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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2009

CITY OF LAWRENCE

MARION COUNTY, INDIANA



FILED
07/08/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kimberly M. Diller	01-01-09 to 12-31-10
Mayor	Hon. F. Paul Ricketts	01-01-08 to 12-31-11
President of the Common Council	Donald K. Poteat David A. Freeman	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the Board of Public Works and Safety	R. Douglas Reeser	01-01-09 to 12-31-10
President of the Utility Service Board	Jason C. Woodruff	01-01-09 to 12-31-10
Superintendent of Utilities	Vacant Scott W. Salsbery (Interim) Carlton E. Curry	01-01-09 to 01-31-09 02-01-09 to 08-19-09 08-20-09 to 12-31-10
Utility Office Manager	Marianna Wanner	01-01-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrence (City), as of and for the year ended December 31, 2009, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2010, 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, grant 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.

Our audit was conducted 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 the U.S. Office of

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City has not presented the Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and the Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the 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. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 15, 2010



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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

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrence (City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2010. 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.

Internal Control Over Financial Reporting

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

A 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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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 significant deficiencies or material weaknesses, as defined above.

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
(Continued)

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.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City's Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 15, 2010

CITY OF LAWRENCE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 6,723,917	\$ 536,468	\$ -	\$ -	\$ (6,187,449)	\$ -	\$ (6,187,449)
Public safety	15,919,502	1,049,495	5,000	-	(14,865,007)	-	(14,865,007)
Highways and streets	2,588,346	-	1,088,096	482,000	(1,018,250)	-	(1,018,250)
Sanitation	1,681,849	4,508,562	-	-	2,826,713	-	2,826,713
Health and welfare	(3,406,680)	1,475	-	-	3,408,155	-	3,408,155
Economic development	981,297	-	-	-	(981,297)	-	(981,297)
Culture and recreation	1,262,438	187,965	-	5,088	(1,069,385)	-	(1,069,385)
Urban redevelopment and housing	79,593	-	-	-	(79,593)	-	(79,593)
Principal and interest on indebtedness	8,052,250	-	-	-	(8,052,250)	-	(8,052,250)
Total governmental activities	<u>33,882,512</u>	<u>6,283,965</u>	<u>1,093,096</u>	<u>487,088</u>	<u>(26,018,363)</u>	<u>-</u>	<u>(26,018,363)</u>
Business-type activities:							
Lawrence Municipal Wastewater Works	7,023,202	7,502,940	-	-	-	479,738	479,738
Lawrence Municipal Water Works	6,843,667	6,874,721	-	-	-	31,054	31,054
Total business-type activities	<u>13,866,869</u>	<u>14,377,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,792</u>	<u>510,792</u>
Total primary government	<u>\$ 47,749,381</u>	<u>\$ 20,661,626</u>	<u>\$ 1,093,096</u>	<u>\$ 487,088</u>	<u>(26,018,363)</u>	<u>510,792</u>	<u>(25,507,571)</u>
General receipts:							
Property taxes					9,932,531	-	9,932,531
Intergovernmental					5,470,930	-	5,470,930
Other local sources					9,505,676	-	9,505,676
Net proceeds from borrowings					800,000	2,357,869	3,157,869
Grants and contributions not restricted to specific programs					50,821	-	50,821
Investment earnings					5,647	146	5,793
Total general receipts					<u>25,765,605</u>	<u>2,358,015</u>	<u>28,123,620</u>
Change in net assets					(252,758)	2,868,807	2,616,049
Net assets - beginning					<u>6,675,810</u>	<u>2,846,582</u>	<u>9,522,392</u>
Net assets - ending					<u>\$ 6,423,052</u>	<u>\$ 5,715,389</u>	<u>\$ 12,138,441</u>
<u>Assets</u>							
Cash and investments					\$ 4,945,597	\$ 2,248,402	\$ 7,193,999
Restricted assets:							
Cash and investments					<u>1,477,455</u>	<u>3,466,987</u>	<u>4,944,442</u>
Total assets					<u>\$ 6,423,052</u>	<u>\$ 5,715,389</u>	<u>\$ 12,138,441</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 9,822	\$ -	\$ 9,822
Highways and streets					86,364	-	86,364
Culture and recreation					291,706	-	291,706
Debt service					505,397	915,538	1,420,935
Capital outlay					582,569	-	582,569
Other purpose					1,597	2,551,449	2,553,046
Unrestricted					<u>4,945,597</u>	<u>2,248,402</u>	<u>7,193,999</u>
Total net assets					<u>\$ 6,423,052</u>	<u>\$ 5,715,389</u>	<u>\$ 12,138,441</u>

