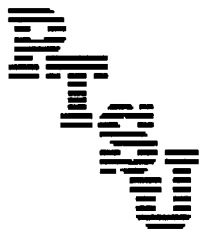


CITY OF ARKANSAS CITY, KANSAS
ANNUAL FINANCIAL STATEMENTS

December 31, 2005



**Parman, Tanner,
Soule & Jackson,
CPA's RLLP**

110 South First Street
Arkansas City, KS 67005

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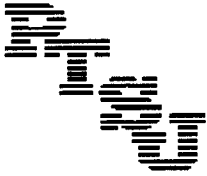
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**Parman, Tanner, Soule & Jackson
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Partners
Charles F. Tanner, CPA
Elliott R. Jackson, CPA
Jon P. Parman, CPA

Independent Auditor's Report

**Board of City Commissioners
Arkansas City, Kansas**

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 Arkansas City, Kansas, as of and for the years ended December 31, 2005 and 2004 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 an opinion 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 Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Notes 1-B, 1-G and 2, the financial statements referred to above do not include component unit data or inventories. In addition, not all infrastructure is capitalized.

In our opinion, except for the omissions referred to above, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the City of Arkansas City, Kansas, as of December 31, 2005 and 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principals generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arkansas City, Kansas basic financial statements. The combining and non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, and schedules 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.

Parmer Tanne Sauls & Jackson
Certified Public Accountants, RLLP

July 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the City of Arkansas City annual financial report is provided for readers of the financial statements for the fiscal year ended December 31, 2005.

Overview of the Financial Statements

The basic financial statements include three components: City wide financial statements, fund financial statements, notes to the financial statements and required supplementary information such as budgets.

The first statement included is the Statement of Net Assets. This statement is divided into the following three columns:

Governmental activities – The main operating fund of the city. This fund is used to account for all financial resources not accounted for in other funds.

Business-Type Activities – Proprietary activities that operate as stand-alone businesses in support of city operations. This includes the Water, Sewer, Sanitation and Storm Water funds.

Total – Combines the Governmental and Business-type activities.

This statement in summary lists the assets owned by the City, the liabilities for which the City is responsible, and the net of the two. This combined statement is supported by the Balance Sheet for Governmental Funds (page 6) and the Statement of Net Assets Proprietary Funds (page 9).

The second statement is the Statement of Activities; this statement is also divided up by the three columns listed above. This statement shows direct expenditures and revenues for each activity type and the net of the two. Below this are listed the indirect revenue sources for each activity, which includes all revenues from state and local sources. This statement is supported by the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (page 7) and the Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds (page 11). The most definitive line to determine how a particular fund performed during the year is the Net Changes in Fund Balance line for the Governmental Funds and the Change in Net Assets line for the Proprietary Funds.

In reviewing this information, it is important to remember that the function of local government is not to maximize profits but to provide an adequate level of services to our citizens at lowest possible cost while maintaining stable fund balances.

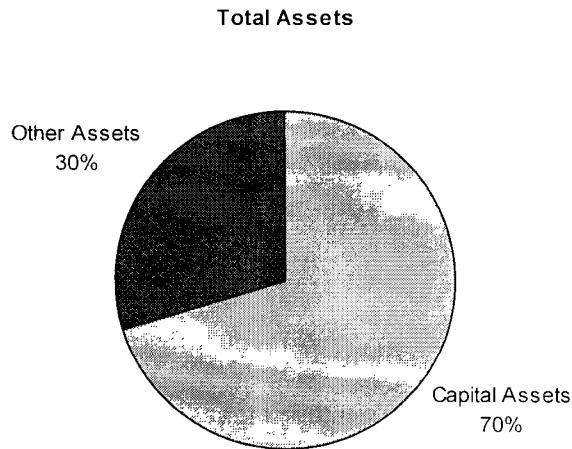
Net Assets

Combined net assets of the City at December 31 were:

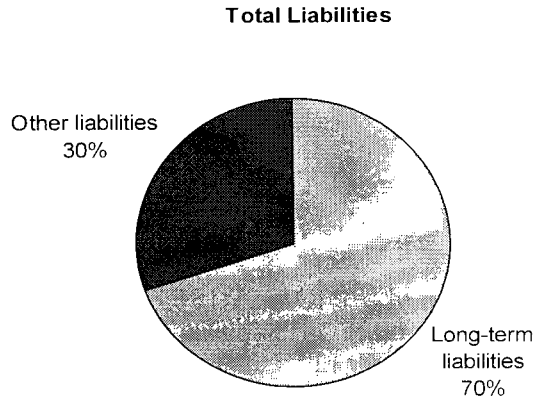
	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 8,563,867	\$ 9,763,247	\$ 3,281,494	\$ 3,334,400	\$ 11,845,361	\$ 13,097,647
Capital assets	\$ 24,042,150	\$ 24,699,219	\$ 6,616,307	\$ 6,198,426	\$ 30,658,457	\$ 30,897,645
Total Assets	\$ 32,606,017	\$ 34,462,466	\$ 9,897,801	\$ 9,532,826	\$ 42,503,818	\$ 43,995,292
Long-term liabilities	\$ 13,123,420	\$ 11,504,496	\$ 1,736,784	\$ 1,471,732	\$ 14,860,204	\$ 12,976,228
Other liabilities	\$ 3,071,813	\$ 5,121,653	\$ 680,300	\$ 533,344	\$ 3,752,113	\$ 5,654,997
Total liabilities	\$ 16,195,233	\$ 16,626,149	\$ 2,417,084	\$ 2,005,076	\$ 18,612,317	\$ 18,631,225
Net assets:						
Invested in capital assets, net of debt	\$ 10,490,019	\$ 11,042,015	\$ 4,750,078	\$ 4,783,047	\$ 15,240,097	\$ 15,825,062
Restricted for other purposes	\$ 5,415,299	\$ 3,701,289	\$ 314,531	\$ 104,404	\$ 5,729,830	\$ 3,805,693
Unrestricted	\$ 505,466	\$ 3,093,013	\$ 2,416,108	\$ 2,640,299	\$ 2,921,574	\$ 5,733,312
Total Net Assets	\$ 16,410,784	\$ 17,836,317	\$ 7,480,717	\$ 7,527,750	\$ 23,891,501	\$ 25,364,067

A review of the government-wide financial statement of net assets reveals the following:

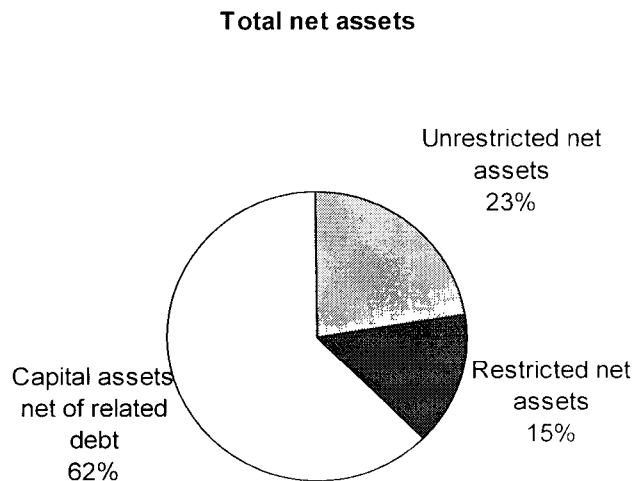
The City ended 2005 with positive net assets. Total assets for the City are \$43,995,292. Of these total assets, \$30,897,645 is capital assets and \$13,097,647 is other assets.



Total liabilities for the City are \$18,631,225. Of this total, \$12,976,228 is for long-term liabilities and \$5,654,997 is other liabilities. The majority of the long-term liabilities are for debt issued for major capital projects. City policy states that we will not issue debt with a maturity period greater than 10 years.



Total net assets for the City are \$25,364,067. Of these total net assets, \$5,733,312 is for unrestricted net assets and \$3,805,693 is for restricted net assets. Net assets invested in capital assets net of related debt are \$15,825,062.



	Governmental activities		Business-type Activities	
	2004	2005	2004	2005
Revenues:				
Program Revenues:				
Charges for services	\$ 841,779	\$ 1,025,735	\$ 5,122,230	\$ 5,429,684
Operating grants/contributions	8,580	6,680	-	-
Capital grants/contributions	470,877	597,036	-	-
General Revenues:				
Property taxes	5,427,014	5,788,811	-	-
Public services taxes	923,224	1,234,617	-	-
Other taxes	211,812	210,444	-	-
Other	328,632	381,801	56,008	70,017
Total revenues	<u>8,211,918</u>	<u>9,245,124</u>	<u>5,178,238</u>	<u>5,499,701</u>

Expenses:				
General government	\$ 1,363,941	\$ 1,846,984	-	-
Public safety	3,173,625	3,216,091	-	-
Public works	556,376	739,370	-	-
Cultural and recreation	857,082	851,758	-	-
Personal services	1,066,734	885,232	-	-
Contractual	226,091	317,432	-	-
Outside services	283,012	270,000	-	-
Commodities	270,988	298,156	-	-
Water	-	-	2,088,004	2,242,818
Sewer	-	-	1,275,499	1,199,958
Sanitation	-	-	1,111,519	1,149,072
Storm Water	-	-	160,809	111,321
Miscellaneous	-	-	187,169	197,534
Interest on long-term debt	378,336	384,401	-	-
Total Expenses	<u>8,176,185</u>	<u>8,809,424</u>	<u>4,823,000</u>	<u>4,900,703</u>
Excess (deficiency) before	35,733	435,700	355,238	598,998
Reimbursements	555,184	336,016	11,809	101,852
Transfers	445,000	653,817	(445,000)	(653,817)
Increase in net assets	1,035,917	1,425,533	(77,953)	47,033
Net assets January 1	15,374,867	16,410,784	7,558,670	7,480,717
Net assets December 31	<u>\$ 16,410,784</u>	<u>\$ 17,836,317</u>	<u>\$ 7,480,717</u>	<u>\$ 7,527,750</u>

Governmental Activities

Several of the revenue and expense categories fluctuated between 2004 and 2005, as explained below.

- Charges for Services – This revenue category increased 21.84% in 2005 due to increases in ambulance service charges, rural fire fees, and Municipal Court fines.
- Capital Grants/Contributions – Federal, State and local government Grants and reimbursements increased in 2005.
- Sales Tax – This revenue category was 33.73% higher in 2005 due to an increase in the compensating use tax because of the streamlined sales tax initiative.

- General Government expenses – This expense category was higher in 2005 due to changes in personal and payments for work performed under a Community Development Block Grant loan with the State of Kansas for a local business.
- Public Works Expense – This expense category was higher in 2005 due to increase in fuel and material cost.

Business-type Activities

Several of the revenue and expense categories fluctuated between 2005 and 2004, as explained below.

- Charges for Services – This revenue category was 6.0% higher in 2005 due to an increase in sewer service charges. The 2005 sewer service charge increase was the fourth and final planned increase. The increase took effect January 1, 2005.
- Water, Sewer & Sanitation Expense – These expense categories were higher in 2005 due to recorded depreciation. The City has not recorded depreciation expense in the past. However, after implementing GASB 34 under the transition provision in 2004, the City has made accumulated depreciation adjustments based upon estimated remaining useful life of fixed assets recorded at December 31, 2004.

Analysis of the Fund Financial Statements

Government Funds

The City's governmental fund statements can be found on pages 6 and 7 of the basic financial statements. The fund balances of the Governmental Funds decreased in fiscal year 2005.

The General Fund is the chief operating fund of the City. The fund balance of the General Fund at December 31, 2005 was \$209,025. This represents an increase of \$5,867, or a 2.89% increase over the previous year.

