmental	—	—	—	—	54,693	—	—	671,783	—	93,400	—	—	819,876
Accounts	—	—	—	—	—	—	—	1,950	—	—	—	—	119,243
Loans	—	—	—	—	—	—	—	370,482	—	—	—	—	370,482
Accrued interest	—	304	—	1,006	—	546	412	—	—	—	—	—	176,743
Total assets	\$ 79,597	33,626	4,203	100,091	211,129	117,539	136,455	1,046,928	365	95,052	3,449	71,093	21,688,635
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ 9,925	—	—	—	5,170	—	226	527	365	20,200	3,600	—	215,276
Accrued payroll	—	—	—	—	3,666	—	716	5,680	—	1,341	2,044	—	107,994
Due to other funds	—	—	—	—	—	—	—	210,000	—	35,000	35,000	—	375,000
Deferred revenue	—	—	—	—	—	—	—	673,733	—	93,400	—	—	4,970,539
Total liabilities	9,925	—	—	—	8,836	—	942	889,940	365	149,941	40,644	—	5,668,809
Fund balances:													
Reserved for encumbrances	—	—	—	—	—	—	—	—	—	—	—	—	236,514
Reserved for loans	—	—	—	—	—	—	—	370,482	—	—	—	—	370,482
Reserved for donor restriction	—	22,000	1,000	—	—	—	—	—	—	—	—	—	23,000
Unreserved:													
Designated for losses	—	—	—	—	—	—	—	—	—	—	—	—	3,099,486
Undesignated	69,672	11,626	3,203	100,091	202,293	117,539	135,513	(213,494)	—	(54,889)	(37,195)	71,093	12,290,344
Total fund balances	69,672	33,626	4,203	100,091	202,293	117,539	135,513	156,988	—	(54,889)	(37,195)	71,093	16,019,826
Total liabilities and fund balances	\$ 79,597	33,626	4,203	100,091	211,129	117,539	136,455	1,046,928	365	95,052	3,449	71,093	21,688,635

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2007

	Special Revenue														
	Guest Tax	Library	Transportation	Recreation	Special Alcohol	Special Gas Tax	Special Recreation	Airport Improvement	Capital Improvement Reserve	Equipment Reserve	Guest Tax Reserve	Liability Reserve	Sales Tax Reserve	Law Enforcement Grant	Workers' Compensation Reserve
Revenues:															
Taxes	\$	—	2,926,914	665,697	427,916	—	—	—	—	—	—	—	—	—	—
Charges for services		—	—	216,789	1,431,733	—	—	9,565	—	—	—	—	—	—	—
Fines, forfeitures and penalties		—	—	—	—	—	—	—	—	150,991	—	—	—	—	—
Interest		—	—	—	—	—	—	—	166,661	152,015	27	73,664	151,512	—	77,983
Intergovernmental		785,956	—	—	—	548,596	548,596	—	—	3,767	—	—	—	—	—
Miscellaneous		—	—	14,068	99,936	—	1,336	19,751	—	—	6,000	—	—	—	—
Total revenues		785,956	2,926,914	896,554	1,959,585	548,596	2,669,315	29,316	166,661	306,773	6,027	73,664	151,512	—	77,983
Expenditures:															
General government		—	2,950,000	1,458,446	—	—	—	—	—	—	—	95,466	—	—	683,174
Public safety		—	—	—	—	644,839	—	—	—	—	—	—	—	—	—
Public works		—	—	—	—	—	2,544,377	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Social services		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Culture and recreation		—	—	—	3,258,896	—	—	444,332	—	—	—	—	349,680	—	—
Tourism		737,206	—	—	—	—	—	—	—	—	42,481	—	—	—	—
Capital outlay		—	—	—	—	—	110,477	125,900	—	589,435	281,511	—	389,249	—	—
Debt service:		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Principal retirement		—	—	—	—	—	—	—	—	—	—	—	1,013,363	—	—
Interest and fiscal charges		—	—	—	—	—	—	—	—	—	—	—	536,486	—	—
Total expenditures		737,206	2,950,000	1,458,446	3,258,896	644,839	2,654,854	570,232	589,435	281,511	42,481	95,466	2,288,778	—	683,174
Excess (deficiency) of revenues over (under) expenditures		48,750	(23,086)	(561,892)	(1,299,311)	(96,243)	14,461	(21,636)	(422,774)	25,262	(36,454)	(21,802)	(2,137,266)	—	(605,191)
Other financing sources (uses):															
Transfers in		—	—	232,000	1,400,000	—	—	—	605,552	—	48,750	50,000	2,296,000	—	585,000
Transfers out		(48,750)	—	—	—	—	—	—	—	(232,000)	—	—	—	—	—
Total other financing sources (uses)		(48,750)	—	232,000	1,400,000	—	—	—	605,552	(232,000)	48,750	50,000	2,296,000	—	585,000
Net change in fund balances		—	(23,086)	(329,892)	100,689	(96,243)	14,461	(21,636)	29,316	182,778	(206,738)	12,296	28,198	158,734	(20,191)
Fund balance, beginning of year		288,219	157,834	904,541	425,506	184,781	532,359	133,384	114,723	3,307,817	3,333,550	42,557	1,509,253	2,862,511	1,582,226
Fund balance, end of year	\$	288,219	134,748	574,649	526,195	88,538	546,820	111,748	144,039	3,490,595	3,126,912	54,853	1,537,451	3,021,245	1,562,035

CITY OF LAWRENCE, KANSAS

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

Year ended December 31, 2007

	Special Revenue												Total
	City Parks Memorial	Cemetery Perpetual Care	Cemetery Mausoleum	Housing Trust	Outside Agency	Wee Folks Scholarship	Fair Housing Assistance	Community Development	Rehabilitation Escrow	Home Program	Transportation Planning	Law Enforcement Trust	
Revenues:													
Taxes	—	—	—	—	—	—	—	—	—	—	—	—	4,020,527
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	1,658,087
Fines, forfeitures and penalties	—	—	—	—	—	—	—	—	—	—	—	—	150,991
Interest	7,343	1,221	—	3,853	—	3,722	2,359	—	—	—	—	5,397	645,757
Intergovernmental	—	—	—	—	1,954,240	—	31,840	587,372	—	413,655	222,021	—	7,764,022
Miscellaneous	26,092	—	—	—	200	27,772	—	115,880	—	70,697	—	5,207	386,939
Total revenues	33,435	1,221	—	3,853	1,954,440	31,494	34,199	703,252	—	484,352	222,021	10,604	14,626,323
Expenditures:													
General government	201,296	—	—	—	1,533,348	—	—	—	—	—	226,303	—	7,148,033
Public safety	—	—	—	—	14,165	—	—	—	—	—	—	66,336	725,340
Public works	—	—	—	—	—	—	—	—	—	—	—	—	2,544,377
Health	—	—	—	—	59,039	—	—	—	—	—	—	—	59,039
Social services	—	—	—	23,857	—	—	59,193	688,829	—	538,431	—	—	1,310,310
Culture and recreation	—	—	—	—	—	5,398	—	—	—	—	—	—	4,058,306
Tourism	—	—	—	—	—	—	—	—	—	—	—	—	779,687
Capital outlay	—	—	—	—	309,426	—	—	—	—	—	—	—	1,805,998
Debt service:													
Principal retirement	—	—	—	—	—	—	—	—	—	—	—	—	1,013,363
Interest and fiscal charges	—	—	—	—	—	—	—	—	—	—	—	—	536,486
Total expenditures	201,296	—	—	23,857	1,915,978	5,398	59,193	688,829	—	538,431	226,303	66,336	19,980,939
Excess (deficiency) of revenues over (under) expenditures	(167,861)	1,221	—	(20,004)	38,462	26,096	(24,994)	14,423	—	(54,079)	(4,282)	(55,732)	(5,354,616)
Other financing sources (uses):													
Transfers in	—	—	—	—	—	—	—	—	—	—	—	—	5,217,302
Transfers out	—	—	—	—	(90,722)	—	—	—	—	—	—	—	(371,472)
Total other financing sources (uses)	—	—	—	—	(90,722)	—	—	—	—	—	—	—	4,845,830
Net change in fund balances	(167,861)	1,221	—	(20,004)	(52,260)	26,096	(24,994)	14,423	—	(54,079)	(4,282)	(55,732)	(508,786)
Fund balance, beginning of year	237,533	32,405	4,203	120,095	254,553	91,443	160,507	142,565	—	(810)	(32,913)	126,825	16,528,612
Fund balance, end of year	\$ 69,672	\$ 33,626	\$ 4,203	\$ 100,091	\$ 202,293	\$ 117,539	\$ 135,513	\$ 156,988	—	\$ (54,889)	\$ (37,195)	\$ 71,093	\$ 16,019,826