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

CITY OF LAWRENCE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Public Safety/LOIT	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 8,871,321	\$ -	\$ 2,170,162	\$ 1,758,453	\$ 12,799,936
Licenses and permits	325,158	8,070	-	18,755	351,983
Intergovernmental	3,629,663	2,188,732	-	1,265,831	7,084,226
Charges for services	4,517,390	-	-	888,781	5,406,171
Fines and forfeits	68,555	-	-	14,296	82,851
Other	756,902	630	-	92,527	850,059
Total receipts	18,168,989	2,197,432	2,170,162	4,038,643	26,575,226
Disbursements:					
General government	2,265,676	-	-	96,571	2,362,247
Public safety	13,211,099	-	1,815,497	484,143	15,510,739
Highways and streets	-	1,862,886	-	522,994	2,385,880
Sanitation	1,527,969	-	-	-	1,527,969
Economic development	-	-	-	981,297	981,297
Culture and recreation	1,029,135	-	-	196,060	1,225,195
Urban redevelopment and housing	79,593	-	-	-	79,593
Debt service:					
Principal	5,699,177	124,005	209,602	1,098,356	7,131,140
Interest	112,056	13,812	22,954	772,288	921,110
Capital outlay:					
General government	9,384	-	-	890,235	899,619
Public safety	65,188	-	164,400	179,175	408,763
Highways and streets	-	202,466	-	-	202,466
Sanitation	153,880	-	-	-	153,880
Culture and recreation	21,820	-	-	15,423	37,243
Total disbursements	24,174,977	2,203,169	2,212,453	5,236,542	33,827,141
Deficiency of receipts over disbursements	(6,005,988)	(5,737)	(42,291)	(1,197,899)	(7,251,915)
Other financing sources (uses):					
Net proceeds from borrowings	-	-	-	800,000	800,000
Transfers in	-	-	-	65,106	65,106
Transfers out	-	-	-	(65,106)	(65,106)
Other receipts	6,238,737	-	-	-	6,238,737
Total other financing sources (uses)	6,238,737	-	-	800,000	7,038,737
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	232,749	(5,737)	(42,291)	(397,899)	(213,178)
Cash and investment fund balance - beginning	1,247,539	800,935	936,191	3,649,968	6,634,633
Cash and investment fund balance - ending	<u>\$ 1,480,288</u>	<u>\$ 795,198</u>	<u>\$ 893,900</u>	<u>\$ 3,252,069</u>	6,421,455
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					1,597
Net assets of governmental activities					<u>\$ 6,423,052</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 1,480,288	\$ 795,198	\$ 893,900	\$ 1,776,211	\$ 4,945,597
Restricted assets:					
Cash and investments	-	-	-	1,475,858	1,475,858
Total cash and investment assets - ending	<u>\$ 1,480,288</u>	<u>\$ 795,198</u>	<u>\$ 893,900</u>	<u>\$ 3,252,069</u>	<u>\$ 6,421,455</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 9,822	\$ 9,822
Highways and streets	-	-	-	86,364	86,364
Culture and recreation	-	-	-	291,706	291,706
Debt service	-	-	-	505,397	505,397
Capital outlay	-	-	-	582,569	582,569
Unrestricted	1,480,288	795,198	893,900	1,776,211	4,945,597
Total cash and investment fund balance - ending	<u>\$ 1,480,288</u>	<u>\$ 795,198</u>	<u>\$ 893,900</u>	<u>\$ 3,252,069</u>	<u>\$ 6,421,455</u>