The Debt Service Fund balance increased from \$56,495 as of December 31, 2004 to \$112,332 as of December 31, 2005. All of the Debt Service Fund balance is reserved for payment of debt service.

Proprietary Funds

The Internal Service Funds information is included with the governmental activities information on the government-wide statements. Any asset, revenue, and/or expense fluctuations have been discussed in the government-wide statement section.

Enterprise fund information for Water, Sewer, and Sanitation Funds is included in the discussion of the Government-wide financial Statements.

Capital Assets

The City has not recorded depreciation expense in the past. However, after implementing GASB 34 under the transition provision in 2004, the City has made accumulated depreciation adjustments based upon estimated remaining useful life of fixed assets

recorded at December 31, 2004. The governmental funds' infrastructure assets recorded in 2004 are expected to have a useful life of ten years. The equipment is estimated to have a ten-year useful life. Management has determined that the useful life of business entities facilities is 20 years and equipment is 10 years. Business entity assets remaining at December 31, 2004 were estimated to have one-half of their useful life remaining.

	Governmental Activities		Business-type Activities	
	January 1, 2005	December 31, 2005	January 1, 2005	December 31, 2005
Land, infrastructure and buildings	\$ 24,288,209	\$ 25,225,823	\$ 5,283,441	\$ 5,283,441
Equipment	1,091,991	1,602,325	2,604,209	2,754,371
Meter, mains and service lines	-	-	3,276,762	3,410,851
Accumulated depreciation	(1,338,050)	(2,128,929)	(4,548,105)	(5,250,237)
Totals	\$ 24,042,150	\$ 24,699,219	\$ 6,616,307	\$ 6,198,426

Long-term Debt

At December 31, 2005, the City had a number of debt issues outstanding.

	2005	2004
General obligation bonds	\$ 9,590,000	\$ 8,775,000
Revenue Bonds	48,000	277,000
Temporary notes	2,703,000	3,265,000
Certificate of participation	402,689	468,082
Community development block grant and Kansas department of health and environment loans	2,328,894	2,633,278
Total long-term liabilities	\$ 15,072,583	\$ 15,418,360

The City has established the following policy in regards to long-term debt. First, we do not issue long-term debt with a maturity period greater than 10 years. Second we issue debt so that it is tiered as one issue matures, we issue any required additional debt. This keeps the debt service payments relatively steady and allows us to manage our outstanding debt. Additional information regarding the City's debt can be found in note 3, page 17.

Request for information

This financial report is intended to give the reader a general overview of the City's finances. Questions about information contained in this report or request for additional information should be addressed to the Director of Administration, 118 West Central Avenue, Arkansas City, KS 67005.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2005 Total</u>	<u>2004 Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 3,443,655	\$ 2,439,147	\$ 5,882,802	\$ 4,461,103
Taxes receivable	2,974,900	-	2,974,900	2,859,602
Accounts receivable	302,969	790,849	1,093,818	1,007,251
Deposits with fiscal agent	<u>210,125</u>	<u>-</u>	<u>210,125</u>	<u>220,270</u>
Total current assets	<u>\$ 6,931,649</u>	<u>\$ 3,229,996</u>	<u>\$ 10,161,645</u>	<u>\$ 8,548,226</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	\$ 234,275	\$ 104,404	\$ 338,679	\$ 545,911
Special assessments	492,114	-	492,114	626,224
Other receivables	2,105,209	-	2,105,209	2,125,000
Land, infrastructure & buildings	25,225,823	8,694,292	33,920,115	32,848,412
Equipment	1,602,325	2,754,371	4,356,696	3,696,200
Less: accumulated depreciation	<u>(2,128,929)</u>	<u>(5,250,237)</u>	<u>(7,379,166)</u>	<u>(5,886,155)</u>
Total noncurrent assets	<u>\$ 27,530,817</u>	<u>\$ 6,302,830</u>	<u>\$ 33,833,647</u>	<u>\$ 33,955,592</u>
Total assets	<u>\$ 34,462,466</u>	<u>\$ 9,532,826</u>	<u>\$ 43,995,292</u>	<u>\$ 42,503,818</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 1,230,520	\$ 231,550	\$ 1,462,070	\$ 1,046,844
Matured coupons	210,125	-	210,125	220,270
Accrued interest	493,232	48,135	541,367	494,303
Other current liabilities	166,642	-	166,642	158,576
Current portion of long-term obligations	<u>3,021,134</u>	<u>253,659</u>	<u>3,274,793</u>	<u>1,832,120</u>
Total current liabilities	<u>\$ 5,121,653</u>	<u>\$ 533,344</u>	<u>\$ 5,654,997</u>	<u>\$ 3,752,113</u>
Noncurrent Liabilities:				
Long-term debt	\$ 10,636,070	\$ 1,161,720	\$ 11,797,790	\$ 13,586,240
Compensated absences	<u>868,426</u>	<u>310,012</u>	<u>1,178,438</u>	<u>1,273,964</u>
Total noncurrent liabilities	<u>\$ 11,504,496</u>	<u>\$ 1,471,732</u>	<u>\$ 12,976,228</u>	<u>\$ 14,860,204</u>
Total liabilities	<u>\$ 16,626,149</u>	<u>\$ 2,005,076</u>	<u>\$ 18,631,225</u>	<u>\$ 18,612,317</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 11,042,015	\$ 4,783,047	\$ 15,825,062	\$ 15,240,097
Restricted for:				
Debt	\$ 1,383,094	\$ 104,404	\$ 1,487,498	\$ 3,423,148
General Government	2,025,737	-	2,025,737	2,026,180
Cultural	51,538	-	51,538	48,643
Outside organizations	<u>240,920</u>	<u>-</u>	<u>240,920</u>	<u>231,859</u>
Total restricted net assets	<u>\$ 3,701,289</u>	<u>\$ 104,404</u>	<u>\$ 3,805,693</u>	<u>\$ 5,729,830</u>
Unrestricted	<u>\$ 3,093,013</u>	<u>\$ 2,640,299</u>	<u>\$ 5,733,312</u>	<u>\$ 2,921,574</u>
Total net assets	<u>\$ 17,836,317</u>	<u>\$ 7,527,750</u>	<u>\$ 25,364,067</u>	<u>\$ 23,891,501</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF ACTIVITIES
December 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
..... Program Revenue				
<u>Primary Government</u>				
Governmental activities:				
General government	\$ 1,846,984	\$ 404,213	\$ -	\$ 495,870
Public safety	3,216,091	428,168	-	-
Public works	739,370	193,354	-	-
Cultural and recreation	851,758	-	-	-
Personal services	885,232	-	-	-
Contractual	317,432	-	-	101,166
Outside services	270,000	-	-	-
Commodities	298,156	-	6,680	-
Interest on long-term debt	<u>384,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total governmental activities	 <u>\$ 8,809,424</u>	 <u>\$ 1,025,735</u>	 <u>\$ 6,680</u>	 <u>\$ 597,036</u>
Business-type activities:				
Water	\$ 2,242,818	\$ 2,267,187	\$ -	\$ -
Sewer	1,199,958	1,839,146	-	-
Sanitation	1,149,072	1,186,674	-	-
Storm sewer	<u>111,321</u>	<u>136,677</u>	<u>-</u>	<u>-</u>
 Total business-type activities	 <u>\$ 4,703,169</u>	 <u>\$ 5,429,684</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Total primary government	 <u>\$ 13,512,593</u>	 <u>\$ 6,455,419</u>	 <u>\$ 6,680</u>	 <u>\$ 597,036</u>

General Revenues

Taxes:

- Property taxes levied for general purposes
- Property taxes levied for debt service
- Franchise taxes
- Public service taxes
- Investment earnings
- Miscellaneous
- Other entities portion of certificate of participation
- Accrued interest on bond sale
- Transfers
- Reimbursements

Total general revenues and transfers

Change in net assets

Net assets at beginning of year as adjusted (Note 20)

Net assets at end of year

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF ACTIVITIES (CONTINUED)
December 31, 2005

.... Net (Expense) Revenue and Changes in Net Assets....