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance	2006
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 6,177,509	6,177,509	6,298,511	121,002	5,969,902
Special assessments	1,500,000	1,500,000	1,880,223	380,223	1,497,275
Interest	150,000	150,000	635,717	485,717	497,986
Intergovernmental	—	—	—	—	179,744
Miscellaneous	85,000	85,000	108,551	23,551	126,042
Total revenues	<u>7,912,509</u>	<u>7,912,509</u>	<u>8,923,002</u>	<u>1,010,493</u>	<u>8,270,949</u>
Expenditures:					
Principal retirement	8,420,000	8,420,000	7,570,032	849,968	6,639,044
Interest and fiscal charges	<u>3,189,099</u>	<u>3,189,099</u>	<u>2,173,837</u>	<u>1,015,262</u>	<u>2,119,620</u>
Total expenditures	<u>11,609,099</u>	<u>11,609,099</u>	<u>9,743,869</u>	<u>1,865,230</u>	<u>8,758,664</u>
Excess (deficiency) of revenues over (under) expenditures	(3,696,590)	(3,696,590)	(820,867)	2,875,723	(487,715)
Other financing sources – transfers in	<u>—</u>	<u>—</u>	<u>1,268,040</u>	<u>1,268,040</u>	<u>3,212</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ (3,696,590)</u>	<u>(3,696,590)</u>	447,173	<u>4,143,763</u>	(484,503)
Fund balance, beginning of year			<u>7,289,502</u>		<u>7,774,005</u>
Fund balance, end of year			<u>\$ 7,736,675</u>		<u>7,289,502</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance	2006
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Negative)</u>	
Revenues – intergovernmental	\$ <u>750,000</u>	<u>750,000</u>	<u>785,956</u>	<u>35,956</u>	<u>735,915</u>
Expenditures:					
Tourism – contractual services	<u>801,250</u>	<u>801,250</u>	<u>737,206</u>	<u>64,044</u>	<u>625,673</u>
Excess (deficiency) of revenues over (under) expenditures	(51,250)	(51,250)	48,750	100,000	110,242
Other financing (uses) – transfers out	<u>(48,750)</u>	<u>(48,750)</u>	<u>(48,750)</u>	<u>—</u>	<u>(46,150)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(100,000)</u>	<u>(100,000)</u>	<u>—</u>	<u>100,000</u>	<u>64,092</u>
Fund balance, beginning of year			<u>288,219</u>		<u>224,127</u>
Fund balance, end of year			\$ <u>288,219</u>		<u>288,219</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, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance Positive (Negative)	2006 Actual
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>		
Revenues – taxes	\$ <u>2,859,714</u>	<u>2,859,714</u>	<u>2,926,914</u>	<u>67,200</u>	<u>2,760,860</u>
Expenditures:					
General government - contractual services	<u>2,950,000</u>	<u>2,950,000</u>	<u>2,950,000</u>	<u>—</u>	<u>2,759,000</u>
Total expenditures	<u>2,950,000</u>	<u>2,950,000</u>	<u>2,950,000</u>	<u>—</u>	<u>2,759,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(90,286)</u>	<u>(90,286)</u>	(23,086)	<u>67,200</u>	1,860
Fund balance, beginning of year			<u>157,834</u>		<u>155,974</u>
Fund balance, end of year			\$ <u>134,748</u>		<u>157,834</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, 2007
(With Comparative Actual Amounts for 2006)

	2007				
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)	2006 Actual
Revenues:					
Taxes	\$ 671,633	671,633	665,697	(5,936)	600,972
Charges for services	165,000	165,000	216,789	51,789	181,641
Miscellaneous		—	14,068	14,068	42,983
Total revenues	<u>836,633</u>	<u>836,633</u>	<u>896,554</u>	<u>59,921</u>	<u>825,596</u>
Expenditures:					
General government					
Personal services	90,028	90,228	43,374	46,854	39,321
Contractual service	1,654,095	1,653,795	1,413,376	240,419	1,311,747
Commodities	7,300	7,400	785	6,615	3,717
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>—</u>	<u>3,000</u>	<u>—</u>
Total expenditures	<u>1,754,423</u>	<u>1,754,423</u>	<u>1,457,535</u>	<u>296,888</u>	<u>1,354,785</u>
Excess (deficiency) of revenues over (under) expenditures	(917,790)	(917,790)	(560,981)	356,809	(529,189)
Other financing sources – transfers in	<u>—</u>	<u>—</u>	<u>232,000</u>	<u>232,000</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ (917,790)</u>	<u>(917,790)</u>	<u>(328,981)</u>	<u>588,809</u>	<u>(529,189)</u>
Fund balance, beginning of year			904,541		1,652,292
Net change in reserve for encumbrances			<u>(911)</u>		<u>(218,562)</u>
Fund balance, end of year			<u>\$ 574,649</u>		<u>904,541</u>

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

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance	2006
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 428,954	427,766	427,916	150	344,629
Charges for services	1,347,350	1,348,538	1,431,733	83,195	1,318,652
Miscellaneous	95,000	95,000	99,936	4,936	97,630
Total revenues	<u>1,871,304</u>	<u>1,871,304</u>	<u>1,959,585</u>	<u>88,281</u>	<u>1,760,911</u>
Expenditures:					
Culture and recreation:					
Personal services	2,788,926	2,709,813	2,618,646	91,167	2,582,630
Contractual service	444,580	415,650	390,804	24,846	394,944
Commodities	240,092	233,921	206,754	27,167	282,630
Capital outlay	—	—	—	—	37,340
Other	—	114,214	—	114,214	—
Total expenditures	<u>3,473,598</u>	<u>3,473,598</u>	<u>3,216,204</u>	<u>257,394</u>	<u>3,297,544</u>
Excess (deficiency) of revenues over (under) expenditures	(1,602,294)	(1,602,294)	(1,256,619)	345,675	(1,536,633)
Other financing sources – transfers in	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>—</u>	<u>1,400,000</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>(202,294)</u>	<u>(202,294)</u>	143,381	<u>345,675</u>	(136,633)
Fund balance, beginning of year			425,506		527,475
Net change in reserve for encumbrances			<u>(42,692)</u>		<u>34,664</u>
Fund balance, end of year			<u>\$ 526,195</u>		<u>425,506</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, 2007
(With Comparative Actual Amounts for 2006)

	2007				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2006 Actual</u>
Revenues – intergovernmental	\$ 550,000	550,000	548,596	(1,404)	543,415
Expenditures:					
Health:					
Personal services	—	—	5,014	(5,014)	—
Contractual service	641,899	631,899	635,797	(3,898)	608,019
Commodities	—	—	4,028	(4,028)	3,341
Other	10,000	20,000	—	20,000	—
Total expenditures	651,899	651,899	644,839	7,060	611,360
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(101,899)</u>	<u>(101,899)</u>	(96,243)	<u>5,656</u>	(67,945)
Fund balance, beginning of year			184,781		252,726
Fund balance, end of year			\$ <u>88,538</u>		<u>184,781</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, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance Positive (Negative)	2006 Actual
	Original Budget	Revised Budget	Actual		
Revenues					
Intergovernmental	\$ 2,629,770	2,619,770	2,667,979	48,209	2,532,556
Miscellaneous	—	10,000	1,336	(8,664)	17,353
Total revenues	<u>2,629,770</u>	<u>2,629,770</u>	<u>2,669,315</u>	<u>39,545</u>	<u>2,549,909</u>
Expenditures:					
Public works:					
Personal services	1,645,945	1,645,945	1,683,915	(37,970)	1,538,892
Contractual service	480	5,109	5,660	(551)	37,707
Commodities	1,125,000	1,125,480	922,399	203,081	901,204
Capital outlay	<u>144,000</u>	<u>138,891</u>	<u>118,124</u>	<u>20,767</u>	<u>110,585</u>
Total expenditures	<u>2,915,425</u>	<u>2,915,425</u>	<u>2,730,098</u>	<u>185,327</u>	<u>2,588,388</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(285,655)</u>	<u>(285,655)</u>	(60,783)	<u>224,872</u>	(38,479)
Fund balance, beginning of year			532,359		565,287
Net change in reserve for encumbrances			<u>75,244</u>		<u>5,551</u>
Fund balance, end of year			\$ <u>546,820</u>		<u>532,359</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, 2007
(With Comparative Actual Amounts for 2006)