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

CITY OF LAWRENCE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Totals	Internal Service Fund
Operating receipts:				
Unmetered/flat rate	\$ 385,544	\$ 201,526	\$ 587,070	\$ -
Metered/measured	6,393,859	6,774,160	13,168,019	-
Fire protection receipts	6,000	-	6,000	-
Charges for services	-	-	-	3,406,680
Miscellaneous	89,318	527,254	616,572	15,791
	<u>6,874,721</u>	<u>7,502,940</u>	<u>14,377,661</u>	<u>3,422,471</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	1,104,390	831,183	1,935,573	-
Employee pensions and benefits	431,290	301,850	733,140	-
Purchased wastewater treatment	-	2,026,146	2,026,146	-
Purchased power	267,148	-	267,148	-
Chemicals	109,761	-	109,761	-
Material and supplies	298,032	188,187	486,219	-
Contractual services	368,656	307,066	675,722	-
Rents	74,200	176,415	250,615	-
Transportation	54,414	49,670	104,084	-
Insurance claims and expense	59,336	61,474	120,810	3,462,051
Refunds	207,635	85,427	293,062	-
Equipment and capital improvements	695,876	1,092,788	1,788,664	-
Miscellaneous	2,742,700	1,605,290	4,347,990	-
	<u>6,413,438</u>	<u>6,725,496</u>	<u>13,138,934</u>	<u>3,462,051</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements				
	<u>461,283</u>	<u>777,444</u>	<u>1,238,727</u>	<u>(39,580)</u>
Nonoperating receipts (disbursements):				
Investment income	88	58	146	-
Net proceeds from borrowings	260,214	2,097,655	2,357,869	-
Debt service of principal	(5,303)	(19,539)	(24,842)	-
Interest disbursements	(424,926)	(278,167)	(703,093)	-
	<u>(169,927)</u>	<u>1,800,007</u>	<u>1,630,080</u>	<u>-</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)				
	291,356	2,577,451	2,868,807	(39,580)
Cash and investment fund balance - beginning				
	<u>2,837,527</u>	<u>9,055</u>	<u>2,846,582</u>	<u>41,177</u>
Cash and investment fund balance - ending				
	<u>\$ 3,128,883</u>	<u>\$ 2,586,506</u>	<u>\$ 5,715,389</u>	<u>\$ 1,597</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,978,070	\$ 270,332	\$ 2,248,402	\$ -
Restricted assets:				
Cash and investments	<u>1,150,813</u>	<u>2,316,174</u>	<u>3,466,987</u>	<u>1,597</u>
Total cash and investment assets - December 31	<u>\$ 3,128,883</u>	<u>\$ 2,586,506</u>	<u>\$ 5,715,389</u>	<u>\$ 1,597</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 674,599	\$ 240,939	\$ 915,538	\$ -
Other purposes	476,214	2,075,235	2,551,449	1,597
Unrestricted	<u>1,978,070</u>	<u>270,332</u>	<u>2,248,402</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 3,128,883</u>	<u>\$ 2,586,506</u>	<u>\$ 5,715,389</u>	<u>\$ 1,597</u>

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

CITY OF LAWRENCE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	Pension Trust Fund	Agency Funds
Additions:		
Contributions:		
Plan members	\$ 423,173	
Deductions:		
Benefits	540,556	
Deficiency of total additions over total deductions	(117,383)	
Cash and investment fund balance - beginning	176,095	
Cash and investment fund balance - ending	\$ 58,712	\$ 150,675

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

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Lawrence

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the voting majority of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the voting majority of the Lawrence Redevelopment Commission, the Ft. Harrison Reuse Authority, the Alcoholic Beverage Commission, and the Stormwater Utility Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The motor vehicle highway fund accounts for state and local monies collected for highway and street construction and improvements.

The public safety/LOIT fund is used to account for local option income tax monies designated for public safety related expenditures.

The City reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The internal service fund consists of the activities of the self-insurance fund which accounts for the activity of the medical insurance provided to retirees, employees, and their dependents.

The pension trust funds account for the activities of the 1925 police officers' and 1937 fire-fighters' pension plans, which accumulate resources for the benefit pension payments.

Agency funds account for assets held by the City as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

CITY OF LAWRENCE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009
Federal Grant/Police Equipment	\$ 114,978
Federal Grant	12,388

Cash and investment deficits arose primarily from disbursements exceeding receipts due to underestimate of current requirements; these deficits are to be repaid from future receipts.

CITY OF LAWRENCE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2009, the City had deposit balances in the amount of \$12,597,118.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
Other governmental funds	Other governmental funds	\$ 65,106

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to; are covered by commercial insurance from independent third parties.

The City has chosen to establish a risk financing fund for risks associated with Medical benefits for employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the health insurance fund by all funds from which payroll is paid. The amounts paid by each fund are determined by the estimated cost of insurance per employee based on the chosen plan.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The City has entered into capital leases with the Lawrence Government Center Building Corporation, the Lawrence Municipal Building Corporation, and the Lawrence Fire Station Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessors have been determined to be related parties of the City. Lease payments during the year totaled \$1,176,217.