<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>2005 Total</u>	<u>2004 Total</u>
\$ (946,901)	\$ -	\$ (946,901)	\$ (589,874)
(2,787,923)	-	(2,787,923)	(2,785,497)
(546,016)	-	(546,016)	(530,319)
(851,758)	-	(851,758)	(857,082)
(885,232)	-	(885,232)	(1,066,734)
(216,266)	-	(216,266)	(101,687)
(270,000)	-	(270,000)	(283,012)
(291,476)	-	(291,476)	(262,408)
(384,401)	-	(384,401)	(378,336)
<u>\$ (7,179,973)</u>	<u>\$ -</u>	<u>\$ (7,179,973)</u>	<u>\$ (6,854,949)</u>
\$ -	\$ 24,369	\$ 24,369	\$ 56,723
-	639,188	639,188	406,486
-	37,602	37,602	53,331
-	25,356	25,356	(30,141)
<u>\$ -</u>	<u>\$ 726,515</u>	<u>\$ 726,515</u>	<u>\$ 486,399</u>
<u>\$ (7,179,973)</u>	<u>\$ 726,515</u>	<u>\$ (6,453,458)</u>	<u>\$ (6,368,550)</u>
\$ 4,552,298	\$ -	\$ 4,552,298	\$ 4,121,244
1,236,513	-	1,236,513	1,305,770
210,444	-	210,444	211,812
1,234,617	-	1,234,617	923,224
174,267	70,017	244,284	185,460
197,534	(197,534)	-	-
10,000	-	10,000	10,000
-	-	-	2,011
653,817	(653,817)	-	-
336,016	101,852	437,868	566,993
<u>\$ 8,605,506</u>	<u>\$ (679,482)</u>	<u>\$ 7,926,024</u>	<u>\$ 7,326,514</u>
\$ 1,425,533	\$ 47,033	\$ 1,472,566	\$ 957,964
16,410,784	7,480,717	23,891,501	22,933,537
<u>\$ 17,836,317</u>	<u>\$ 7,527,750</u>	<u>\$ 25,364,067</u>	<u>\$23,891,501</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2005 Total</u>	<u>2004 Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 424,432	\$ 1,471,573	\$ 1,313,603	\$ 3,209,608	\$ 1,979,198
Accounts receivable (net)	302,969	-	-	302,969	294,142
Taxes receivable	1,843,000	-	1,131,900	2,974,900	2,859,602
Deposits with fiscal agent	-	-	210,125	210,125	220,270
Special assessments	-	-	492,114	492,114	626,224
Total assets	<u>\$ 2,570,401</u>	<u>\$ 1,471,573</u>	<u>\$ 3,147,742</u>	<u>\$ 7,189,716</u>	<u>\$ 5,979,436</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 215,407	\$ 645,494	\$ 264,682	\$ 1,125,583	\$ 823,042
Matured coupons	-	-	210,125	210,125	220,270
Deferred revenue	2,145,969	-	1,624,014	3,769,983	3,779,968
Due to other agencies	-	-	166,642	166,642	158,576
Total liabilities	<u>\$ 2,361,376</u>	<u>\$ 645,494</u>	<u>\$ 2,265,463</u>	<u>\$ 5,272,333</u>	<u>\$ 4,981,856</u>
Fund balance:					
Reserved	\$ 182,737	\$ -	\$ 51,538	\$ 234,275	\$ 231,380
Unreserved, reported in:					
General fund	26,288	-	-	26,288	20,421
Capital projects	-	826,079	-	826,079	(18,252)
Debt service	-	-	112,332	112,332	56,495
Special improvements	-	-	-	-	100,000
Special revenue funds	-	-	718,409	718,409	607,536
Total fund balance	<u>\$ 209,025</u>	<u>\$ 826,079</u>	<u>\$ 882,279</u>	<u>\$ 1,917,383</u>	<u>\$ 997,580</u>
Total liabilities and fund balance	<u>\$ 2,570,401</u>	<u>\$ 1,471,573</u>	<u>\$ 3,147,742</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,699,219	24,042,150
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	363,385	397,684
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Net of related receivables.)	(12,420,421)	(12,379,691)
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	3,769,983	3,779,968
Interest payable on current debt does not require current financial resources; therefore, interest payable is not reported as a liability in governmental fund balance sheets.	<u>(493,232)</u>	<u>(426,907)</u>
Net assets of governmental activities	<u>\$ 17,836,317</u>	<u>\$ 16,410,784</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2005 Total</u>	<u>2004 Total</u>
<u>REVENUES</u>					
Property taxes	\$ 3,631,397	\$ -	\$ 2,176,226	\$ 5,807,623	\$ 6,104,508
Intergovernmental	541,093	-	693,524	1,234,617	883,450
Franchise taxes	-	-	210,444	210,444	211,812
Transient guest tax	-	-	34,445	34,445	39,774
Licenses, fees, permits	32,632	-	-	32,632	26,057
Charges for services	395,386	-	-	395,386	289,077
Fines, forfeitures, penalties	428,168	-	-	428,168	388,128
Miscellaneous	308,092	14,597	23,503	346,192	555,184
Rent and H.U.D. payments	-	-	116,102	116,102	124,404
Grants	-	495,870	101,166	597,036	470,877
Interest	154,747	17,836	1,684	174,267	128,237
Donations	-	-	6,680	6,680	8,580
Total revenues	<u>\$ 5,491,515</u>	<u>\$ 528,303</u>	<u>\$ 3,363,774</u>	<u>\$ 9,383,592</u>	<u>\$ 9,230,088</u>
<u>EXPENDITURES</u>					
Current:					
General government	\$ 1,105,940	\$ -	\$ -	\$ 1,105,940	\$ 781,822
Public safety	3,216,091	-	-	3,216,091	3,411,134
Public works	670,434	68,936	-	739,370	577,242
Culture and recreation	851,758	-	-	851,758	858,936
Personal services	-	-	885,232	885,232	1,066,734
Contractual	-	-	317,432	317,432	226,091
Outside organizations	-	-	270,000	270,000	283,012
Commodities	-	-	298,156	298,156	270,988
Debt service:					
Principal	-	1,890,000	1,173,737	3,063,737	2,561,319
Interest	-	51,319	293,623	344,942	424,939
Capital outlay	<u>300,242</u>	<u>1,096,717</u>	<u>50,989</u>	<u>1,447,948</u>	<u>1,285,727</u>
Total expenditures	<u>\$ 6,144,465</u>	<u>\$ 3,106,972</u>	<u>\$ 3,289,169</u>	<u>\$ 12,540,606</u>	<u>\$ 11,747,944</u>
Revenues over (under) expenditures	<u>\$ (652,950)</u>	<u>\$ (2,578,669)</u>	<u>\$ 74,605</u>	<u>\$ (3,157,014)</u>	<u>\$ (2,517,856)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds of long-term capital related debt	\$ -	\$ 3,423,000	\$ -	\$ 3,423,000	\$ 1,890,000
Accrued interest on bond sale	-	-	-	-	2,011
Operating transfer in (out)	558,817	-	95,000	653,817	445,000
Equity transfer in (out)	100,000	-	(100,000)	-	-
Total other financing sources (uses)	<u>\$ 658,817</u>	<u>\$ 3,423,000</u>	<u>\$ (5,000)</u>	<u>\$ 4,076,817</u>	<u>\$ 2,337,011</u>
Net change in fund balances	<u>\$ 5,867</u>	<u>\$ 844,331</u>	<u>\$ 69,605</u>	<u>\$ 919,803</u>	<u>\$ (180,845)</u>
Fund balances beginning	<u>203,158</u>	<u>(18,252)</u>	<u>812,674</u>	<u>997,580</u>	<u>1,178,425</u>
Fund balances ending	<u>\$ 209,025</u>	<u>\$ 826,079</u>	<u>\$ 882,279</u>	<u>\$ 1,917,383</u>	<u>\$ 997,580</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Net change in fund balances-total governmental funds	\$ 919,803	\$ (180,845)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,447,948	1,567,761
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(790,879)	(716,404)
The issuance of long-term debt (e.g. bonds) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Temporary note proceeds	\$(1,328,000)	
Bond proceeds	(2,095,000)	
Bond principal retirement	1,280,000	
Certificates of participation retirement	65,393	
Temporary note retirement	1,890,000	
Notes payable retirement	<u>82,534</u>	
	(105,073)	868,488
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. The actual change from 2004 to 2005 was a decrease.	84,134	24,380
Some property tax will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenues in the governmental funds. This also includes other accounts receivable. The actual change from 2004 to 2005 was a decrease.	(29,776)	(663,381)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. The actual change from 2004 to 2005 was a decrease.	(66,325)	46,603
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities activities net of amount allocated to business-type activities and depreciation expense.		
Change in net assets	\$ 68,341	
Net amount eliminated to governmental funds	<u>(102,640)</u>	
Change in net assets of governmental activities	<u>\$1,425,533</u>	<u>\$1,035,917</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
For Year Ended December 31, 2005

	Business-type Activities Enterprise Funds			
<u>ASSETS</u>	<u>Water</u>	<u>Sewage</u>	<u>Sanitation</u>	<u>Storm Sewer</u>
Current Assets:				
Cash and cash equivalents	\$ 346,911	\$1,682,757	\$ 233,318	\$ 176,161
Receivables, net	<u>409,857</u>	<u>221,995</u>	<u>136,906</u>	<u>22,091</u>
Total current assets	<u>\$ 756,768</u>	<u>\$1,904,752</u>	<u>\$ 370,224</u>	<u>\$ 198,252</u>
Noncurrent assets:				
Restricted cash and cash equivalents	\$ 104,404	\$ -	\$ -	\$ -
Capital assets				
Land	160,375	-	-	-
Buildings and improvements	94,769	4,838,136	173,983	16,178
Meters, mains & service lines	3,410,851	-	-	-
Vehicles and equipment	1,669,083	75,901	1,009,387	-
Less: accumulated depreciation	<u>(3,091,082)</u>	<u>(1,417,766)</u>	<u>(731,682)</u>	<u>(9,707)</u>
Total noncurrent assets	<u>\$2,348,400</u>	<u>\$3,496,271</u>	<u>\$ 451,688</u>	<u>\$ 6,471</u>
Total assets	<u>\$3,105,168</u>	<u>\$5,401,023</u>	<u>\$ 821,912</u>	<u>\$ 204,723</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 88,147	\$ 47,126	\$ 90,652	\$ 5,625
Bonds, notes & loans payable	24,000	229,659	-	-
Accrued interest payable	<u>2,400</u>	<u>45,735</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>\$ 114,547</u>	<u>\$ 322,520</u>	<u>\$ 90,652</u>	<u>\$ 5,625</u>
Noncurrent liabilities:				
Bonds, notes & loans payable	\$ 24,000	\$1,137,720	\$ -	\$ -
Compensated absences	<u>152,477</u>	<u>72,041</u>	<u>85,494</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 176,477</u>	<u>\$1,209,761</u>	<u>\$ 85,494</u>	<u>\$ -</u>
Total liabilities	<u>\$ 291,024</u>	<u>\$1,532,281</u>	<u>\$ 176,146</u>	<u>\$ 5,625</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$2,195,996	\$2,128,892	\$ 451,688	\$ 6,471
Restricted for debt service	104,404	-	-	-
Unrestricted	<u>513,744</u>	<u>1,739,850</u>	<u>194,078</u>	<u>192,627</u>
Total net assets	<u>\$2,814,144</u>	<u>\$3,868,742</u>	<u>\$ 645,766</u>	<u>\$ 199,098</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENTS OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
For Year Ended December 31, 2005

2005 <u>Total</u>	2005 Governmental Activities Internal Service Funds	2004 <u>Total</u>	2004 Governmental Activities Internal Service Funds
\$2,439,147	\$ 468,322	\$ 2,253,854	\$ 459,431
<u>790,849</u>	<u>-</u>	<u>713,109</u>	<u>-</u>
<u>\$3,229,996</u>	<u>\$ 468,322</u>	<u>\$ 2,966,963</u>	<u>\$ 459,431</u>
\$ 104,404	\$ -	\$ 314,531	\$ -
160,375	-	160,375	-
5,123,066	-	5,123,066	-
3,410,851	-	3,276,762	400,486
2,754,371	559,030	2,604,209	-
<u>(5,250,237)</u>	<u>(122,957)</u>	<u>(4,548,105)</u>	<u>(67,053)</u>
<u>\$6,302,830</u>	<u>\$ 436,073</u>	<u>\$ 6,930,838</u>	<u>\$ 333,433</u>
<u>\$9,532,826</u>	<u>\$ 904,395</u>	<u>\$ 9,897,801</u>	<u>\$ 792,864</u>
\$ 231,550	\$ 104,937	\$ 162,055	\$ 61,747
253,659	-	450,849	-
<u>48,135</u>	<u>-</u>	<u>67,396</u>	<u>-</u>
<u>\$ 533,344</u>	<u>\$ 104,937</u>	<u>\$ 680,300</u>	<u>\$ 61,747</u>
\$1,161,720	\$ -	\$ 1,415,380	\$ -
<u>310,012</u>	<u>-</u>	<u>321,404</u>	<u>-</u>
<u>\$1,471,732</u>	<u>\$ -</u>	<u>\$ 1,736,784</u>	<u>\$ -</u>
<u>\$2,005,076</u>	<u>\$ 104,937</u>	<u>\$ 2,417,084</u>	<u>\$ 61,747</u>
\$4,783,047	\$ 436,073	\$ 4,750,078	\$ 333,433
104,404	-	314,531	-
<u>2,640,299</u>	<u>363,385</u>	<u>2,416,108</u>	<u>397,684</u>
<u>\$7,527,750</u>	<u>\$ 799,458</u>	<u>\$ 7,480,717</u>	<u>\$ 731,117</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Business-Type Activities Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Sewer</u>
Operating revenues:				
Charges for services	\$ 2,204,156	\$ 1,839,146	\$ 1,178,302	\$ 136,677
Miscellaneous	45,629	-	8,372	-
Penalties	<u>17,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>\$ 2,267,187</u>	<u>\$ 1,839,146</u>	<u>\$ 1,186,674</u>	<u>\$ 136,677</u>
Operating expenses:				
General government	\$ 410,636	\$ 259,890	\$ 193,941	\$ 110,512
Supervision	135,949	63,821	39,248	-
Pumping and supply	770,542	-	-	-
Meter reading	131,000	-	-	-
Distribution	416,479	-	-	-
Reimbursed expense	(101,601)	(64)	(187)	-
Disposal and treatment	-	349,688	-	-
Collection	-	202,520	-	-
Contractual	-	-	-	-
Sanitation	-	-	805,695	-
Depreciation	<u>342,189</u>	<u>249,497</u>	<u>109,638</u>	<u>809</u>
Total operating expenses	<u>\$ 2,105,194</u>	<u>\$ 1,125,352</u>	<u>\$ 1,148,335</u>	<u>\$ 111,321</u>
Operating income (loss)	\$ 161,993	\$ 713,794	\$ 38,339	\$ 25,356
Nonoperating revenues (expenses):				
Proceeds from lease obligation	\$ -	\$ -	\$ -	\$ -
Interest revenue	29,821	32,989	3,726	3,481
Interest expense	<u>(36,023)</u>	<u>(74,542)</u>	<u>(550)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>\$ (6,202)</u>	<u>\$ (41,553)</u>	<u>\$ 3,176</u>	<u>\$ 3,481</u>
Income (loss) before contributions and transfers	\$ 155,791	\$ 672,241	\$ 41,515	\$ 28,837
Capital contribution G.O. bonds	(100,338)	(87,196)	(10,000)	-
Transfers	<u>(413,817)</u>	<u>(165,000)</u>	<u>(75,000)</u>	<u>-</u>
Change in net assets	\$ (358,364)	\$ 420,045	\$ (43,485)	\$ 28,837
Total net assets - beginning	3,172,508	3,448,697	689,251	170,261
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets - ending	<u>\$ 2,814,144</u>	<u>\$ 3,868,742</u>	<u>\$ 645,766</u>	<u>\$ 199,098</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS (CONTINUED)
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2005