	2007			Variance	2006
	Original Budget	Revised Budget	Actual	Positive (Negative)	Actual
Revenues – intergovernmental	\$ 550,000	550,000	548,596	(1,404)	543,415
Expenditures:					
Culture and recreation:					
Personal services	47,900	48,882	49,385	(503)	38,403
Contractual service	292,400	350,629	353,313	(2,684)	345,383
Commodities	85,500	112,716	111,505	1,211	119,454
Capital outlay	140,000	73,573	71,572	2,001	85,399
Other	20,000	—	—	—	7,000
Total expenditures	585,800	585,800	585,775	25	595,639
Excess (deficiency) of revenues over (under) expenditures	\$ (35,800)	(35,800)	(37,179)	(1,379)	(52,224)
Fund balance, beginning of year			133,384		176,610
Net change in reserve for encumbrances			15,543		8,998
Fund balance, end of year			\$ 111,748		133,384

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

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NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

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

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

CITY OF LAWRENCE, KANSAS

Combining Balance Sheet Nonmajor Enterprise Funds December 31, 2007

	Assets	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Current assets:				
Cash		\$ 106,072	145,863	251,935
Investments		400,000	—	400,000
Receivables:				
Accounts		27,878	96	27,974
Accrued interest		7,997	—	7,997
Inventories			29,687	29,687
Total current assets		<u>541,947</u>	<u>175,646</u>	<u>717,593</u>
Capital assets				
Land		479,055	—	479,055
Buildings and improvements		4,084,602	3,616,125	7,700,727
Equipment		392,981	144,000	536,981
Accumulated depreciation		<u>(2,722,278)</u>	<u>(1,787,029)</u>	<u>(4,509,307)</u>
Total capital assets		<u>2,234,360</u>	<u>1,973,096</u>	<u>4,207,456</u>
Total assets		<u>\$ 2,776,307</u>	<u>2,148,742</u>	<u>4,925,049</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable		\$ 16,824	5,802	22,626
Accrued payroll		15,027	6,830	21,857
Accrued vacation and sick pay		33,014	18,823	51,837
Total current liabilities		<u>64,865</u>	<u>31,455</u>	<u>96,320</u>
Noncurrent liabilities - compensated absences		25,089	12,732	37,821
Total liabilities		<u>89,954</u>	<u>44,187</u>	<u>134,141</u>
Net assets:				
Invested in capital assets, net of debt		2,234,360	1,973,096	4,207,456
Unrestricted		451,993	131,459	583,452
Total net assets		<u>2,686,353</u>	<u>2,104,555</u>	<u>4,790,908</u>
Total liabilities and net assets		<u>\$ 2,776,307</u>	<u>2,148,742</u>	<u>4,925,049</u>

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2007

	<u>Public Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues - charges for services	\$ 876,578	923,375	1,799,953
Operating expenses:			
Continuing operations	942,478	747,906	1,690,384
Depreciation and amortization	176,916	182,051	358,967
Total operating expenses	1,119,394	929,957	2,049,351
Operating income (loss)	(242,816)	(6,582)	(249,398)
Nonoperating revenues (expenses) - interest income	22,225	—	22,225
Income (loss) before transfers	(220,591)	(6,582)	(227,173)
Transfers (out)	(205,552)	—	(205,552)
Change in net assets	(426,143)	(6,582)	(432,725)
Net assets, beginning of year, as restated	3,112,496	2,111,137	5,223,633
Net assets, end of year	\$ 2,686,353	2,104,555	4,790,908

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2007

	Public Parking	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 859,468	923,302	1,782,770
Payments to suppliers	(269,943)	(328,110)	(598,053)
Payments to employees	(653,813)	(426,562)	(1,080,375)
Net cash provided by (used in) operating activities	(64,288)	168,630	104,342
Cash flows from noncapital financing activities:			
Transfers out	(205,552)	—	(205,552)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(65,893)	(24,666)	(90,559)
Cash flows from investing activities:			
Receipt of interest and dividends	17,786	—	17,786
Purchases of investments	(849,969)	—	(849,969)
Sales of investments	768,326	—	768,326
Net cash provided by (used in) investing activities	(63,857)	—	(63,857)
Net increase (decrease) in cash	(399,590)	143,964	(255,626)
Cash and cash equivalents, beginning of year	505,662	1,899	507,561
Cash and cash equivalents, end of year	\$ 106,072	145,863	251,935
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (242,816)	(6,582)	(249,398)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	176,916	182,051	358,967
Change in:			
Accounts receivable	(17,110)	(73)	(17,183)
Inventories of supplies	—	(18,907)	(18,907)
Accounts payable	5,823	20	5,843
Accrued payroll	5,163	1,601	6,764
Accrued vacation and sick pay	7,736	10,520	18,256
Total adjustments	178,528	175,212	353,740
Net cash provided by (used in) operating activities	\$ (64,288)	168,630	104,342

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, 2007

Assets	Central Maintenance	Stores	Health Insurance	Total
Current assets:				
Cash	\$ 21,426	29,983	932,792	984,201
Investments	600,000	—	6,737,504	7,337,504
Receivables:				
Accounts	275,786	—	23,441	299,227
Accrued interest	7,995	—	66,288	74,283
Inventories	293,616	5,809	—	299,425
Total current assets	<u>1,198,823</u>	<u>35,792</u>	<u>7,760,025</u>	<u>8,994,640</u>
Capital assets				
Buildings and improvements	459,715	—	—	459,715
Equipment	271,137	—	—	271,137
Accumulated depreciation	(659,176)	—	—	(659,176)
Total capital assets	<u>71,676</u>	<u>—</u>	<u>—</u>	<u>71,676</u>
Total assets	<u>\$ 1,270,499</u>	<u>35,792</u>	<u>7,760,025</u>	<u>9,066,316</u>
Liabilities and Net Assets				
Liabilities:				
Current liabilities				
Accounts payable	\$ 7,932	—	190,418	198,350
Claims payable	—	—	497,388	497,388
Accrued payroll	21,100	—	—	21,100
Accrued vacation and sick pay	59,969	—	—	59,969
Total current liabilities	<u>89,001</u>	<u>—</u>	<u>687,806</u>	<u>776,807</u>
Noncurrent liabilities - compensated absences	65,933	—	—	65,933
Total liabilities	<u>154,934</u>	<u>—</u>	<u>687,806</u>	<u>842,740</u>
Net assets:				
Invested in capital assets, net of debt	71,676	—	—	71,676
Unrestricted	1,043,889	35,792	7,072,219	8,151,900
Total net assets	<u>1,115,565</u>	<u>35,792</u>	<u>7,072,219</u>	<u>8,223,576</u>
Total liabilities and net assets	<u>\$ 1,270,499</u>	<u>35,792</u>	<u>7,760,025</u>	<u>9,066,316</u>

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

CITY OF LAWRENCE, KANSAS

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

For the Year Ended December 31, 2007

	<u>Central Maintenance</u>	<u>Stores</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues - charges for services	\$ 3,056,107	3,325	7,235,250	10,294,682
Operating expenses:				
Continuing operations	2,917,510	4,096	—	2,921,606
General administration	—	—	589,130	589,130
Health insurance claims	—	—	6,082,169	6,082,169
Depreciation and amortization	36,411	—	—	36,411
Total operating expenses	2,953,921	4,096	6,671,299	9,629,316
Operating income (loss)	102,186	(771)	563,951	665,366
Nonoperating revenues (expenses)				
Interest income	16,742	—	293,839	310,581
Gain (loss) on sale of capital assets	4,562	—	—	4,562
Other	14,168	—	—	14,168
Total nonoperating revenues (expenses)	35,472	—	293,839	329,311
Income (loss) before transfers	137,658	(771)	857,790	994,677
Transfers out	(7,000)	—	—	(7,000)
Change in net assets	130,658	(771)	857,790	987,677
Net assets (deficit), beginning of year	984,907	36,563	6,214,429	7,235,899
Net assets (deficit), end of year	\$ 1,115,565	35,792	7,072,219	8,223,576