C. Conduit Debt Obligation

The City has issued conduit debt (no commitment debt) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2009, the outstanding aggregate principal amount payable was \$18,075,000.

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The City of Lawrence Self-Funded Plan is a single-employer defined benefit healthcare plan administered by Meritain Health. The plan provides medical benefits to eligible retirees and their spouses. City Ordinance 1-2-5-16 assigns the authority to establish and amend benefit provisions to the City. The City of Lawrence Self-Funded Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

Meritain Health
P.O. Box 27267
Minneapolis, MN 55427-0267
1-800-566-9311

Funding Policy

The contribution requirements of plan members for the City of Lawrence Self-Funded Plan are established by the City's governing board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the City contributed \$274,937 to the plan for current premiums (approximately 92.6% of total premiums). Plan members receiving benefits contributed \$20,448, or approximately 7.4% of the total premiums, through their required contribution of \$24 per month for retiree-only coverage and \$50 per month for retiree and spouse coverage.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Rate Structure – Enterprise Funds

Water Utility

On September 12, 1988, the City Council adopted Ordinance Number 17-1988 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 4, 2009.

Wastewater Utility

The current rate structure was approved by the City Council on September 8, 2009.

F. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future Water Utility receipts, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for to refund the outstanding Series 2003 A and B bonds, to fund a debt service reserve fund, and to pay for a the cost of issuance of the refunding bonds. The bonds are payable solely from Water Utility net receipts and are payable through 2028. Annual principal and interest payments are expected to require less than 17.4% of net receipts.

The City has pledged future Water Utility receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for cost of improvements to the water works system, to refund the 2009 A and B BANs, and for the payment or reimbursement of any costs of issuance of the bonds. The bonds are payable solely from Water Utility net receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 15.1% of net receipts.

Wastewater Utility Receipts Pledged

The City has pledged future Wastewater receipts, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for to refund the outstanding Series 2003 A and B bonds, to fund a debt service reserve fund, and to pay for the cost of issuance of the refunding bonds. The bonds are payable solely from wastewater net receipts and are payable through 2028. Annual principal and interest payments are expected to require less than 7.7% of net receipts.

The City has pledged future Wastewater receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for a sewer master plan as dictated by the Environmental Protection Agency. The bonds are payable solely from wastewater net receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 6.5% of net receipts.

The City has pledged future Wastewater receipts, net of specified operating expenditures, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for the cost of improvements to the sewer works system, to refund the 2009 A and B BANs, and for the payment or reimbursement of any costs of issuance of the bonds. The bonds are payable solely from wastewater net receipts and are payable through 2030. Annual principal and interest payments are expected to require less than 12.3% of net receipts.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$588,877.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF LAWRENCE
NOTES TO FINANCIAL STATEMENTS
(Continued)

On-Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$30,414 on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan during the period were \$1,684,811.

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road And Street	Police Firing Range Fund	Park Nonreverting Operating	Emergency Medical Service	Chaplain Relief Donations	Redev District General	Animal Shelter Donations
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	482,000	-	-	-	-	-	-
Charges for services	-	5,354	187,965	673,303	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	14,068	-	-	-	-
Total receipts	482,000	5,354	202,033	673,303	-	-	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	5,243	-	410,561	-	-	-
Highways and streets	522,994	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	174,060	-	-	-	-
Debt service:							
Principal	185,000	-	-	-	-	-	-
Interest	169,171	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	59,577	-	-	-
Culture and recreation	-	-	15,423	-	-	-	-
Total disbursements	877,165	5,243	189,483	470,138	-	-	-
Excess (deficiency) of receipts over disbursements	(395,165)	111	12,550	203,165	-	-	-
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(395,165)	111	12,550	203,165	-	-	-
Cash and investment fund balance - beginning	481,529	9,711	279,156	233,939	672	21,524	916
Cash and investment fund balance - ending	<u>\$ 86,364</u>	<u>\$ 9,822</u>	<u>\$ 291,706</u>	<u>\$ 437,104</u>	<u>\$ 672</u>	<u>\$ 21,524</u>	<u>\$ 916</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 437,104	\$ 672	\$ 21,524	\$ 916
Restricted assets:							
Cash and investments	86,364	9,822	291,706	-	-	-	-
Total cash and investment assets - ending	\$ 86,364	\$ 9,822	\$ 291,706	\$ 437,104	\$ 672	\$ 21,524	\$ 916
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	9,822	-	-	-	-	-
Highways and streets	86,364	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	291,706	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	437,104	672	21,524	916
Total cash and investment fund balance - ending	\$ 86,364	\$ 9,822	\$ 291,706	\$ 437,104	\$ 672	\$ 21,524	\$ 916