2005 <u>Total</u>	2005 Governmental Activities Internal Service <u>Funds</u>	2004 <u>Total</u>	2004 Governmental Activities Internal Service <u>Funds</u>
\$ 5,358,281	\$ 1,095,836	\$ 5,054,327	\$ 1,263,904
54,001	202,955	52,105	206,073
<u>17,402</u>	<u>-</u>	<u>15,798</u>	<u>-</u>
<u>\$ 5,429,684</u>	<u>\$ 1,298,791</u>	<u>\$ 5,122,230</u>	<u>\$ 1,469,977</u>
\$ 974,979	\$ -	\$ 1,157,504	\$ -
239,018	-	222,883	-
770,542	-	668,956	-
131,000	-	125,713	-
416,479	-	351,811	-
(101,852)	(55,747)	(11,809)	(32,064)
349,688	-	367,286	-
202,520	-	133,783	-
-	1,325,171	-	1,397,975
805,695	-	786,615	-
<u>702,133</u>	<u>55,903</u>	<u>680,412</u>	<u>40,048</u>
<u>\$ 4,490,202</u>	<u>\$ 1,325,327</u>	<u>\$ 4,483,154</u>	<u>\$ 1,405,959</u>
\$ 939,482	\$ (26,536)	\$ 639,076	\$ 64,018
\$ -	\$ 91,665	\$ -	\$ 114,468
70,017	3,212	56,008	1,215
<u>(111,115)</u>	<u>-</u>	<u>(140,868)</u>	<u>-</u>
<u>\$ (41,098)</u>	<u>\$ 94,877</u>	<u>\$ (84,860)</u>	<u>\$ 115,683</u>
\$ 898,384	\$ 68,341	\$ 554,216	\$ 179,701
(197,534)	-	(187,169)	-
<u>(653,817)</u>	<u>-</u>	<u>(445,000)</u>	<u>-</u>
\$ 47,033	\$ 68,341	\$ (77,953)	\$ 179,701
7,480,717	731,117	11,809,838	578,421
<u>-</u>	<u>-</u>	<u>(4,251,168)</u>	<u>(27,005)</u>
<u>\$ 7,527,750</u>	<u>\$ 799,458</u>	<u>\$ 7,480,717</u>	<u>\$ 731,117</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Business-Type Activities Enterprise Funds	
	<u>Water</u>	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,206,688	\$ 1,827,080
Payments to suppliers	(961,948)	(502,953)
Payments to employees	<u>(791,190)</u>	<u>(381,044)</u>
Net cash provided by operating activities	<u>\$ 453,550</u>	<u>\$ 943,083</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in (out)	<u>\$ (413,817)</u>	<u>\$ (165,000)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Purchases of capital assets	\$ (141,845)	\$ (51,461)
Principal paid on capital debt	(329,339)	(309,045)
Interest and fees paid on capital debt	<u>(47,473)</u>	<u>(82,354)</u>
Net cash used by capital and related financing activities	<u>\$ (518,657)</u>	<u>\$ (442,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$ 29,821	\$ 32,989
Other	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 29,821</u>	<u>\$ 32,989</u>
Net increase (decrease) in cash and cash equivalents	\$ (449,103)	\$ 368,212
Cash and cash equivalents at beginning of year	<u>900,418</u>	<u>1,314,545</u>
Cash and cash equivalents at end of year	<u>\$ 451,315</u>	<u>\$ 1,682,757</u>
SUPPLEMENTAL SCHEDULE - COMPOSITION OF CASH		
Current cash and cash equivalents	\$ 346,911	\$ 1,682,757
Restricted cash:		
Revenue bond debt service	30,369	-
Revenue bond reserve	28,000	-
Improvements	<u>46,035</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 451,315</u>	<u>\$ 1,682,757</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 161,993	\$ 713,794
(Increase) decrease in accounts receivable	(60,499)	(12,066)
Increase (decrease) in accounts payable	9,867	(8,142)
Depreciation	<u>342,189</u>	<u>249,497</u>
	<u>\$ 453,550</u>	<u>\$ 943,083</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

Business-Type Activities Enterprise Funds (Continued)		2005			2004
<u>Sanitation</u>	<u>Storm Sewer</u>	<u>2005 Total</u>	<u>Governmental Activities Internal Service Funds</u>	<u>2004 Total</u>	<u>2004 Governmental Activities Internal Service Funds</u>
\$ 1,186,715	\$ 131,461	\$ 5,351,944	\$ 1,354,538	\$ 5,146,294	\$ 1,469,977
(569,251)	(105,152)	(2,139,304)	(1,325,171)	(2,196,443)	(1,346,957)
<u>(418,428)</u>	<u>-</u>	<u>(1,590,662)</u>	<u>-</u>	<u>(1,611,109)</u>	<u>-</u>
<u>\$ 199,036</u>	<u>\$ 26,309</u>	<u>\$ 1,621,978</u>	<u>\$ 29,367</u>	<u>\$ 1,338,742</u>	<u>\$ 123,020</u>
\$ (75,000)	\$ -	\$ (653,817)	\$ -	\$ (445,000)	\$ -
\$ (90,945)	\$ -	\$ (284,251)	\$ (115,353)	\$ (278,354)	\$ (130,434)
(10,000)	-	(648,384)	-	(635,062)	-
<u>(550)</u>	<u>-</u>	<u>(130,377)</u>	<u>-</u>	<u>(159,263)</u>	<u>-</u>
<u>\$ (101,495)</u>	<u>\$ -</u>	<u>\$ (1,063,012)</u>	<u>\$ (115,353)</u>	<u>\$ (1,072,679)</u>	<u>\$ (130,434)</u>
\$ 3,726	\$ 3,481	\$ 70,017	\$ 3,212	\$ 56,008	\$ 1,215
<u>-</u>	<u>-</u>	<u>-</u>	<u>91,665</u>	<u>-</u>	<u>114,468</u>
<u>\$ 3,726</u>	<u>\$ 3,481</u>	<u>\$ 70,017</u>	<u>\$ 94,877</u>	<u>\$ 56,008</u>	<u>\$ 115,683</u>
\$ 26,267	\$ 29,790	\$ (24,834)	\$ 8,891	\$ (122,929)	\$ 108,269
<u>207,051</u>	<u>146,371</u>	<u>2,568,385</u>	<u>459,431</u>	<u>2,691,314</u>	<u>351,162</u>
<u>\$ 233,318</u>	<u>\$ 176,161</u>	<u>\$ 2,543,551</u>	<u>\$ 468,322</u>	<u>\$ 2,568,385</u>	<u>\$ 459,431</u>
\$ 233,318	\$ 176,161	\$ 2,439,147	\$ 468,322	\$ 2,253,854	\$ 459,431
-	-	30,369	-	46,496	-
-	-	28,000	-	222,000	-
<u>-</u>	<u>-</u>	<u>46,035</u>	<u>-</u>	<u>46,035</u>	<u>-</u>
<u>\$ 233,318</u>	<u>\$ 176,161</u>	<u>\$ 2,543,551</u>	<u>\$ 468,322</u>	<u>\$ 2,568,385</u>	<u>\$ 459,431</u>
\$ 38,339	\$ 25,356	\$ 939,482	\$ (26,536)	\$ 639,076	\$ 64,018
41	(5,216)	(77,740)	-	24,064	-
51,018	5,360	58,103	-	(4,810)	18,954
<u>109,638</u>	<u>809</u>	<u>702,133</u>	<u>55,903</u>	<u>680,412</u>	<u>40,048</u>
<u>\$ 199,036</u>	<u>\$ 26,309</u>	<u>\$ 1,621,978</u>	<u>\$ 29,367</u>	<u>\$ 1,338,742</u>	<u>\$ 123,020</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

1. Summary of Significant Accounting Policies

A. General Statement

The City of Arkansas City, Kansas (the City) is a municipal corporation operating under an elected five-member Commissioner-Manager form of government and provides the following services: public safety, development services, public health and welfare, culture, recreational and utilities.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principals generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principals for local governments include those principals prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units, the Financial Accounting Standards Board (when applicable) and in accordance with the Kansas Municipal Audit Guide. Qualification or exceptions from generally accepted accounting principals are explained in the notes.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Standards, includes whether:

- the organization is legally separate (can sue or be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organizations board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Arkansas City, Kansas has four component units. The component units are the City Golf Course, City Library, South Central Regional Medical Center and the Cowley County Humane Society. The accounting for these organizations is not included in the City's basic financial statements and is a departure from generally accepted accounting principals.

C. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

General fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Projects Fund

Capital projects fund is used to account for funds received and expended for the construction and renovation of all major construction projects.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statement of net assets. The City has shown all proprietary funds as major.

Water, Sewer, Sanitation and Storm Water Funds

The water, sewer, sanitation and storm water funds are used to account for the provision of water, sewer, sanitation and storm water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the systems and billing and collection of activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the internal service funds which are used to account for equipment and insurance provided to departments of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services and supplies. All revenues and expenses not meeting this definition are reported on as nonoperating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time the liability is incurred.

Government fund financial statements are reported using the current financial resources measurement focus and accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty-day availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, further modified by the encumbrance method of accounting; that is, commitments such as purchase orders and contracts in addition to disbursements and accounts payable are recorded as expenditures. Although generally accepted accounting principals do not recognize encumbrances as expenditures, any differences between accounts payable and encumbrance are deemed immaterial. However, debt service expenditures are recorded only when payment is due.

The revenues subject to accrual are property taxes and charges for services. However, collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, which is in conformity with governing state statutes. Consequently, current year property taxes are not available as a resource that can be used to finance the current year operations of the City and therefore are not subject to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2005. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one half of the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 20 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year.

It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period and the amounts are not material to the financial statements.

Accounts receivable of the general fund and certain special revenue funds are not available as resources that can be used to finance the current year operations of the City, and consequently, are offset for control purposes.

Amounts owing on open account from governmental units are not included in budgetary accounts so these accounts may show compliance or noncompliance with the State Budget and Cash-Basis Law by inspection.

Projects financed in part by special assessments are financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City and are retired from the City bond and interest fund. Special assessments receivable are accounted for within the City bond and interest fund. Special assessment taxes are levied over the life consistent with the maturity of the bond and the annual installments are due and payable with annual ad valorem property taxes. At December 31, the total amount remaining of special assessment costs as levied are recorded as special assessments receivable in the bond and interest fund with a corresponding amount recorded as deferred revenue. The amount reported includes both principal and interest to be received.