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

CITY OF LAWRENCE, KANSAS

Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2007

	Central Maintenance	Stores	Health Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,004,811	3,325	7,240,697	10,248,833
Payments to suppliers	(2,038,530)	(3,542)	(6,387,162)	(8,429,234)
Payments to employees	(921,821)	—	—	(921,821)
Net cash provided by (used in) operating activities	44,460	(217)	853,535	897,778
Cash flows from noncapital financing activities:				
Transfers out	(7,000)	—	—	(7,000)
Cash flows from capital and related financing activities:				
Proceeds from sales of capital assets	4,562	—	—	4,562
Net cash provided by (used in) capital and related financing activities	4,562	—	—	4,562
Cash flows from investing activities:				
Receipt of interest and dividends	8,747	—	290,812	299,559
Purchases of investments	(1,099,913)	—	(14,737,079)	(15,836,992)
Sales of investments	499,913	—	14,291,862	14,791,775
Net cash provided by (used in) investing activities	(591,253)	—	(154,405)	(745,658)
Net increase (decrease) in cash	(549,231)	(217)	699,130	149,682
Cash and cash equivalents, beginning of year	570,657	30,200	233,662	834,519
Cash and cash equivalents, end of year	\$ 21,426	29,983	932,792	984,201
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 102,186	(771)	563,951	665,366
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	36,411	—	—	36,411
Other income	14,168	—	—	14,168
Change in:				
Accounts receivable	(65,464)	—	5,447	(60,017)
Inventories of supplies	(65,561)	554	—	(65,007)
Accounts payable	(8,205)	—	114,335	106,130
Claims payable	—	—	169,802	169,802
Accrued payroll	6,807	—	—	6,807
Accrued vacation and sick pay	24,118	—	—	24,118
Total adjustments	(57,726)	554	289,584	232,412
Net cash provided by (used in) operating activities	\$ 44,460	(217)	853,535	897,778

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, 2007

Payroll Clearing	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Assets:				
Cash	102,679	19,254,484	19,305,476	51,687
Accounts receivable	—	277	—	277
	\$ <u>102,679</u>	<u>19,254,761</u>	<u>19,305,476</u>	<u>51,964</u>
Liabilities:				
Accounts payable	\$ <u>102,679</u>	<u>19,254,761</u>	<u>19,305,476</u>	<u>51,964</u>
Municipal Court				
Assets:				
Cash	\$ 266,436	811,529	915,745	162,220
Investments	—	100,000	—	100,000
Restricted assets - court receivables	70,683	—	—	70,683
	\$ <u>337,119</u>	<u>911,529</u>	<u>915,745</u>	<u>332,903</u>
Liabilities:				
Accounts payable	\$ 266,436	911,529	915,745	262,220
Payable from restricted assets	70,683	—	—	70,683
	\$ <u>337,119</u>	<u>911,529</u>	<u>915,745</u>	<u>332,903</u>
KPRF				
Assets:				
Cash	\$ <u>291</u>	<u>13,437</u>	<u>13,437</u>	<u>291</u>
Liabilities:				
Accounts payable	\$ <u>291</u>	<u>13,437</u>	<u>13,437</u>	<u>291</u>

(Continued)

CITY OF LAWRENCE, KANSAS

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

Year Ended December 31, 2007

Fire Insurance Proceeds Fund	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Assets:				
Cash	\$ <u> —</u>	<u> —</u>	<u> —</u>	<u> —</u>
Liabilities:				
Accounts payable	\$ <u> —</u>	<u> —</u>	<u> —</u>	<u> —</u>
Totals - All Agency Funds				
Assets:				
Cash	\$ 369,406	20,079,450	20,234,658	214,198
Investments	—	100,000	—	100,000
Accounts receivable	—	277	—	277
Restricted assets - court receivables	<u>70,683</u>	<u> —</u>	<u> —</u>	<u>70,683</u>
Total assets	\$ <u>440,089</u>	<u>20,179,727</u>	<u>20,234,658</u>	<u>385,158</u>
Liabilities:				
Accounts payable	\$ 369,406	20,179,727	20,234,658	314,475
Court bonds payable	<u>70,683</u>	<u> —</u>	<u> —</u>	<u>70,683</u>
Total liabilities	\$ <u>440,089</u>	<u>20,179,727</u>	<u>20,234,658</u>	<u>385,158</u>

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

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STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

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

SCHEDULES OF FINANCIAL TRENDS INFORMATION

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

Table 1

CITY OF LAWRENCE, KANSAS

Net Assets by Component

Last Five Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt \$	95,935,872	96,092,432	88,194,346	93,544,672	94,180,228
Restricted	14,384,175	15,400,474	16,818,165	17,954,391	22,969,523
Unrestricted	24,008,558	29,943,001	42,793,894	39,064,873	38,739,246
Total governmental activities net assets \$	<u>134,328,605</u>	<u>141,435,907</u>	<u>147,806,405</u>	<u>150,563,936</u>	<u>155,888,997</u>
Business-type activities					
Invested in capital assets, net of related debt \$	86,789,171	87,319,109	74,895,527	92,038,767	100,895,359
Restricted	5,909,170	6,906,197	17,732,915	16,877,071	27,230,548
Unrestricted	34,789,666	39,136,395	47,943,857	40,048,533	26,164,830
Total business-type activities net assets \$	<u>127,488,007</u>	<u>133,361,701</u>	<u>140,572,299</u>	<u>148,964,371</u>	<u>154,290,737</u>
Primary government					
Invested in capital assets, net of related debt \$	182,725,043	183,411,541	163,089,873	185,583,439	195,075,587
Restricted	20,293,345	22,306,671	34,551,080	34,831,462	50,200,071
Unrestricted	58,798,224	69,079,396	90,737,751	79,113,406	64,904,076
Total primary government net assets \$	<u>261,816,612</u>	<u>274,797,608</u>	<u>288,378,704</u>	<u>299,528,307</u>	<u>310,179,734</u>

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

Table 2

CITY OF LAWRENCE, KANSAS

Changes in Net Assets

Last FIVE Fiscal Years
(accrual basis of accounting)

Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities					
General government	\$ 13,529,468	14,403,955	15,787,385	17,850,454	19,365,613
Public safety	21,444,143	22,024,175	23,958,869	26,850,570	28,091,852
Public works	10,389,739	12,755,790	13,152,884	16,608,613	14,467,570
Health	1,382,529	888,333	897,509	976,258	992,789
Social services	2,882,748	2,678,321	3,330,734	2,651,489	1,917,240
Culture and recreation	6,543,285	6,211,637	7,145,971	8,205,079	7,834,774
Tourism	490,053	663,943	680,490	675,797	779,687
Airport	191,661	192,485	188,284	201,034	212,253
Interest on long-term debt	3,842,917	3,164,980	2,838,234	3,393,239	2,655,108
Total governmental activities expenses	<u>60,696,543</u>	<u>62,983,619</u>	<u>67,980,360</u>	<u>77,412,533</u>	<u>76,316,886</u>
Business-type activities:					
Water & sewer	16,561,112	17,079,804	18,439,977	20,931,603	23,578,051
Sanitation	7,218,375	7,817,606	8,395,807	9,146,491	9,593,230
Parking	912,248	935,905	962,303	934,309	1,110,029
Stormwater	1,121,598	1,209,570	1,527,637	1,710,016	1,778,006
Golf course	1,049,496	1,094,435	992,548	960,058	925,676
Total business-type activities expenses	<u>26,862,829</u>	<u>28,137,320</u>	<u>30,318,272</u>	<u>33,682,477</u>	<u>36,984,992</u>
Total primary government expenses	<u>\$ 87,559,372</u>	<u>91,120,939</u>	<u>98,298,632</u>	<u>111,095,010</u>	<u>113,301,878</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 719,087	886,557	1,164,158	1,151,175	1,213,241
Public safety	5,597,535	6,403,610	6,523,480	6,745,201	6,390,357
Culture and recreation	1,563,897	1,408,227	1,554,583	1,642,377	1,764,266
Other activities	530,016	608,024	598,888	693,927	550,054
Operating grants and contributions	8,690,675	8,068,395	8,645,939	8,296,784	8,107,569
Capital grants and contributions	4,703,593	4,476,161	4,298,427	7,464,153	6,982,954
Total governmental activities program revenues	<u>21,804,803</u>	<u>21,850,974</u>	<u>22,785,475</u>	<u>25,993,617</u>	<u>25,008,441</u>
Business-type activities:					
Charges for services:					
Water & sewer	22,731,523	21,980,918	24,666,589	27,625,934	27,702,909
Sanitation	7,859,391	8,069,691	8,350,141	8,738,585	8,980,990
Parking	896,694	831,787	871,504	954,766	876,578
Stormwater	2,677,414	2,728,541	2,767,975	2,794,985	2,836,484
Golf course	896,158	912,526	935,964	1,042,886	923,375
Operating grants and contributions	27,173	33,826	-	-	16,844
Capital grants and contributions	-	-	60,944	85,160	-
Total business-type activities program revenues	<u>35,088,353</u>	<u>34,557,289</u>	<u>37,653,117</u>	<u>41,242,316</u>	<u>41,337,180</u>
Total primary government program revenues	<u>\$ 56,893,156</u>	<u>56,408,263</u>	<u>60,438,592</u>	<u>67,235,933</u>	<u>66,345,621</u>
Net (expense)/revenue					
Governmental activities	\$ (38,891,740)	(41,132,645)	(45,194,885)	(51,418,916)	(51,308,445)
Business-type activities	<u>8,225,524</u>	<u>6,419,969</u>	<u>7,334,845</u>	<u>7,559,839</u>	<u>4,352,188</u>
Total primary government net expense	<u>\$ (30,666,216)</u>	<u>(34,712,676)</u>	<u>(37,860,040)</u>	<u>(43,859,077)</u>	<u>(46,956,257)</u>

(continued)

Table 2, cont.