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Federal Grant/Police Equipment	Law Enforcement Continuing Education	Prosecutors Diversion	Recycling Education Grant	Fire Department Donations	City & Festival Celebration Activities	Defiblator Donations
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	18,755	-	-	-	-	-
Intergovernmental	-	-	-	5,088	-	-	-
Charges for services	-	10,426	-	-	-	-	-
Fines and forfeits	-	14,296	-	-	-	-	-
Other	-	-	-	-	69	12,986	-
Total receipts	-	43,477	-	5,088	69	12,986	-
Disbursements:							
General government	-	-	-	-	-	14,265	-
Public safety	-	27,258	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	88,340	2,500	28,758	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	88,340	29,758	28,758	-	-	14,265	-
Excess (deficiency) of receipts over disbursements	(88,340)	13,719	(28,758)	5,088	69	(1,279)	-
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(88,340)	13,719	(28,758)	5,088	69	(1,279)	-
Cash and investment fund balance - beginning	(26,638)	57,536	36,854	265	542	8,101	1,500
Cash and investment fund balance - ending	<u>\$ (114,978)</u>	<u>\$ 71,255</u>	<u>\$ 8,096</u>	<u>\$ 5,353</u>	<u>\$ 611</u>	<u>\$ 6,822</u>	<u>\$ 1,500</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (114,978)	\$ 71,255	\$ 8,096	\$ 5,353	\$ 611	\$ 6,822	\$ 1,500
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (114,978)</u>	<u>\$ 71,255</u>	<u>\$ 8,096</u>	<u>\$ 5,353</u>	<u>\$ 611</u>	<u>\$ 6,822</u>	<u>\$ 1,500</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	(114,978)	71,255	8,096	5,353	611	6,822	1,500
Total cash and investment fund balance - ending	<u>\$ (114,978)</u>	<u>\$ 71,255</u>	<u>\$ 8,096</u>	<u>\$ 5,353</u>	<u>\$ 611</u>	<u>\$ 6,822</u>	<u>\$ 1,500</u>

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Explorer Park Donations	Police Grant Equipment	Federal Grant	Waste Tire Recycling Grant	State Grant	Grant Meth Lab Training	Special Non-Reverting
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,000	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	5,000	-	-
Disbursements:							
General government	-	-	-	-	5,000	-	-
Public safety	-	-	326	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	326	-	5,000	-	-
Excess (deficiency) of receipts over disbursements	-	-	(326)	-	-	-	-
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(326)	-	-	-	-
Cash and investment fund balance - beginning	826	96	(12,062)	9,483	-	162	711,896
Cash and investment fund balance - ending	<u>826</u>	<u>96</u>	<u>(12,388)</u>	<u>9,483</u>	<u>-</u>	<u>162</u>	<u>711,896</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 826	\$ 96	\$ (12,388)	\$ 9,483	\$ -	\$ 162	\$ 711,896
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 826</u>	<u>\$ 96</u>	<u>\$ (12,388)</u>	<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 711,896</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	826	96	(12,388)	9,483	-	162	711,896
Total cash and investment fund balance - ending	<u>\$ 826</u>	<u>\$ 96</u>	<u>\$ (12,388)</u>	<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 711,896</u>

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Rainy Day	Developers Escrow/St. Insp.	Hazardous MAT Response	Police DARE Program	Federal Forfeiture	National Night Out
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	209,735	-	-	-	33,112	-
Charges for services	-	225	11,508	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	209,735	225	11,508	-	33,112	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	19,709	-	15,848	179
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	19,709	-	15,848	179
Excess (deficiency) of receipts over disbursements	209,735	225	(8,201)	-	17,264	(179)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	209,735	225	(8,201)	-	17,264	(179)
Cash and investment fund balance - beginning	265,005	95,520	27,487	959	11,646	586
Cash and investment fund balance - ending	\$ 474,740	\$ 95,745	\$ 19,286	\$ 959	\$ 28,910	\$ 407
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 474,740	\$ 95,745	\$ 19,286	\$ 959	\$ 28,910	\$ 407
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 474,740	\$ 95,745	\$ 19,286	\$ 959	\$ 28,910	\$ 407
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	474,740	95,745	19,286	959	28,910	407
Total cash and investment fund balance - ending	\$ 474,740	\$ 95,745	\$ 19,286	\$ 959	\$ 28,910	\$ 407