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2005

In the government-wide statement of net assets the taxes receivable, accounts receivable, and special assessments are shown as revenue. Therefore, the offset to deferred revenue is not recorded.

The current year change is reflected in the statement of activities. The following schedule shows the changes in receivables from December 31, 2004 to December 31, 2005.

Government Fund <u>Receivables</u>	Balance December <u>31, 2004</u>	Increase <u>(Decrease)</u>	Balance December <u>31, 2005</u>
Taxes receivable	\$2,859,602	\$ 115,298	\$2,974,900
Accounts receivable	294,142	8,827	302,969
Special assessments	<u>626,224</u>	<u>(134,110)</u>	<u>492,114</u>
	<u>\$3,779,968</u>	<u>\$ (9,985)</u>	<u>\$3,769,983</u>

The following schedule shows the change in accrued interest payable with the change reflected in the statement of activities.

	Balance December <u>31, 2004</u>	Increase <u>(Decrease)</u>	Balance December <u>31, 2005</u>
Governmental activities	\$ 426,907	\$ 66,325	\$ 493,232
Business activities	<u>67,396</u>	<u>(19,261)</u>	<u>48,135</u>
	<u>\$ 494,303</u>	<u>\$ 47,064</u>	<u>\$ 541,367</u>

E. Budgets

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 enterprise funds. The Statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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 amendments to the 2005 original budget during 2005.

The statutes permit transferring 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. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2005

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting; revenues are recognized when cash is received. 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 (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and certain other funds.

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

F. Cash and Investments

Cash balances pooled from all funds are considered in determining the amount to be invested and all investment income is credited to the proper designated funds. All investments were in compliance with K.S.A. 12-1675. The carrying amount is equal to the market value of all items of cash and investments. At 12-31-2005, cash and investments included certificates of deposit and interest bearing checking accounts. See Schedule 1. At December 31, 2005 the City's carrying amount of deposits was \$6,221,481 and the bank balance was \$6,619,962. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$300,000 was covered by federal depository insurance, and \$6,319,962 was collateralized with securities held by the pledging financial institution agents in the City's name.

<u>Cash and Investments</u>	<u>Carrying Amount</u>	<u>Total Per Schedule 1</u>
<u>Deposits (Cash)</u>		
Home National Bank:		
Insured FDIC	\$ 100,000	
(Secured with 3rd party joint custody receipts)	<u>2,619,732</u>	
Sub-total for Home National Bank	<u>\$ 2,719,732</u>	<u>\$2,719,732</u>
Union State Bank:		
Insured FDIC	\$ 100,000	
(Secured with 3rd party joint custody receipts)	<u>2,400,000</u>	
Sub-total for Union State Bank	<u>\$ 2,500,000</u>	<u>\$2,500,000</u>
CornerBank:		
Insured FDIC	\$ 100,000	
(Secured with 3rd party joint custody receipts)	<u>900,000</u>	
Sub-total for CornerBank	<u>\$ 1,000,000</u>	<u>\$1,000,000</u>
Total deposits	<u>\$ 6,219,732</u>	
<u>Cash</u>		
Petty cash on hand	\$ 1,750	\$ 1,750
Rounding	<u>(1)</u>	<u>(1)</u>
Total cash deposits and cash on hand	<u>\$ 6,221,481</u>	<u>\$6,221,481</u>

Deposits at Home National Bank include CD #22606 for \$182,737. This CD is held by Home National Bank as the Escrow Agent to comply with an escrow agreement to guarantee payment in lieu of contributions to the Kansas Department of Human Resources, Division of Employment Security. (See Note 9)

G. Inventories

Inventory is not accounted for in the proprietary funds. This is a departure from generally accepted accounting principals.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

H. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

Operating Transfers

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Waterworks	General	12-825d	\$ 318,817
Sewer	General	12-825d	165,000
Waterworks	Employee Benefits	12-825d	95,000
Sanitation	General	12-825d	<u>75,000</u>
Total operating transfers			\$ 653,817

Equity Transfers

Special improvements	General	12-1,118	<u>100,000</u>
Total interfund transfers			<u>\$ 753,817</u>

I. Compensated Absences

Generally accepted accounting principles for governmental entities require recording compensated absences in all funds. The funds should record the liability as current and noncurrent based upon whether or not the related expense is estimated to be paid within the next year. The schedule below shows the balances by fund at December 31, 2004 and December 31, 2005.

<u>Fund</u>	<u>Balance December 31, 2004</u>	<u>Increase (Decrease)</u>	<u>Balance December 31, 2005</u>
General	\$ 910,214	\$ (70,615)	\$ 839,599
Special Street & Highway	<u>42,346</u>	<u>(13,519)</u>	<u>28,827</u>
Total governmental funds	<u>\$ 952,560</u>	<u>\$ (84,134)</u>	<u>\$ 868,426</u>
Water	\$ 166,067	\$ (13,590)	\$ 152,477
Sewer	76,294	(4,253)	72,041
Sanitation	<u>79,043</u>	<u>6,451</u>	<u>85,494</u>
Total business-type funds	<u>\$ 321,404</u>	<u>\$ (11,392)</u>	<u>\$ 310,012</u>
Total compensated absences	<u>\$ 1,273,964</u>	<u>\$ (95,526)</u>	<u>\$ 1,178,438</u>

J. Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during any construction period on property, plant and equipment.

K. 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 reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. 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 and regulations of other governments.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

2. Capital Assets

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

	<u>Balance</u> <u>January 1, 2005</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>December 31, 2005</u>
Governmental Activities				
Land, infrastructure and buildings	\$ 24,288,209	\$ 937,614	\$ -	\$ 25,225,823
Equipment	1,091,991	510,334	-	1,602,325
Accumulated depreciation	<u>(1,338,050)</u>	<u>(790,879)</u>	<u>-</u>	<u>(2,128,929)</u>
Total governmental activities	<u>\$ 24,042,150</u>	<u>\$ 657,069</u>	<u>\$ -</u>	<u>\$ 24,699,219</u>
Business-type Activities				
Land	\$ 160,375	\$ -	\$ -	\$ 160,375
Buildings and improvements	5,123,066	-	-	5,123,066
Meters, mains and service lines	3,276,762	134,089	-	3,410,851
Vehicles and equipment	2,604,209	150,162	-	2,754,371
Accumulated depreciation	<u>(4,548,105)</u>	<u>(702,132)</u>	<u>-</u>	<u>(5,250,237)</u>
Total business-type activities	<u>\$ 6,616,307</u>	<u>\$ (417,881)</u>	<u>\$ -</u>	<u>\$ 6,198,426</u>
Total capital assets	<u>\$ 30,658,457</u>	<u>\$ 239,188</u>	<u>\$ -</u>	<u>\$ 30,897,645</u>

The City did not record depreciation expense prior to 2004. However, after implementing GASB 34 under the transition provision in 2004, the City has made accumulated depreciation adjustments based upon estimated remaining useful life of fixed assets recorded at December 31, 2004. The governmental funds' infrastructure assets recorded in 2004 were expected to have a useful life of ten years. The equipment is estimated to have a ten year useful life. Management has determined that the useful life of business entities facilities are 20 years and equipment is 10 years. Business entity assets remaining at December 31, 2004 were estimated to have one half of their useful life remaining.

The schedule below shows accumulated depreciation at December 31, 2004 and December 31, 2005 based upon these estimates.

	<u>Accumulated</u> <u>Depreciation</u> <u>January 1, 2005</u>	<u>2005</u> <u>Depreciation</u>	<u>2005</u> <u>Adjustments</u>	<u>Accumulated</u> <u>Depreciation</u> <u>December 31, 2005</u>
Governmental funds	\$ 1,338,050	\$ 790,879	\$ -	\$ 2,128,929
Business type activities	<u>4,548,105</u>	<u>702,132</u>	<u>-</u>	<u>5,250,237</u>
Total accumulated depreciation	<u>\$ 5,886,155</u>	<u>\$ 1,493,011</u>	<u>\$ -</u>	<u>\$ 7,379,166</u>

The assets capitalized in the governmental activities to originally comply with GASB 34 were equal to the original amount of the bonds that had not matured as of January 1, 2004. Therefore, some City assets are not shown on the financial statements, as the historical cost is unknown.

In the business-type activities, assets were already being capitalized using historical cost or estimated historical cost for assets placed in service prior to 1979.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

3. Long-term debt

The City has the following issues of long-term debt:

	Series Number	Date of Issue	Interest Rate	Original Amount	Maturity
<u>General obligation bonds</u>					
Internal improvements	1993	10/01/93	3.20% to 6.20%	\$ 1,600,000	12/01/08
Internal improvements	1997-A	02/01/97	4.25% to 6.00 %	\$ 1,150,000	12/01/06
Internal improvements	1998-A	05/01/98	4.15% to 6.125 %	\$ 1,200,000	12/01/08
Internal improvements	1999-A	01/01/99	3.60% to 4.50 %	\$ 1,261,000	12/01/08
Internal improvements	2000-A	05/01/00	5.00% to 6.50 %	\$ 1,790,000	12/01/09
Internal improvements	2001-A	10/01/01	3.15% to 4.25 %	\$ 1,175,000	12/01/11
Internal improvements	2004-A	10/01/04	3.50% to 5.30 %	\$ 2,200,000	04/01/12
Internal improvements	2005-A	08/01/05	2.50% to 3.75%	\$ 3,685,000	12/01/13
Internal improvements	2005-A	12/01/05	3.60% to 5.50%	\$ 2,095,000	12/01/15
<u>Temporary notes</u>					
Internal improvements	2005-1	08/01/05	3.28%	\$ 1,160,000	08/01/09
Internal improvements	2005-2	11/01/05	3.50%	\$ 168,000	11/01/07
Hospital - taxable	2005-taxable	01/01/05	2.59%	\$ 1,375,000	01/01/06
<u>Revenue bonds</u>					
Water system	1997-C	01/01/78	5.00%	\$ 429,000	01/01/08
<u>Certificates of participation</u>					
Recycling center	1996	04/15/96	5.00%	\$ 170,000	04/15/06
Humane society	2004	12/01/04	4.59%	\$ 350,000	12/01/12
<u>KDHE revolving loan</u>					
Sanitation	2000	01/10/00	3.49%	\$ 2,990,300	03/01/11
CDBG	2001	01/01/01	2.00%	\$ 375,000	07/01/11
CDBG	2004	10/08/04	4.00%	\$ 750,000	10/08/16

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

	General Obligations	Revenue Bonds	Temporary Notes	Certificates of Participation	CBDG & KDHE Loans	Total
Bonds and notes payable						
January 1, 2005	\$ 8,775,000	\$ 277,000	\$ 3,265,000	\$ 468,082	\$ 2,633,278	\$ 15,418,360
New issues	2,095,000	-	1,328,000	-	-	3,423,000
Bonds retired						
tax levy revenue	(1,082,488)	-	(1,890,000)	-	-	(2,972,488)
Bonds retired						
utility revenue	(187,534)	(229,000)	-	-	-	(416,534)
special revenue	(9,978)	-	-	-	-	(9,978)
Notes retired						
utility revenue	-	-	-	-	(221,850)	(221,850)
tax levy revenue	-	-	-	-	(35,878)	(35,878)
other entities	-	-	-	-	(46,656)	(46,656)
Cert. of part. retired						
tax levy revenue	-	-	-	(45,393)	-	(45,393)
other entities	-	-	-	(10,000)	-	(10,000)
utility revenue	-	-	-	(10,000)	-	(10,000)
Long-term debt outstand.						
December 31, 2005	<u>\$ 9,590,000</u>	<u>\$ 48,000</u>	<u>\$ 2,703,000</u>	<u>\$ 402,689</u>	<u>\$ 2,328,894</u>	<u>\$ 15,072,583</u>