CITY OF LAWRENCE, KANSAS

Changes in Net Assets, Continued

Last Five Fiscal Years
(accrual basis of accounting)

Unaudited

	2003	2004	Fiscal Year 2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 17,604,825	20,911,051	22,059,715	22,525,407	23,768,769
Franchise taxes	3,660,489	3,684,941	3,754,184	3,986,982	4,784,605
Sales taxes	18,893,835	20,740,306	21,318,108	21,733,540	22,172,560
Unrestricted grants and contributions	518,024	530,786	530,707	543,415	548,596
Investment earnings	1,107,797	980,553	1,912,596	3,144,551	3,290,116
Miscellaneous	86,437	(49,408)	98,035	140,358	187,713
Transfers	1,288,000	1,441,718	1,892,038	2,102,194	4,269,392
Total governmental activities	<u>43,159,407</u>	<u>48,239,947</u>	<u>51,565,383</u>	<u>54,176,447</u>	<u>59,021,751</u>
Business-type activities:					
Investment earnings	657,587	531,703	1,449,433	2,666,000	2,464,859
Miscellaneous	-	363,740	318,358	268,427	641,216
Transfers	(1,288,000)	(1,441,718)	(1,892,038)	(2,102,194)	(4,269,392)
Total business-type activities	<u>(630,413)</u>	<u>(546,275)</u>	<u>(124,247)</u>	<u>832,233</u>	<u>(1,163,317)</u>
Total primary government	<u>\$ 42,528,994</u>	<u>47,693,672</u>	<u>51,441,136</u>	<u>55,008,680</u>	<u>57,858,434</u>
Change in Net Assets					
Governmental activities	\$ 4,267,667	7,107,302	6,370,498	2,757,531	7,713,306
Business-type activities	7,595,111	5,873,694	7,210,598	8,392,072	3,188,871
Total primary government	<u>\$ 11,862,778</u>	<u>12,980,996</u>	<u>13,581,096</u>	<u>11,149,603</u>	<u>10,902,177</u>

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

SCHEDULES OF REVENUE CAPACITY INFORMATION

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

CITY OF LAWRENCE, KANSAS

General Government Tax Revenues by Source

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

Year	Property Tax	Sales Tax (1)	Franchise Tax	Motor Vehicle Tax	Payment- in-lieu	Total
1998	\$ 9,476,465	\$ 9,781,233	\$ 2,922,099	\$ 1,341,665	\$ 95,443	\$ 23,616,905
1999	10,228,830	10,190,751	2,852,957	1,449,320	90,830	24,812,688
2000	11,844,455	10,660,961	3,247,604	1,364,778	66,362	27,184,160
2001	12,773,484	10,997,729	3,466,443	1,528,257	105,418	28,871,331
2002	14,281,439	10,957,561	3,632,803	1,597,396	75,349	30,544,548
2003	15,814,366	11,392,376	3,660,488	1,665,149	125,307	32,657,686
2004	18,954,535	12,415,985	3,684,941	1,795,514	161,001	37,011,976
2005	19,931,493	12,765,697	3,754,184	1,976,016	152,204	38,579,594
2006	20,342,054	13,146,914	3,986,982	2,029,017	154,334	39,659,301
2007	21,681,622	13,475,013	4,784,605	1,960,344	126,803	42,028,387

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

CITY OF LAWRENCE, KANSAS

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Unaudited

	Fiscal Year									
	1998 (1)	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 700,994	1,126,996	1,458,930	787,810	727,909	1,014,374	905,414	854,863	850,300	807,314
Unreserved	7,516,183	8,169,127	9,577,868	10,374,335	8,919,482	8,164,583	12,922,924	14,472,880	11,083,748	11,449,526
Total General Fund	\$ 8,217,177	9,296,123	11,036,798	11,162,145	9,647,391	9,178,957	13,828,338	15,327,743	11,934,048	12,256,840
All other governmental funds										
Reserved	\$ 6,907,339	8,532,342	9,401,662	8,300,491	7,720,844	8,098,465	9,072,450	8,596,569	7,858,766	8,366,671
Unreserved, reported in:										
Special revenue funds	15,587,857	14,447,575	13,656,156	15,186,930	14,759,541	14,299,935	14,501,703	15,253,024	15,959,348	15,389,830
Capital projects funds	8,194,255	3,112,736	6,863,034	(9,556,787)	(7,091,096)	5,652,282	1,618,585	(10,419,107)	(6,221,334)	(745,650)
Total all other governmental fund	\$ 30,689,451	26,092,653	29,920,852	13,930,634	15,389,289	28,050,682	25,192,738	13,430,486	17,596,780	23,010,851

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

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

Unaudited

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 23,616,905	24,812,688	27,184,160	28,871,331	30,544,548	32,657,686	37,011,976	38,579,594	39,659,301	42,028,387
Special assessments	1,077,723	815,907	767,942	864,399	1,570,255	1,758,046	1,333,030	1,350,375	1,623,980	1,955,841
Licenses and permits	614,569	660,835	593,385	675,677	785,543	1,024,587	1,121,828	1,082,191	1,128,747	928,922
Charges for services	2,034,401	3,062,775	3,306,559	4,132,558	4,508,000	4,534,620	4,743,123	5,344,865	5,922,240	5,762,447
Fines, forfeitures and penalties	1,053,438	1,346,049	1,366,765	1,437,216	1,776,155	2,012,187	2,321,690	2,637,520	2,610,627	2,650,819
Interest	3,097,501	2,307,620	3,088,136	2,559,969	1,484,538	1,107,797	955,756	1,824,288	2,965,144	3,083,321
Intergovernmental	18,495,852	14,205,653	15,773,675	22,465,623	17,500,790	18,965,245	19,144,592	18,346,114	19,796,516	17,396,256
Reimbursements	137,034	399,861	2,135,342	261,166	1,757,694	555,980	397,638	178,665	1,321,000	70,834
Miscellaneous	3,110,571	1,127,191	1,064,857	1,182,145	932,545	1,926,446	1,360,067	1,020,492	1,465,378	640,488
Total Revenues	53,237,994	48,738,579	55,280,821	62,450,084	60,860,068	64,542,594	68,389,700	70,364,104	76,492,933	74,517,315
Expenditures										
General government	7,538,941	8,348,177	9,538,696	14,967,398	12,973,764	14,226,198	14,713,277	16,427,044	18,676,882	19,512,299
Public safety	14,658,202	14,931,935	16,002,552	17,360,889	19,413,366	20,760,197	20,620,805	23,418,252	26,134,660	27,193,045
Public works	4,607,114	4,768,079	5,286,767	5,715,798	6,409,537	6,554,869	6,213,701	6,896,815	8,360,862	7,969,457
Health	1,302,686	1,469,277	1,110,069	1,200,890	1,271,162	1,369,492	883,005	895,344	974,790	990,668
Social services	5,617,675	1,847,584	2,195,975	2,055,147	2,222,232	2,881,262	2,399,935	2,878,949	2,238,416	1,519,399
Culture and recreation	3,713,518	4,038,120	4,293,065	5,141,485	5,394,565	5,993,346	5,869,793	6,651,247	7,694,559	7,289,612
Tourism	431,557	485,027	460,605	443,181	463,622	486,845	660,735	677,282	674,777	779,687
Airport	45,959	52,107	81,876	79,691	94,373	75,885	76,708	72,507	85,290	96,545
Capital outlay	12,518,598	14,307,421	21,015,516	28,048,467	15,595,097	9,424,358	9,011,818	19,851,587	18,680,282	7,734,897
Debt service:										
Principal retirement	4,822,742	4,603,859	9,979,935	5,319,983	5,450,338	10,523,666	18,349,028	8,121,337	7,942,194	8,602,024
Interest and fiscal charges	3,050,894	2,424,977	2,875,108	3,172,476	3,228,362	3,913,517	3,077,458	2,719,188	3,283,518	2,710,971
Total expenditures	58,307,886	57,276,563	72,840,164	83,505,405	72,516,418	76,209,635	81,876,263	88,609,552	94,746,230	84,398,604
Excess of revenues over (under) expenditures	(5,069,892)	(8,537,984)	(17,559,343)	(21,055,321)	(11,656,350)	(11,667,041)	(13,486,563)	(18,245,448)	(18,253,297)	(9,881,289)
Other financing sources (uses)										
Transfers in	6,275,970	6,590,494	4,927,107	5,547,420	6,054,100	5,999,389	5,895,767	7,964,846	7,926,774	9,608,664
Transfers out	(5,373,355)	(5,959,827)	(4,276,657)	(4,616,970)	(4,777,950)	(4,704,389)	(4,450,767)	(6,069,321)	(5,821,112)	(5,335,512)
Proceeds of long term notes	290,127	-	-	-	-	-	-	-	-	-
Proceeds of general obligation bonds	5,325,000	5,796,733	22,477,767	4,260,000	10,324,101	22,565,000	13,833,000	6,087,076	16,920,234	11,345,000
Total other financing sources (uses)	6,517,742	6,427,400	23,128,217	5,190,450	11,600,251	23,860,000	15,278,000	7,982,601	19,025,896	15,618,152
Net change in fund balances	1,447,850	(2,110,584)	5,568,874	(15,864,871)	(56,099)	12,192,959	1,791,437	(10,262,847)	772,599	5,736,863
Debt service as a percentage of noncapital expenditures	10.5%	16.4%	24.8%	15.3%	15.2%	21.6%	29.4%	15.8%	14.8%	14.8%