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	PAL Club Donations	Police Honor Guard Program	Other Police Donations	SWAT Team Donations	Police Department Donations	Park Bond (Old Debt)
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	4,534	-	120	-
Total receipts	-	-	4,534	-	120	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	5,019	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	5,019	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(485)	-	120	-
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(485)	-	120	-
Cash and investment fund balance - beginning	2,199	689	4,543	148	-	8,301
Cash and investment fund balance - ending	<u>\$ 2,199</u>	<u>\$ 689</u>	<u>\$ 4,058</u>	<u>\$ 148</u>	<u>\$ 120</u>	<u>\$ 8,301</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,199	\$ 689	\$ 4,058	\$ 148	\$ 120	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	8,301
Total cash and investment assets - ending	<u>\$ 2,199</u>	<u>\$ 689</u>	<u>\$ 4,058</u>	<u>\$ 148</u>	<u>\$ 120</u>	<u>\$ 8,301</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	8,301
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	2,199	689	4,058	148	120	-
Total cash and investment fund balance - ending	<u>\$ 2,199</u>	<u>\$ 689</u>	<u>\$ 4,058</u>	<u>\$ 148</u>	<u>\$ 120</u>	<u>\$ 8,301</u>

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	1998 Park Bond	Fire Debt II (Station #3)	Fire Debt V (Station #4)	Fire & Police Debt (Station #2 & Training Center)	Government Center Debt	Park Building Debt
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 269,908	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	242,000	-	-	37,633	-	88,000
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	2,100	2,586	7,515	9,801	-
Total receipts	242,000	2,100	2,586	315,056	9,801	88,000
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	22,000	-	-	-	-	-
Debt service:						
Principal	165,000	-	-	215,000	-	45,000
Interest	87,183	-	-	179,100	-	50,100
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	274,183	-	-	394,100	-	95,100
Excess (deficiency) of receipts over disbursements	(32,183)	2,100	2,586	(79,044)	9,801	(7,100)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(9,028)	(11,806)	-	(44,272)	-
Total other financing sources (uses)	-	(9,028)	(11,806)	-	(44,272)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,183)	(6,928)	(9,220)	(79,044)	(34,471)	(7,100)
Cash and investment fund balance - beginning	139,874	23,827	77,710	85,912	113,685	57,088
Cash and investment fund balance - ending	<u>\$ 107,691</u>	<u>\$ 16,899</u>	<u>\$ 68,490</u>	<u>\$ 6,868</u>	<u>\$ 79,214</u>	<u>\$ 49,988</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	107,691	16,899	68,490	6,868	79,214	49,988
Total cash and investment assets - ending	<u>\$ 107,691</u>	<u>\$ 16,899</u>	<u>\$ 68,490</u>	<u>\$ 6,868</u>	<u>\$ 79,214</u>	<u>\$ 49,988</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	107,691	16,899	68,490	6,868	79,214	49,988
Capital outlay	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 107,691</u>	<u>\$ 16,899</u>	<u>\$ 68,490</u>	<u>\$ 6,868</u>	<u>\$ 79,214</u>	<u>\$ 49,988</u>

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009
 (Continued)