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2005

The annual requirements to amortize the bonds outstanding as of December 31, 2005, including interest are as follows:

Year	.. General Obligation Revenue Certificates of Participation CDBG & KDHE Loans	
	Bonds Outstanding	Interest	Bonds Outstanding	Interest	Principal Outstanding	Interest	Principal Outstanding	Interest and Fees
2006	\$ 1,485,000	\$ 363,485	\$ 24,000	\$ 2,400	\$ 67,506	\$ 18,359	\$ 323,287	\$ 77,582
2007	1,420,000	304,634	24,000	1,200	49,716	15,599	332,975	66,285
2008	1,465,000	247,397	-	-	51,994	13,321	344,397	54,864
2009	1,160,000	188,955	-	-	54,450	10,865	356,220	43,040
2010	975,000	144,710	-	-	56,984	8,331	368,461	30,800
2011-2015	3,085,000	248,687	-	-	122,039	8,592	564,549	48,914
2016-2020	-	-	-	-	-	-	39,005	456
Total	\$ 9,590,000	\$ 1,497,868	\$ 48,000	\$ 3,600	\$ 402,689	\$ 75,067	\$ 2,328,894	\$ 321,941

Temporary notes series 2005-1 and 2005-2 in the amount of \$1,890,000 were retired in 2005 and replaced by series 2005-1 in the amount of \$1,160,000 which is due and payable 08/01/09 and series 2005-2 in the amount of \$168,000 which is due and payable 11/01/07. The temporary note issued for the South Central Regional Medical Center in the amount of \$1,375,000 is still shown as of December 31, 2005, but was retired in 2006 with funds from the hospital.

Series	Amount	Issue Date	Maturity Date
2005-1	\$1,160,000	8/1/2008	8/1/2009
2005-2	168,000	11/1/2005	11/1/2007
2005-taxable	1,375,000	1/1/2005	1/1/2006

At the option of the City, the notes may be called for redemption and payment prior to maturity dates, in whole or in part at the redemption price of 100% plus accrued interest thereafter to the date of redemption.

4. Revenue Bonds Reserves - Water Revenue Bonds

Bond ordinance for Series 1977C requires a Water System Reserve Cash Account to be established and maintained at \$28,000. It also requires a Bond & Interest Cash Account to be established and have transferred to it on the first day of each month 1/6 of the next interest payment due and 1/12 of the next principal payment due.

The City is in compliance with all significant limitations and restrictions.

5. Compliance with Kansas Statutes and Other Finance-related Legal Matters

Management is not aware of any material statutory violations for the period covered by the audit.

6. Lease of Hospital Facilities

The South Central Regional Medical Center, formerly known as Arkansas City Memorial Hospital entered into a lease agreement as of May 1, 1981, with the City of Arkansas City, Kansas in order to lease the real property and hospital facilities together with furniture, fixtures and equipment located within the hospital facilities. The lease was for a period of ten years and eight months, commencing on the first day of May, 1981, and terminating on the 31st day of December 1991, or such later date upon the exercise of any option extending the terms of the lease. During May of 1991, the City entered into an agreement with the Hospital to extend the termination date to the 31st day of December 2001, and to obtain an additional option to extend the Lease Agreement to December 31, 2011. In December of 2001 the City extended the agreement for five years. The agreement is essentially the same as the previous one except it is for a shorter term in anticipation that the Hospital Board will approve and develop a new facility; the lease does allow for a time extension.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

7. Lease/Purchase Agreements

The City retired all leases with purchase options in 2005.

8. Contingent Liability - Pending Litigation

A. The City of Arkansas City was named as a party defendant by eleven (11) landowners for damages arising out of the flood occurring in November of 1998. Each landowner seeks a different monetary amount, but generally alleges a loss of personal property, damage to real estate, and annoyance, inconvenience and loss of peace of mind. This matter has been referred to the City's liability carrier, EMC Insurance Companies, who have hired the law firm of McDonald, Tinker, Skaer, Quinn and Herrington, P.A. of Wichita, Kansas for legal representation on this litigation. After oral argument, the Kansas Court of Appeals upheld summary judgment for the City.

It is possible that the plaintiffs may appeal and file a petition for review from the Kansas Supreme Court. The Kansas Supreme Court rarely grants such petitions, and even if it did agree to review the matter, the arguments are strongly in favor of the City. Therefore, the likelihood of an unfavorable outcome is low.

B. A building in downtown Arkansas City was declared a dangerous structure by the City of Arkansas City pursuant to the Unsafe or Dangerous Structure law contained at K.S.A. 12-1750, *et seq.* The property owner was provided time to take some course of action to repair the structure or demolish it and make the premises safe. The landowners failed to do anything, and accordingly, the City proceeded to demolish the building under its powers conferred under Kansas law. At the time the building was demolished, the wall separating it from the adjacent building was exposed and required renovation to transform it from an interior wall to an exterior wall. The landowner failed to undertake this task, and the City has caused the wall to be temporarily braced until a final plan is developed to stabilize the wall and preserve the adjacent building. The City was required to file litigation against the landowner to gain access to the adjacent building for the structural engineer to assess the construction used to attach the roof trusses to the walls. The landowner filed a counter-claim against the City claiming that the City failed to act in a reasonable and prudent manner in removing the original structure. The landowner seeks judgment against the City for an amount in excess of seventy-five (\$75,000) plus pre-judgment and post-judgment interests, the cost of the action, reasonable attorney's fees, and such other relief as may be just and equitable. The City has denied the counterclaim and has replied in the affirmative, citing the immunity conferred unto the City by Kansas Tort Claims Act as contained in K.S.A. 75-6104, *et seq.*

In the Kansas Court of Appeals decision of Bush V. City of Augusta 9 Kan AP 119, 674 P2D 1054, it was determined that Kansas Tort Claims Act was applicable to a municipality acting within the authority conferred by *K.S.A. 12-1750, et seq.* K.S.A. 75-6104(m) provides that a municipality is immune from liability in failing to provide or the method of providing police or fire protection. K.S.A. 75-6104(j) provides another immunity to the municipality for its failure to make an inspection, or making an inadequate or negligent inspection of any property, other than the property of the governmental entity to determine whether the property complies with or violates any law or regulation or contains a hazard to the public health or safety. In addition to the immunity statutes, the Court (City of Augusta *supra*) further found the actions of the municipality constitute an exercise of police power, which is the inherent authority to restrict the use of the property without paying compensation to promote the public health, safety, morals and general welfare.

This case is set for a bifurcated trial starting August 29, 2006. At that time, the Court will determine (1) whether the City acted appropriately under Kansas Unsafe or Dangerous Structures Law, and (2) the amount of damages incurred by the City in demolishing and repairing the property. If the City prevails on that trial, the owner cannot prevail on their counterclaim. If the Court determines the City did not act appropriately, the Court will set the second half of the trial at a later date at which time it will hear the counterclaim.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

8. Contingent Liability - Pending Litigation (continued)

The City, through counsel appointed by its insurance carrier, has vigorously defended this action. It is not anticipated the City will reach an out-of-court settlement.

Because of some unusual rulings by the Court on previous matters in this litigation, the outcome of this matter is impossible to predict, despite case law and statute largely in the City's favor. The City's maximum exposure is approximately \$130,000. Should the City lose at trial, it is likely the City will appeal the matter to the Kansas Court of Appeals and prevail at that level.

9. Contingent liability - Self-insurance

Effective January 1, 1993, the City switched from a governmental employer to the reimbursable employer plan for state unemployment purposes. The City has established an escrow fund to insure coverage for claims filed. The City has reserved \$182,737 in the General fund.

10. Proprietary Segment Information

The City maintains four proprietary funds which provide water, sewer, sanitation and storm sewer services. Segment information for the year ended December 31, 2005 was as follows:

	Waterworks Fund	Sewer Fund	Sanitation Fund	Storm Sewer Fund	Total Proprietary Funds
Operating revenues	\$ 2,267,187	\$ 1,839,146	\$ 1,186,674	\$ 136,677	\$ 5,429,684
Operating income (loss)	161,993	713,794	38,339	25,556	939,482
Operating transfers in (out)	(413,817)	(165,000)	(75,000)	-	(653,817)
Non-operating revenue	(6,202)	(41,553)	3,176	3,481	(41,098)
Tax revenues	-	-	-	-	-
Net income	(358,364)	420,045	(43,485)	28,837	47,033
Capital asset additions	141,845	51,461	90,945	-	284,251
Depreciation	(342,189)	(249,497)	(109,638)	(809)	(702,133)
Net working capital	746,625	1,582,232	279,572	192,627	2,801,056
Total assets	3,105,168	5,401,023	821,912	204,723	9,532,826
Revenue bonds outstanding	48,000	-	-	-	48,000
Loans outstanding	-	1,367,379	-	-	1,367,379
Total net assets	\$ 2,814,144	\$ 3,868,742	\$ 645,766	\$ 199,098	\$ 7,527,750

11. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

12. Levee Project - Corp of Engineers - Escrow

On September 6, 1996, the City of Arkansas City and The Department of The Army - Corps of Engineers entered into a Project Cooperation Agreement for construction of the Arkansas City Local Flood Protection Project. Article VI of the Agreement requires the City to provide a proportionate share of the project costs in the form of cash contributions. Specifically, the agreement requires the City to deposit funds in an escrow account payable to the Department of The Army. The interest accrued on this account is payable to the City of Arkansas City.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

12. Levee Project - Corp of Engineers - Escrow (continued)

The amount deposited to the escrow account during 2005 was \$0 and \$400,000 was withdrawn payable to the Corps of Engineers. Interest earned was \$1,694 for 2003, \$1,546 for 2004 and \$537 for 2005. A separate bank account was established at the Home National Bank to account for the cash contribution, drawing and interest earned. At December 31, 2005, the balance on hand was \$324,514. The City of Arkansas City has not recorded the escrow account as an asset of the City. It is anticipated the total amount of the account plus additional cash contributions will be required of the City in order to satisfy the cost sharing of this project.

13. Capital projects

The City has several capital projects to modify or improve certain City assets. The total authorization for all projects still active at December 31, 2005 is \$15,724,943. Total expenditures to date equal \$9,308,095. Several projects have reimbursements coming back to the City for amounts in excess of amounts authorized.

14. Conduit debt obligations

From time to time, the City has issued Industrial Revenue Bonds 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 service by the bond issuance. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were six series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,130,484.

15. Other - Kansas Veteran's Home - City of Winfield

A Kansas Veteran's Home has been established on the vacant Winfield (Kansas) State Hospital campus. The City of Winfield has committed to the Kansas State legislature local support of the project in the amount of \$1,250,000. In turn, the City of Winfield asked the City of Arkansas City to share in the local support in the amount of \$15,000 per year for ten years. The City of Arkansas City has entered into an interlocal cooperation agreement by and between the City of Arkansas City, the City of Winfield and Cowley County, Kansas. The City of Arkansas City has agreed to pay \$15,000 per year for ten consecutive years, with the initial payment to be made on or before March 1, 1999, and successive payments to be made on or before March 1 of each year thereafter. The parties acknowledged that the obligation of the City of Arkansas City under the agreement is subject to K.S.A. 10-1101 et seq., and as such the City is obligated only to the extent that it has funds actually on hand in its treasury at the time for such purpose. Therefore, there has not been an accrual recorded on the financial statements of the City. In addition, the City has not encumbered any funds of the City for the year ended December 31, 2005. The City paid \$15,000 during 2005.