CITY OF LAWRENCE, KANSAS

Assessed and Estimated Actual Value of Property

Last Ten Fiscal Years

Unaudited

Year	Real Property		Personal Property (1)		State Assessed		Total		Ratio of Assessed to Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value		
1998	\$ 396,254,275	\$2,844,811,518	\$44,139,690	\$180,835,431	\$18,855,954	\$56,567,862	\$ 459,249,919	\$3,082,214,811	15.0 %	22.60
1999	430,724,410	3,093,617,130	49,302,310	197,209,240	18,637,210	55,911,630	498,663,930	3,346,738,000	15.0	24.35
2000	469,852,465	3,374,649,282	56,523,350	226,093,400	19,076,106	57,228,318	545,451,921	3,657,971,000	14.9	23.90
2001	516,933,790	3,712,803,804	58,430,000	233,720,000	20,607,464	61,822,392	595,971,254	4,008,346,196	14.9	24.77
2002	553,933,830	3,978,551,867	54,197,260	216,789,040	20,902,337	62,707,011	629,033,427	4,258,047,918	14.9	24.77
2003	598,234,485	4,296,734,542	54,874,350	219,497,400	21,244,347	63,733,041	674,353,182	4,579,964,983	14.9	25.56
2004	646,375,889	4,642,503,961	50,179,040	200,716,160	21,594,641	64,783,923	718,149,570	4,908,004,044	14.9	28.10
2005	700,034,125	5,027,896,052	54,085,190	216,340,760	22,741,682	68,225,046	776,860,997	5,312,461,858	14.9	27.86
2006	750,379,180	5,389,492,978	53,579,845	214,319,380	20,406,899	61,220,697	824,365,924	5,665,033,055	15.0	26.36
2007	783,604,390	5,628,128,379	48,783,695	195,134,780	21,163,388	63,490,164	853,551,473	5,886,753,323	15.0	26.79

(1) Excludes motor vehicles.

Source: Douglas County Appraiser

CITY OF LAWRENCE, KANSAS

Property Tax Rates – Direct and Overlapping Governments

Last Ten Fiscal Years

Unaudited

Year	City of Lawrence			Overlapping Rates						State of Kansas	Total Direct & Overlapping Rates		
	Operating Millage	Service Millage	Total City Millage	Douglas County			School District						
				Operating Millage	Service Millage	Debt	Total County Millage	Operating Millage	Service Millage			Debt	Total School Millage
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	24.62	39.61	12.17	51.78	1.50	101.80		
2001	17.65	7.12	24.77	24.51	3.38	24.32	45.70	9.64	55.34	1.50	105.93		
2002	18.43	7.13	24.77	27.82	0.00	27.89	39.03	10.81	49.84	1.50	104.00		
2003	20.99	7.11	25.56	28.65	1.21	27.82	36.71	10.94	47.65	1.50	102.52		
2004	20.79	7.07	28.10	29.19	0.67	29.86	39.95	6.76	46.71	1.50	106.17		
2005	19.32	7.04	27.86	30.05	0.05	29.86	42.05	10.03	52.08	1.50	111.30		
2006	19.36	7.00	26.36	29.96	0.05	30.10	47.01	10.79	57.80	1.50	115.76		
2007	19.78	7.01	26.79	29.95	0.05	30.00	48.36	9.20	57.56	1.50	115.85		

Source: Douglas County Budget Office

Table 8

CITY OF LAWRENCE, KANSAS

Principal Taxpayers

December 31, 2007

Unaudited

Taxpayer	Type of Business	2007			Percent of			1998			Percent of		
		Assessed	Rank	Valuation	Total Assessed	Valuation	Rank	Assessed	Rank	Valuation	Total Assessed	Valuation	Rank
Westar Energy	Electric Utility	\$ 9,485,412	1		1.21 %	\$ 8,101,040	1		1	1.76 %			
Southwestern Bell	Telephone Utility	7,271,366	2		0.93	7,274,188	3		3	1.58			
Inland Western Lawrence	Retail Center	5,754,175	3		0.73	-				-			
Hallmark Cards	Card Manufacturer	5,178,260	4		0.66	4,265,350	4		4	0.93			
Celliance	Biotechnology	4,811,545	5		0.61	-				-			
Lawrence Paper Co.	Paper Manufacturer	4,533,530	6		0.58	3,460,485	5		5	0.75			
Packware Corp	Plastics Manufacturer	4,399,365	7		0.56	3,097,185	6		6	0.67			
Walmart	Retail Outlet	4,000,445	8		0.51	-				-			
World Company	Media	3,844,675	9		0.49	-				-			
NCS Pearson	Computer Services	2,919,100	10		0.37	-				-			
Kresge	District Warehouse	-			-	7,415,435	2		2	1.61			
Lawrence Cable	Cable Utility	-			-	2,754,560	7		7	0.60			
Target	Retail Outlet	-			-	2,986,370	8		8	0.55			
Oread Labs	Research Lab	-			-	2,446,840	9		9	0.53			
Star-Kist Foods	Retail Outlet	-			-	2,375,645	10		10	0.52			
Total		\$ 52,197,873			6.66 %	\$ 44,177,098				9.50 %			

Source: Douglas County Clerk.

Table 9

CITY OF LAWRENCE, KANSAS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Unaudited

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1998	\$ 9,557,471	\$ 9,337,045	97.69	\$ 139,420	\$9,476,465	99.15	\$ 320,997	3.36 %
1999	10,377,742	10,111,307	97.43	256,943	10,228,830	98.57	469,909	4.53
2000	12,143,963	11,688,149	96.25	156,306	11,844,455	97.53	769,417	6.34
2001	13,038,707	12,545,282	96.22	228,202	12,773,484	97.97	1,034,640	7.94
2002	14,736,611	14,059,563	95.41	221,876	14,281,439	96.91	1,489,812	10.11
2003	16,086,484	15,512,068	96.43	302,298	15,814,366	98.31	1,761,930	10.95
2004	18,960,069	18,537,307	97.77	417,228	18,954,535	99.97	1,767,464	9.32
2005	20,035,547	19,622,524	97.94	308,969	19,931,493	99.48	1,871,518	9.34
2006	20,523,463	19,996,080	97.43	345,973	20,342,053	99.12	2,052,928	10.00
2007	21,763,984	21,381,266	98.24	300,356	21,681,622	99.62	2,135,290	9.81