	Lawrence Municipal Building Corporation	Cumulative Capital Development	Redevelopment District Bonds	Transportation Bond Proceeds	Cumulative Capital-Building	Totals
Receipts:						
Taxes	\$ 503,554	\$ 750,796	\$ 234,195	\$ -	\$ -	\$ 1,758,453
Licenses and permits	-	-	-	-	-	18,755
Intergovernmental	75,823	46,411	41,029	-	-	1,265,831
Charges for services	-	-	-	-	-	888,781
Fines and forfeits	-	-	-	-	-	14,296
Other	-	11,129	27,619	-	-	92,527
Total receipts	579,377	808,336	302,843	-	-	4,038,643
Disbursements:						
General government	-	77,306	-	-	-	96,571
Public safety	-	-	-	-	-	484,143
Highways and streets	-	-	-	-	-	522,994
Economic development	-	-	981,297	-	-	981,297
Culture and recreation	-	-	-	-	-	196,060
Debt service:						
Principal	425,164	63,192	-	-	-	1,098,356
Interest	273,054	5,489	8,191	-	-	772,288
Capital outlay:						
General government	-	890,235	-	-	-	890,235
Public safety	-	-	-	-	-	179,175
Culture and recreation	-	-	-	-	-	15,423
Total disbursements	698,218	1,036,222	989,488	-	-	5,236,542
Excess (deficiency) of receipts over disbursements	(118,841)	(227,886)	(686,645)	-	-	(1,197,899)
Other financing sources (uses):						
Net proceeds from borrowings	-	-	800,000	-	-	800,000
Transfers in	65,106	-	-	-	-	65,106
Transfers out	-	-	-	-	-	(65,106)
Total other financing sources (uses)	65,106	-	800,000	-	-	800,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(53,735)	(227,886)	113,355	-	-	(397,899)
Cash and investment fund balance - beginning	221,681	267,765	74,725	302,417	52,193	3,649,968
Cash and investment fund balance - ending	\$ 167,946	\$ 39,879	\$ 188,080	\$ 302,417	\$ 52,193	\$ 3,252,069
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,776,211
Restricted assets:						
Cash and investments	167,946	39,879	188,080	302,417	52,193	1,475,858
Total cash and investment assets - ending	\$ 167,946	\$ 39,879	\$ 188,080	\$ 302,417	\$ 52,193	\$ 3,252,069
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	9,822
Highways and streets	-	-	-	-	-	86,364
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	291,706
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	167,946	-	-	-	-	505,397
Capital outlay	-	39,879	188,080	302,417	52,193	582,569
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	1,776,211
Total cash and investment fund balance - ending	\$ 167,946	\$ 39,879	\$ 188,080	\$ 302,417	\$ 52,193	\$ 3,252,069

CITY OF LAWRENCE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	<u>Payroll</u>	<u>Ft Harrison Reuse Authority</u>	<u>Employees Recognition Fund</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 4,025,593	\$ 5,134,607	\$ -	\$ 9,160,200
Deductions:				
Agency fund deductions	<u>4,105,242</u>	<u>6,694,930</u>	<u>1,466</u>	<u>10,801,638</u>
Deficiency of total additions over total deductions	(79,649)	(1,560,323)	(1,466)	(1,641,438)
Cash and investment fund balance - beginning	<u>115,442</u>	<u>1,673,253</u>	<u>3,418</u>	<u>1,792,113</u>
Cash and investment fund balance - ending	<u>\$ 35,793</u>	<u>\$ 112,930</u>	<u>\$ 1,952</u>	<u>\$ 150,675</u>

CITY OF LAWRENCE
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT
December 31, 2009

The City has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
GEM Capital Corporation		
Park Facility Improvement, 1996 Issue	\$ 140,648	\$ 98,417
Lawrence Government Center Building Corporation:		
Park Facility Improvement, 2000 Issue	597,500	86,000
Lawrence Municipal Building Corporation:		
Government Center & Addition, 2006 Issue	5,541,417	692,784
Lawrence Fire Station Building Corporation:		
Fire Station Number 2, 2002 Issue	3,755,000	390,000
Pumper Trucks, 2003 Lease	130,402	137,364
Sterling Dump Trucks (2), 2006 Lease	37,152	39,400
2006 Pierce Arrow XT Pumper Truck	238,691	87,141
2008 Dell Laptops (5)	4,068	3,647
2008 OCE TCS 500 System Plotter/Scanner/Color Printer	11,395	8,484
2008 Bobcat	35,325	7,200
New World Software System, 2009 Lease	847,419	190,995
2009 Petersen Lightning Loader	139,487	31,710
2009 Labrie Automated	<u>1,041,621</u>	<u>236,793</u>
 Total - capital leases	 <u>12,520,125</u>	 <u>2,009,935</u>
 Tax anticipation warrants	 <u>3,167,255</u>	 <u>3,689,852</u>
 Bonds payable:		
General obligation bonds:		
Community Park Soccer Fields, 1998 Issue	1,910,000	255,169
Transportation - City Roads, 2004 Issue	<u>4,175,000</u>	<u>358,170</u>
Total - bonds payable	<u>6,085,000</u>	<u>613,339</u>
 Total governmental activities debt	 <u>\$ 21,772,380</u>	 <u>\$ 6,313,126</u>
 Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Plant Improvements, 2007A Issue	3,410,000	289,944
Waterworks Plant Improvements, 2007B Issue	3,770,000	373,606
Waterworks Plant Improvements, 2009A Issue	5,280,000	438,626
Waterworks Plant Improvements, 2009B Issue	<u>1,225,000</u>	<u>136,122</u>
Total Water Utility	<u>13,685,000</u>	<u>1,238,298</u>
 Wastewater Utility:		
Revenue bonds:		
Sewage Works Plant Improvements, 2007A Issue	785,000	66,826
Sewage Works Plant Improvements, 2007B Issue	1,655,000	161,356
Sewage Works Plant Improvements, 2009A Issue	3,480,461	191,283
Sewage Works Plant Improvements, 2009B Issue	3,840,000	318,962
Sewage Works Plant Improvements, 2009C Issue	<u>410,000</u>	<u>42,191</u>
Total Wastewater Utility	<u>10,170,461</u>	<u>780,618</u>
 Total business-type activities debt	 <u>\$ 23,855,461</u>	 <u>\$ 2,018,916</u>

CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS

EMS INTERNAL CONTROLS

Controls over the receipting, recording, and accounting for the Emergency Medical Services (EMS) financial activities were insufficient due to the computer accounts receivable/billing system currently in place. The current system is incapable of generating an all-inclusive outstanding accounts receivable report. To obtain the outstanding accounts receivable balance at year-end, an accounts receivable report would have to be run for each year back to the beginning of the system. In addition, while those reports do show all payments made to those accounts, they do not show the payment dates. The system also is incapable of generating payment reports for a specified period of time, such as for the year 2009. Therefore, at this time, total payments made in 2009 per the EMS accounts receivable/billing system cannot be readily determined.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

Accounts receivable for emergency medical and trash are not covered by a formal policy addressing the write-off of old uncollectible accounts. A similar comment appeared in the previous four reports, the most recent being Report B35401.

The City's governing body should have a written policy concerning a procedure for the writing-off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City, Water Utility, and Wastewater Utility of Lawrence do not maintain sufficient detailed records of capital assets. A similar comment appeared in the previous five reports, the most recent being Report B35401.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LAWRENCE
AUDIT RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for 2009. A similar comment appeared in prior Report B35401.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENTS IN LIEU OF TAXES

In 2009, the Water Utility paid \$1,739,650 and the Wastewater Utility paid \$1,272,350 to the City as payments in lieu of taxes. In comparison to the approved agreement, the Water Utility underpaid by \$67,550 while the Wastewater Utility overpaid by the same. A similar comment appeared in prior Report B35401.

IC 8-1.5-3-8(g) states in part: ". . . the commission shall approve rates and charges sufficient to compensate the municipality for taxes that would be due the municipality on the utility property were it privately owned. . . ." It is our audit position that municipal utilities not under the Indiana Utility Regulatory Commission (IURC) could also elect to make payments in lieu of taxes under Indiana Code 8-1.5-3-8. (Cities and Towns Bulletin and Uniform Compliance Guidelines issued by State Board of Accounts, March 2001)

IC 36-9-23-25(d)(9) states: "The amount of money sufficient to compensate the municipality for the property taxes that would be paid on the sewage works if the sewage works were privately owned."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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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

TO: THE OFFICIALS OF THE CITY OF LAWRENCE, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Lawrence (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, 2009. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2009.

Internal Control Over Compliance

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

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
(Continued)

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 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 significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, City's Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 15, 2010

CITY OF LAWRENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Bulletproof Vest Partnership Program	16.607		\$ 17,133
Total for program and federal grantor agency			<u>17,133</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0	6,906
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001-0	<u>455,579</u>
Total for program and federal grantor agency			<u>462,485</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036		<u>119,499</u>
Total for program and federal grantor agency			<u>119,499</u>
Total federal awards expended			<u>\$ 599,117</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF LAWRENCE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lawrence (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF LAWRENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF LAWRENCE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF LAWRENCE
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2010, with Kimberly M. Diller, Controller; and Hon. F. Paul Ricketts, Mayor.