16. Interlocal Cooperation Agreement - Strother Field

The City has adopted Ordinance No. 98-11-3793 providing for an interlocal cooperation agreement between the City of Arkansas City, the City of Winfield and Strother Field to provide financing of water system improvements at Strother Field. The agreement provides for \$500,000 in G.O. bonds to be issued by the City of Winfield to finance the improvements. If Strother Field defaults on the bond issue, the cities of Arkansas City and Winfield would each be responsible for 50% of the remaining liability. The agreement acknowledges that the obligations of Arkansas City are subject to K.S.A. 10-1101 et seq., and as such, Arkansas City is obligated only to the extent that it has funds actually on hand in its treasury at the time for such purpose.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2005

17. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of new temporary notes and general obligation bonds.

18. Defined Benefit Pension Plan

Plan description. The City of Arkansas 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 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 888-275-5737.

Funding policy. 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% and 8% of covered salary. The employer collects and remits member-employer contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2005 is 3.41%. The City of Arkansas City contributions to KPERS for the years ending December 31, 2005, 2004 and 2003 were \$92,097, \$96,248 and \$84,402 respectively, equal of the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning 2005 is 13.99%. 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 of Arkansas City contributions to KP&F for the years ending December 31, 2005, 2004 and 2003 were, \$291,826, \$256,143 and \$182,003, respectively, equal to the statutory required contributions for each year.

19. Related Organizations

Strother Field Airport and Industrial Park is defined as a related organization of the City. The transactions of this entity has not been included in the financial statements of the City.

20. Prior Period Adjustments

The City of Arkansas City implemented GASB 34 in the year ending December 31, 2003. The financial statements contained some omissions required by generally accepted accounting principles. In an effort to provide more useful information the City recorded some of these omissions in 2004. This results in a prior period adjustment from the previously stated December 31, 2003 statement of net assets. The schedule below reconciles the net assets reported as of December 31, 2003 to the amounts shown at December 31, 2004.

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Net assets as stated December 31, 2003	<u>\$ 13,003,614</u>	<u>\$ 11,809,838</u>	<u>\$24,813,452</u>
Prior period adjustments:			
Receivables offset by deferred revenue	4,443,349	-	4,443,349
Accrued interest payable	(473,510)	(85,791)	(559,301)
Unrecorded compensated absences	(976,940)	(297,684)	(1,274,624)
Unrecorded accumulated depreciation	<u>(621,646)</u>	<u>(3,867,693)</u>	(4,489,339)
Total prior period adjustments	<u>\$ 2,371,253</u>	<u>\$ (4,251,168)</u>	<u>\$ (1,879,915)</u>
Net assets at beginning of year 2004 as adjusted	<u>\$ 15,374,867</u>	<u>\$ 7,558,670</u>	<u>\$22,933,537</u>

21. Other receivables

The City issued a temporary note in the amount of \$1,375,000 with South Central Kansas Regional Medical Center. This is shown as an other receivable on the statement of net assets with the note also shown as a liability in the debt schedules.

The City also has a CDBG loan with the State of Kansas Department of Commerce in the amount of \$703,343. These funds are to be used for improvements at Kan-Pac LLC. The City then received a mortgage from Kan-Pac LLC. The City will then be paid back for their principal and interest payments. This mortgage with Kan-Pac LLC is shown as an other receivable on the statement of net assets.

Accrued interest for the year 2006 in the amount of \$26,866 is shown as a liability with the expected reimbursement from Kan-Pac LLC also shown as part of the receivable.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 241,695	\$ 229,446
Receivables (net of allowance for uncollectibles):		
Taxes	1,843,000	1,269,700
Accounts - Refuse and others	302,969	294,142
Due from other funds	-	-
Restricted assets:		
Restricted cash (Note 9)	<u>182,737</u>	<u>182,737</u>
 Total assets	 <u>\$ 2,570,401</u>	 <u>\$ 1,976,025</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
 <u>Liabilities</u>		
Accounts payable	\$ 215,407	\$ 209,025
Deferred revenue	<u>2,145,969</u>	<u>1,563,842</u>
 Total liabilities	 <u>\$ 2,361,376</u>	 <u>\$ 1,772,867</u>
 <u>Fund balance</u>		
Unreserved:		
Undesignated	\$ 26,288	\$ 20,421
Reserved (Note 9)	<u>182,737</u>	<u>182,737</u>
 Total fund balance	 <u>\$ 209,025</u>	 <u>\$ 203,158</u>
 Total liabilities and fund balance	 <u>\$ 2,570,401</u>	 <u>\$ 1,976,025</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ 3,631,397	\$ 3,762,805	\$ (131,408)	\$3,642,603
Intergovernmental revenue	541,093	345,000	196,093	466,415
Licenses, fees and permits	32,632	26,700	5,932	26,075
Charges for services	395,386	389,100	6,286	289,077
Fines, forfeitures and penalties	428,168	403,500	24,668	388,128
Use of money and property	154,747	149,250	5,497	118,457
Miscellaneous	<u>308,092</u>	<u>212,318</u>	<u>95,774</u>	<u>473,499</u>
 Total revenues	 <u>\$ 5,491,515</u>	 <u>\$ 5,288,673</u>	 <u>\$ 202,842</u>	 <u>\$5,404,254</u>
<u>Expenditures</u>				
General government:				
City commission	\$ 50,611	\$ 57,380	\$ 6,769	\$ 52,532
City manager	83,877	88,236	4,359	59,727
Community support	41,848	36,060	(5,788)	30,935
Legal council	129,006	75,225	(53,781)	88,774
Administration	298,401	303,828	5,427	213,578
Code enforcement	252,176	256,129	3,953	227,613
Non-departmental	224,554	501,583	277,029	50,792
Planning	325	2,707	2,382	474
Animal control - Humane Society	<u>42,144</u>	<u>60,850</u>	<u>18,706</u>	<u>57,397</u>
 Total general government	 <u>\$ 1,122,942</u>	 <u>\$ 1,381,998</u>	 <u>\$ 259,056</u>	 <u>\$ 781,822</u>
Public safety:				
Law enforcement	\$ 2,088,370	\$ 1,947,425	\$ (140,945)	\$1,914,862
Fire fighting	1,325,060	1,275,222	(49,838)	1,470,389
Civil defense	<u>37,390</u>	<u>38,800</u>	<u>1,410</u>	<u>25,883</u>
 Total public safety	 <u>\$ 3,450,820</u>	 <u>\$ 3,261,447</u>	 <u>\$ (189,373)</u>	 <u>\$3,411,134</u>
Public works:				
Supervision	\$ 77,765	\$ 74,525	\$ (3,240)	\$ 76,875
Street repair	210,936	224,400	13,464	126,053
Street lighting	143,075	140,000	(3,075)	151,584
Cemetery	134,284	129,147	(5,137)	117,963
Public buildings	<u>117,517</u>	<u>118,395</u>	<u>878</u>	<u>104,767</u>
 Total public works	 <u>\$ 683,577</u>	 <u>\$ 686,467</u>	 <u>\$ 2,890</u>	 <u>\$ 577,242</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Expenditures (continued)</u>				
Culture and recreation:				
Park	\$ 457,891	\$ 457,745	\$ (146)	\$ 413,226
Baseball park	15,569	20,930	5,361	13,767
Swimming pool	53,718	61,855	8,137	60,419
NW Community Center	37,282	72,430	35,148	60,152
Senior Citizen	172,522	197,860	25,338	165,531
Museum	120,280	126,608	6,328	116,706
Teen Center	27,428	32,708	5,280	29,135
Human Relations Council	<u>2,436</u>	<u>-</u>	<u>(2,436)</u>	<u>-</u>
Total culture and recreation	<u>\$ 887,126</u>	<u>\$ 970,136</u>	<u>\$ 83,010</u>	<u>\$ 858,936</u>
Capital outlay:				
Non-departmental	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,013</u>
Total expenditures	<u>\$ 6,144,465</u>	<u>\$ 6,300,048</u>	<u>\$ 155,583</u>	<u>\$ 5,783,147</u>
Revenues over (under) expenditures	<u>\$ (652,950)</u>	<u>\$ (1,011,375)</u>	<u>\$ 358,425</u>	<u>\$ (378,893)</u>
<u>Other financing sources (uses)</u>				
Transfers in	\$ 558,817	\$ 575,000	\$ (16,183)	\$ 350,000
Transfers (out)	-	-	-	-
Equity transfer in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 658,817</u>	<u>\$ 575,000</u>	<u>\$ 83,817</u>	<u>\$ 350,000</u>
Excess of revenues and other sources over expenditures and other uses	\$ 5,867	\$ (436,375)	\$ 442,242	\$ (28,893)
Fund balance, beginning	<u>203,158</u>	<u>436,375</u>	<u>(233,217)</u>	<u>232,051</u>
Fund balance, ending	<u>\$ 209,025</u>	<u>\$ -</u>	<u>\$ 209,025</u>	<u>\$ 203,158</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2005

	Special Revenue Service <u>Funds</u>	Debt Service <u>Fund</u>	Special Improvements <u>Fund</u>	Trust & Agency <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 898,481	\$ 198,437	\$ -	\$ 216,685	\$1,313,603
Receivables - taxes	240,920	890,980	-	-	1,131,900
Cash with fiscal agent	-	210,125	-	-	210,125
Special assessments	<u>-</u>	<u>492,114</u>	<u>-</u>	<u>-</u>	<u>492,114</u>
 Total assets	 <u>\$ 1,139,401</u>	 <u>\$ 1,791,656</u>	 <u>\$ -</u>	 <u>\$ 216,685</u>	 <u>\$ 3,147,742</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 128,534	\$ 86,105	\$ -	\$ 50,043	\$ 264,682
Deferred revenue	240,920	1,383,094	-	-	1,624,014
Matured coupons	-	210,125	-	-	210,125
Due to other agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,642</u>	<u>166,642</u>
 Total liabilities	 <u>\$ 369,454</u>	 <u>\$ 1,679,324</u>	 <u>\$ -</u>	 <u>\$ 216,685</u>	 <u>\$ 2,265,463</u>
<u>Fund balance</u>					
Reserved	\$ 51,538	\$ -	\$ -	\$ -	\$ 51,538
Undesignated	<u>718,409</u>	<u>112,332</u>	<u>-</u>	<u>-</u>	<u>830,741</u>
 Total fund balance	 <u>\$ 769,947</u>	 <u>\$ 112,332</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 882,279</u>
 Total liabilities and fund balance	 <u>\$ 1,139,401</u>	 <u>\$ 1,791,656</u>	 <u>\$ -</u>	 <u>\$ 216,685</u>	 <u>\$ 3,147,742</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ACTUAL AND BUDGET
Year Ended December 31, 2005