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

SCHEDULES OF DEBT CAPACITY INFORMATION

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

CITY OF LAWRENCE, KANSAS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General		Notes Payable	Capital Leases	Revenue Bonds	Obligation Bonds	Notes Payable	Capital Leases			
	Obligation Bonds										
1998	\$ 43,220,092	\$ 145,064	\$ -	\$ 15,515,000	\$ 4,034,908	\$ -	\$ 1,527,445	\$ 64,442,509	0.0692	%	\$ 813.77
1999	44,424,058	133,971	-	14,360,000	6,820,942	-	235,603	65,974,574	0.0694		816.08
2000	57,003,154	133,971	-	13,140,000	7,196,846	5,452,112	-	82,926,083	0.0510		1,016.75
2001	55,962,449	107,161	-	11,855,000	6,652,551	22,112,277	-	96,689,438	0.0370		1,207.14
2002	62,636,388	91,499	-	10,510,000	6,083,612	42,601,580	18,797	121,941,876	0.0451		1,460.47
2003	72,638,936	75,285	-	9,475,000	5,486,064	49,470,892	-	137,146,177	0.0488		1,608.15
2004	68,139,695	58,498	-	8,935,000	6,745,305	49,114,320	-	132,992,818	0.0463		1,545.71
2005	66,122,813	41,118	-	25,910,000	10,957,187	46,970,878	-	150,001,996	0.0486		1,694.15
2006	75,118,846	23,125	-	24,860,000	9,951,154	44,542,451	-	154,495,576	0.0471		1,710.25
2007	80,240,451	4,496	-	43,465,000	6,534,549	42,447,047	-	172,691,543	0.0527		1,912.19

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

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

Table 11

CITY OF LAWRENCE, KANSAS

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

Last Ten Fiscal Years

Unaudited

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Per Capita
1998	79,190	459,250	\$ 62,770,000	\$ 6,135,157	\$ 56,634,843	12.33 %	\$ 715.18
1999	80,843	498,664	65,605,000	7,993,327	57,611,673	11.55	712.64
2000	81,560	545,452	77,340,000	7,947,026	69,392,974	12.72	850.82
2001	80,098	595,971	74,470,000	7,638,070	66,831,930	11.21	834.38
2002	83,495	629,033	79,230,000	7,006,605	72,223,395	11.48	865.00
2003	85,282	674,353	87,600,000	7,537,669	80,062,331	11.87	938.80
2004	86,040	718,150	83,820,000	8,296,387	75,523,613	10.52	877.77
2005	88,541	776,861	102,990,000	7,774,005	95,215,995	12.26	1075.39
2006	90,335	824,366	109,930,000	7,289,502	102,640,498	12.45	1136.22
2007	90,311	853,551	130,240,000	7,736,675	122,503,325	14.35	1356.46

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

(2) Amounts expressed in thousands.

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

Table 12

CITY OF LAWRENCE, KANSAS

Computation of Direct and Overlapping Bonded Debt –
General Obligation Bonds

December 31, 2007

Unaudited

<u>Jurisdiction</u>	<u>Bond Issues Outstanding</u>	<u>Amount Available in Debt Service Fund</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct – City of Lawrence	\$ 80,240,451	\$ 7,736,675	\$ 72,503,776	100 %	\$ 72,503,776
Overlapping:					
Douglas County	21,915,000	442,319	21,472,681	75	16,104,511
Unified School District No. 497	<u>96,040,000</u>	<u>2,952,877</u>	<u>93,087,123</u>	88	<u>81,916,668</u>
	<u>\$ 198,195,451</u>	<u>11,131,871</u>	<u>187,063,580</u>		<u>\$ 170,524,955</u>

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

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

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

CITY OF LAWRENCE, KANSAS

Computation of Legal Debt Margin

Last Ten Fiscal Years

Unaudited

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Assessed Valuation of Taxable Property	\$ 522,201,506	\$ 562,985,984	\$ 608,166,259	\$ 660,853,207	\$ 696,271,456	\$ 743,219,623	\$ 789,003,475	\$ 848,569,778	\$ 897,731,218	\$ 927,782,509
Debt Limit Percent of Assessed Value	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Debt Limit	156,660,452	168,895,795	182,449,878	198,255,962	208,881,437	222,965,887	236,701,043	254,570,933	269,319,365	278,334,753
Total net debt applicable to limit (includes temporary notes)	<u>72,240,000</u>	<u>63,650,000</u>	<u>76,075,000</u>	<u>77,465,000</u>	<u>90,990,000</u>	<u>97,110,000</u>	<u>90,630,000</u>	<u>99,208,000</u>	<u>101,415,000</u>	<u>97,000,000</u>
Legal Debt Margin	\$ <u>84,420,452</u>	\$ <u>105,245,795</u>	\$ <u>106,374,878</u>	\$ <u>120,790,962</u>	\$ <u>117,891,437</u>	\$ <u>125,855,887</u>	\$ <u>146,071,043</u>	\$ <u>155,362,933</u>	\$ <u>167,904,365</u>	\$ <u>181,334,753</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	46.11%	37.69%	41.70%	39.07%	43.56%	43.55%	38.29%	38.97%	37.66%	34.85%

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

Table 14

CITY OF LAWRENCE, KANSAS

Revenue Bond Coverage – Water and Sewer Fund

Last Ten Fiscal Years

Unaudited

Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
1998	\$ 17,564,406	\$ 10,222,628	\$ 7,341,778	\$1,105,000	\$ 874,335	\$1,979,335	2.78
1999	19,420,407	10,937,931	8,482,476	1,155,000	878,794	2,033,794	3.71
2000	20,886,254	11,564,734	9,321,520	1,220,000	901,286	2,121,286	4.17
2001	21,312,400	12,512,695	8,799,705	1,285,000	874,322	2,159,322	4.39
2002	22,210,827	13,372,496	8,838,331	1,345,000	615,325	1,960,325	4.08
2003	22,726,952	14,344,670	8,382,282	1,035,000	545,970	1,580,970	4.51
2004	21,980,918	14,931,102	7,049,816	540,000	494,720	1,034,720	5.30
2005	24,666,589	16,503,951	8,162,638	570,000	468,958	1,038,958	6.81
2006	27,625,934	18,473,120	9,152,814	1,050,000	1,329,563	2,379,563	3.85
2007	27,702,909	20,329,515	7,373,394	1,195,000	1,357,400	2,552,400	2.89

SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION

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

CITY OF LAWRENCE, KANSAS

Demographic Statistics

Last Ten Fiscal Years

Unaudited

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1998	79,190	931,274,400	\$11,760	24.70	10,253	4.4 %
1999	80,843	950,713,680	11,760	24.70	10,371	3.2
2000	81,560	1,627,285,120	19,952	25.30	10,329	4.0
2001	80,098	2,613,168,000	25,540	25.30	10,273	4.4
2002	83,495	2,704,107,000	25,885	25.30	10,154	4.2
2003	85,282	2,812,689,000	26,453	25.30	9,919	4.7
2004	86,040	2,870,819,000	26,455	25.30	9,946	4.2
2005	88,541	3,084,501,000	27,659	25.30	10,003	4.0
2006	90,335	3,279,665,000	29,137	25.30	10,228	3.3
2007	90,311	3,279,665,000	29,137	25.30	10,303	3.6

Data Sources:

- (1) Planning Department estimates, except 2000 which is from the 2000 census
- (2) 1998-1999 Personal and Per Capita Income Estimates for Counties and Incorporated Places from 1990 census, 2000-2003 data from 2000 census, 2004-2006 data from BEA. 2007 information was not yet available at the report date.
- (3) 1990 Census of Population General Population Characteristics, except 2000-2007 which are from U.S.
- (4) Census Bureau 2000 census
- (5) Headcount Enrollment, Kansas Public Schools, Kansas State Department of Education.
Kansas Department of Human Resources: Research and Analysis.

Table 16

CITY OF LAWRENCE, KANSAS

Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2007			1998
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	
The University of Kansas	9,691	1	15.95%	Information Not Available
Lawrence Public Schools	1,756	2	2.89%	
Vangent	1,600	3	2.63%	
City of Lawrence	1,421	4	2.34%	
Lawrence Memorial Hospital	1,250	5	2.06%	
Hallmark Card, Inc.	759	6	1.25%	
The World Company	687	7	1.13%	
Amarr Garage Doors	590	8	0.97%	
K-Mart Distribution Center	426	9	0.70%	
DCCCA	425	10	0.70%	
Total	<u>18,605</u>		<u>30.63%</u>	

Sources: Lawrence Chamber of Commerce
Kansas Department of Human Resources

SCHEDULES OF OPERATING INFORMATION

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

CITY OF LAWRENCE, KANSAS

Full Time Equivalent Employees by Function

Last Ten Fiscal Years

Unaudited

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	52.50	52.70	54.70	57.70	63.93	62.63	64.63	67.63	73.76	79.63
Public Safety	280.60	279.55	289.55	297.55	308.25	323.25	328.50	329.00	341.00	342.25
Public Works	152.33	159.00	164.00	167.00	174.50	173.00	173.00	175.50	181.00	188.00
Culture & Recreation	55.50	70.00	70.00	77.00	75.50	75.00	74.63	75.13	75.28	75.28
Health	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Services	7.50	6.80	6.80	6.80	10.25	10.25	10.00	9.00	8.95	8.75
Water & Sewer	<u>102.50</u>	<u>106.00</u>	<u>106.00</u>	<u>106.00</u>	<u>109.00</u>	<u>111.63</u>	<u>111.76</u>	<u>113.26</u>	<u>120.26</u>	<u>133.76</u>
Total	<u>650.93</u>	<u>675.05</u>	<u>692.05</u>	<u>713.05</u>	<u>742.43</u>	<u>756.76</u>	<u>763.52</u>	<u>770.52</u>	<u>801.25</u>	<u>828.67</u>

Source: City of Lawrence Budget Document

CITY OF LAWRENCE, KANSAS

Operating Indicators by Function

Last Ten Fiscal Years

Unaudited

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fire Protection										
Number of Firefighters and Officers	126	129	140	140	133	137	137	137	138	138
Number of Fire Calls Answered	1,919	1,919	1,919	1,959	2,160	1,896	1,953	1,953	2,154	2,005
Number of Medical Calls Answered	5,705	5,705	5,705	6,612	6,380	6,225	6,700	6,700	6,810	6,858
Number of Medical Transports	4340	4,340	4,340	4,355	5,679	3,924	3,924	3,924	4,434	4,649
Number of Inspections Conducted	2,706	2,706	2,706	2,685	8,011	5,240	5,240	5,240	5,963	7,065
Police Protection										
Number of Commissioned Police Officers	118	123	128	138	133	138	138	138	142	142
Number of Full Time Civilians	22	23	24	25	34	34	33	34	34	34
Number of Calls for Service	102,718	106,946	106,946	107,856	87,322	86,804	110,192	110,192	121,576	126,874
Arrests Processed through County Jail	2,484	2,484	2,484	2,624	2,882	2,699	2,834	2,834	3,233	2,661
Officer Issued Traffic Violations	18,475	18,475	18,475	19,675	16,460	18,327	24,008	24,008	39,348	40,572
Officer Issued Parking Violations	15,019	15,019	15,019	15,519	15,748	13,417	14,421	14,421	96,739	94,890
Sewerage System										
Number of Service Connections	24,000	24,400	24,400	24,820	28,252	28,252	29,515	29,515	31,499	32,000
Actual Daily Average of Treatment in Million Gallons D	8.9	8.9	8.9	8.9	9.2	9.2	12.5	12.5	10.5	10.6
Water System										
Number of Service Connections	24,000	24,500	27,500	27,850	29,115	28,895	29,770	29,770	32,142	32,522
Daily Average Consumption in Million Gallons	11.6	11.6	11.6	11.6	12.6	13	13	13	12.2	11.4
Maximum Daily Capacity of Plant in Million Gallons	27.5	27.5	27.5	27.5	31.5	31.5	32.5	32.5	32.5	32.5

Sources: Various government departments

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Works										
Miles of Streets	264	265	270	275	278	300	300	300	318	318.8
Culture and Recreation										
Recreation Centers	5	5	5	5	5	5	5	5	5	5
Parks	35	35	35	35	50	52	52	52	53	52
Park Acreage	3,148	3,148	3,148	3,398	3,275	3,270	3,275	3,275	3,497	3,497
Tennis Courts	18	18	18	18	18	20	20	20	20	20
Fire Protection										
Number of Stations	7	7	4	4	7	5	5	5	5	5
Police Protection										
Number of Stations	1	1	2	2	2	2	2	2	2	2
Number of Patrol Units	22	23	23	23	24	24	25	25	35	37
Sewerage System										
Miles of Sanitary Sewers	300	300	315	315	425	475	475	475	497	418
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Lift Stations	40	40	40	40	41	39	39	39	35	36
Water System										
Number of Water Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Mains	350	350	355	355	385	400	400	400	418	420
Number of City owned Fire Hydrants	2,300	2,300	2,350	2,350	2,881	2,944	2,944	2,944	3,008	3,285
Libraries										
Public Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (approximately)	213,500	213,500	215,500	215,500	254,100	267,134	267,134	297,924	320,705	264,966
Facilities and Services Not Included in the Reporting Entity:										
Education										
Number of Public Elementary Schools	18	18	19	19	18	16	16	16	16	16
Number of Public Elementary School Instructors	450	455	470	470	386	386	445	445	427	452
Number of Public Secondary Schools	6	6	6	6	7	7	7	7	6	6
Number of Public Secondary School Instructors	390	394	394	394	373	373	433	433	379	374
Number of Universities	2	2	2	2	2	2	2	2	2	2
Hospitals										
Number of Hospitals	1	1	1	1	1	1	1	1	1	1
Number of Patient Beds	167	167	167	167	177	177	186	186	173	173

Sources: Various government departments

SINGLE AUDIT SECTION

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

Mayor and City Commissioners
City of Lawrence, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrence, Kansas (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lawrence Memorial Hospital and the Lawrence-Douglas County Housing Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lawrence Public Library and the Lawrence Memorial Hospital were not audited in accordance with "Government Auditing Standards."

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

However, we noted certain other matters that we have reported to management in a separate letter dated April 30, 2008.

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

Howenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2008

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

Mayor and City Commissioners
City of Lawrence, Kansas

Compliance

We have audited the compliance of the City of Lawrence, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2007. Major federal financial programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

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

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

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

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

Sowenthal, Singleton, Webb & Wilson

Professional Association

April 30, 2008

CITY OF LAWRENCE, KANSAS
Schedule of Expenditures of Federal Awards
December 31, 2007

Federal Grantor Agency Pass-Through Grantor / Program Name	Federal CFDA Number	Grant Program Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Assistance			
Community Development Block Grant/ Entitlement Grants	14.218	B-05-MC-20-0007	\$ 287,880
	14.218	B-06-MC-20-0008	299,667
			<u>587,547</u>
Home - Investment Partnerships Program	14.239	M07-MC200205	319,896
	14.239	M08-MC200205	331,323
			<u>651,219</u>
Fair Housing Assistance - State & Local (07)	14.401	FF207K077011	35,045
Fair Housing Assistance - State & Local (08)	14.401	FF207K087011	24,147
			<u>59,192</u>
KS Department of Commerce and Housing			
Emergency Shelter Grant (07)	14.231	S-02-DC-20-0001-2007-15	37,061
Emergency Shelter Grant (08)	14.231	S-03-DC-20-0001-2008-15	33,170
			<u>70,231</u>
Total U.S. Department of Housing and Urban Development			<u>1,368,189</u>
U. S. Department of Transportation			
Federal Transportation Administration			
Federal Transit Formula Grant	20.507	KS-90-X107	66,261
Federal Transit Formula Grant	20.507	KS-90-X115	1,318,394
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004712	9,632
FAA/Airport Improvement Project Grant (3)	20.106	69AA3052-320004713	162,347
FAA/Airport Improvement Project Grant (4)	20.106	69AA3052-320004714	448,044
			<u>2,004,678</u>
KS Department of Transportation			
Comprehensive Transportation Planning Grant	20.205	03 P.L. and Sect. 5303 Funds	229,601
Transportation Enhancements	20.205	23 TE-0178-01/TEA-T017 (801)	1,292
State and Community Highway Safety (STEP)	20.600	OP-1207-07	24,903
			<u>255,796</u>
Total Department of Transportation			<u>2,260,474</u>
U.S. Department of Justice			
Direct Assistance			
Overtime Reimbursement			7,756
			<u>7,756</u>
KS Office of the Governor			
Edward Byrne Memorial Justice Assistance (JAG) Grant	16.738	2007-DJ-BX-0936	2,894
			<u>2,894</u>
Total Department of Justice			<u>10,650</u>
U.S. Department of Homeland Security			
Assistance to Firefighters	97.044	EMW-2005-FG-12345	69,929
Total Department of Homeland Security			<u>69,929</u>
U.S. Department of the Interior			
KS Historical Society			
Historic Preservation Fund	15.904	20-06-21519-004	12,728
Historic Preservation Fund	15.904	20-06-21519-005	10,211
			<u>22,939</u>
Total Department of the Interior			<u>22,939</u>
Total Federal Financial Awards Expenditures			<u>\$ 3,732,181</u>

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

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

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grant

14.239

Home – Investment Partnerships Program

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

Auditee qualified as low-risk auditee? X Yes No

CITY OF LAWRENCE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2007

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Finding

None Noted

Prior Year Finding

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