<u>Revenues</u>	Special Revenue Funds	Debt Service Fund	Special Improvements Fund	<u>Total</u>
Taxes	\$ 1,184,602	\$ 1,236,513	\$ -	\$2,421,115
Intergovernmental	521,596	-	-	521,596
Interest	1,684	-	-	1,684
Miscellaneous	<u>146,285</u>	<u>273,094</u>	<u>-</u>	<u>419,379</u>
 Total revenues	 <u>\$ 1,854,167</u>	 <u>\$ 1,509,607</u>	 <u>\$ -</u>	 <u>\$3,363,774</u>
 <u>Expenditures</u>				
Current:				
General government	\$ 776,713	\$ -	\$ -	\$ 776,713
Public Safety	1,089	-	-	1,089
Public Works	723,018	-	-	723,018
Culture and recreation	270,000	-	-	270,000
Debt service:				
Principal	9,978	1,163,759	-	1,173,737
Interest and fees	3,612	290,011	-	293,623
Capital outlay	<u>50,989</u>	<u>-</u>	<u>-</u>	<u>50,989</u>
 Total expenditures	 <u>\$ 1,835,399</u>	 <u>\$ 1,453,770</u>	 <u>\$ -</u>	 <u>\$3,289,169</u>
 Revenues over (under) expenditures	 <u>\$ 18,768</u>	 <u>\$ 55,837</u>	 <u>\$ -</u>	 <u>\$ 74,605</u>
 Other financing sources (uses)				
Transfer in (Note 1-H)	\$ 95,000	\$ -	\$ -	\$ 95,000
Accrued interest on bond sale	-	-	-	-
Equity transfer out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
 Total other financing sources (uses)	 <u>\$ 95,000</u>	 <u>\$ -</u>	 <u>\$ (100,000)</u>	 <u>\$ (5,000)</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ 113,768</u>	 <u>\$ 55,837</u>	 <u>\$ (100,000)</u>	 <u>\$ 69,605</u>
 Fund balance beginning of year	 <u>656,179</u>	 <u>56,495</u>	 <u>100,000</u>	 <u>812,674</u>
 Fund balance end of year	 <u>\$ 769,947</u>	 <u>\$ 112,332</u>	 <u>\$ -</u>	 <u>\$ 882,279</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 December 31, 2005 and 2004

	Employee Benefits Library Fund	Convention Center Fund	Public Library Fund	Employee Benefits Fund	Special Street and Highway Fund	Street Main- tenance Fund	Community Development Grants Fund
<u>ASSETS</u>							
Cash and investments	\$ -	\$ 11,764	\$ -	\$ -	\$ 201,188	\$ 182,180	\$ 101,166
Receivables (net of allowance for uncollectibles):							
Taxes	21,920	-	219,000	-	-	-	-
Other	-	-	-	-	-	-	-
Federal grant	-	-	-	-	-	-	-
Restricted cash	<u>-</u>	<u>51,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 21,920</u>	<u>\$ 63,302</u>	<u>\$ 219,000</u>	<u>\$ -</u>	<u>\$ 201,188</u>	<u>\$ 182,180</u>	<u>\$ 101,166</u>
<u>LIABILITIES & FUND BALANCE</u>							
<u>Liabilities</u>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,877	\$ 7,120	\$ 101,166
Due to other fund	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Deferred revenue	<u>21,920</u>	<u>-</u>	<u>219,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 21,920</u>	<u>\$ -</u>	<u>\$ 219,000</u>	<u>\$ -</u>	<u>\$ 10,877</u>	<u>\$ 7,120</u>	<u>\$ 101,166</u>
<u>Fund balance</u>							
Undesignated	\$ -	\$ 11,764	\$ -	\$ -	\$ 190,311	\$ 175,060	\$ -
Reserve	<u>-</u>	<u>51,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ -</u>	<u>\$ 63,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,311</u>	<u>\$ 175,060</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 21,920</u>	<u>\$ 63,302</u>	<u>\$ 219,000</u>	<u>\$ -</u>	<u>\$ 201,188</u>	<u>\$ 182,180</u>	<u>\$ 101,166</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 December 31, 2005 and 2004

<u>Alcohol Program Fund</u>	<u>Special Recrea- tion and Park Fund</u>	<u>Memorial Hospital Fund</u>	<u>Tourism Fund</u>	<u>Project Indepen- dence Fund</u>	<u>DARE Program Fund</u>	<u>Economic Develop- ment Fund</u>	<u>..... Total</u> <u>December 31,</u> <u>2005</u> <u>2004</u>	
\$ 3,040	\$ 22,945	\$ 13,313	\$ 12,625	\$ 123,951	\$ 44,637	\$ 130,134	\$ 846,943	\$ 641,650
-	-	-	-	-	-	-	240,920	805,602
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,538</u>	<u>48,643</u>
<u>\$ 3,040</u>	<u>\$ 22,945</u>	<u>\$ 13,313</u>	<u>\$ 12,625</u>	<u>\$ 123,951</u>	<u>\$ 44,637</u>	<u>\$ 130,134</u>	<u>\$ 1,139,401</u>	<u>\$ 1,495,895</u>
\$ -	\$ 1,750	\$ -	\$ 4,000	\$ 3,621	\$ -	\$ -	\$ 128,534	\$ 34,114
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	240,920	-
<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 3,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,454</u>	<u>\$ 839,716</u>
\$ 3,040	\$ 21,195	\$ 13,313	\$ 8,625	\$ 120,330	\$ 44,637	\$ 130,134	\$ 718,409	\$ 607,536
-	-	-	-	-	-	-	51,538	-
<u>\$ 3,040</u>	<u>\$ 21,195</u>	<u>\$ 13,313</u>	<u>\$ 8,625</u>	<u>\$ 120,330</u>	<u>\$ 44,637</u>	<u>\$ 130,134</u>	<u>\$ 769,947</u>	<u>\$ 656,179</u>
<u>\$ 3,040</u>	<u>\$ 22,945</u>	<u>\$ 13,313</u>	<u>\$ 12,625</u>	<u>\$ 123,951</u>	<u>\$ 44,637</u>	<u>\$ 130,134</u>	<u>\$ 1,139,401</u>	<u>\$ 1,495,895</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
 Years Ended December 31, 2005 and 2004

	Employee Benefits Library Fund	Convention Center Fund	Public Library Fund	Employee Benefits Fund	Special Street and Highway Fund	Street Main- tenance Fund	Community Development Grants Fund
<u>Revenues</u>							
Taxes	\$ 24,125	\$ -	\$ 245,875	\$ 669,713	\$ -	\$ 105,222	\$ -
Intergovernmental revenue	-	-	-	-	401,194	-	101,166
Use of money and property	-	1,271	-	-	-	-	-
Miscellaneous	-	13,245	-	-	83	-	-
Total revenues	<u>\$ 24,125</u>	<u>\$ 14,516</u>	<u>\$ 245,875</u>	<u>\$ 669,713</u>	<u>\$ 401,277</u>	<u>\$ 105,222</u>	<u>\$ 101,166</u>
<u>Expenditures</u>							
Current:							
General government	\$ -	\$ -	\$ -	\$ 764,713	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Public works	-	10,350	-	-	316,875	86,266	101,166
Culture and recreation	24,125	-	245,875	-	-	-	-
Debt service-principal & interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	49,131	-	-
Total expenditures	<u>\$ 24,125</u>	<u>\$ 10,350</u>	<u>\$ 245,875</u>	<u>\$ 764,713</u>	<u>\$ 366,006</u>	<u>\$ 86,266</u>	<u>\$ 101,166</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 4,166</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 35,271</u>	<u>\$ 18,956</u>	<u>\$ -</u>
<u>Other financing sources (uses)</u>							
Transfers in (out) (Note 1-H)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenue over expenditures and other financing sources	\$ -	\$ 4,166	\$ -	\$ -	\$ 35,271	\$ 18,956	\$ -
Fund balance, beginning	-	59,136	-	-	155,040	156,104	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 63,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,311</u>	<u>\$ 175,060</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
 Years Ended December 31, 2005 and 2004

Alcohol Program Fund	Special Recreation And Park Fund	Memorial Hospital Fund	Tourism Fund	Project Indepen- dence Fund	DARE Program Fund	Economic Develop- ment Fund Total	
							December 31, 2005	2004
\$ -	\$ -	\$ -	\$ 34,445	\$ -	\$ -	\$ 105,222	\$ 1,184,602	\$ 1,235,338
9,618	9,618	-	-	-	-	-	521,596	417,035
-	-	413	-	-	-	-	1,684	883
-	-	-	-	116,752	16,205	-	146,285	156,233
<u>\$ 9,618</u>	<u>\$ 9,618</u>	<u>\$ 413</u>	<u>\$ 34,445</u>	<u>\$ 116,752</u>	<u>\$ 16,205</u>	<u>\$ 105,222</u>	<u>\$ 1,854,167</u>	<u>\$ 1,809,489</u>
\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 776,713	\$ 872,969
-	-	-	-	-	1,089	-	1,089	15,543
-	8,600	-	42,538	97,198	-	60,025	723,018	675,301
-	-	-	-	-	-	-	270,000	283,012
-	-	-	-	13,590	-	-	13,590	124,127
-	-	-	-	1,858	-	-	50,989	124,127
<u>\$ 12,000</u>	<u>\$ 8,600</u>	<u>\$ -</u>	<u>\$ 42,538</u>	<u>\$ 112,646</u>	<u>\$ 1,089</u>	<u>\$ 60,025</u>	<u>\$ 1,835,399</u>	<u>\$ 1,984,486</u>
<u>\$ (2,382)</u>	<u>\$ 1,018</u>	<u>\$ 413</u>	<u>\$ (8,093)</u>	<u>\$ 4,106</u>	<u>\$ 15,116</u>	<u>\$ 45,197</u>	<u>\$ 18,768</u>	<u>\$ (174,997)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
\$ (2,382)	\$ 1,018	\$ 413	\$ (8,093)	\$ 4,106	\$ 15,116	\$ 45,197	\$ 113,768	\$ (79,997)
5,422	20,177	12,900	16,718	116,224	29,521	84,937	656,179	736,176
<u>\$ 3,040</u>	<u>\$ 21,195</u>	<u>\$ 13,313</u>	<u>\$ 8,625</u>	<u>\$ 120,330</u>	<u>\$ 44,637</u>	<u>\$ 130,134</u>	<u>\$ 769,947</u>	<u>\$ 656,179</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
LIBRARY EMPLOYEE BENEFITS FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ -	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes receivable	<u>21,920</u>	<u>21,078</u>
Total assets	<u>\$ 21,920</u>	<u>\$ 21,078</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ -
Deferred revenue	<u>21,920</u>	<u>21,078</u>
Total liabilities	<u>\$ 21,920</u>	<u>\$ 21,078</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 21,920</u>	<u>\$ 21,078</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005 Actual</u>	<u>2005 Budget</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>2004 Actual</u>
<u>Revenues</u>				
Taxes	\$ 24,125	\$ 25,077	\$ (952)	\$ 23,099
Refund of expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 24,125</u>	<u>\$ 25,077</u>	<u>\$ (952)</u>	<u>\$ 23,099</u>
 <u>Expenditures</u>				
Personal services	<u>\$ 24,125</u>	<u>\$ 25,077</u>	<u>\$ 952</u>	<u>\$ 24,732</u>
Total expenditures	<u>\$ 24,125</u>	<u>\$ 25,077</u>	<u>\$ 952</u>	<u>\$ 24,732</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ (1,633)
Fund balance, beginning	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,633</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
CONVENTION CENTER FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 11,764	\$ 10,493
Restricted cash	<u>51,538</u>	<u>48,643</u>
Total assets	<u>\$ 63,302</u>	<u>\$ 59,136</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Deferred revenue	\$ _____ -	\$ _____ -
Fund balance		
Undesignated	\$ 11,764	\$ 10,493
Reserved for maintenance	<u>51,538</u>	<u>48,643</u>
Total fund balance	<u>\$ 63,302</u>	<u>\$ 59,136</u>
Total liabilities and fund balance	<u>\$ 63,302</u>	<u>\$ 59,136</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>		
Sales	\$ 13,245	\$ 13,720
Use of money and property	<u>1,271</u>	<u>616</u>
Total revenues	<u>\$ 14,516</u>	<u>\$ 14,336</u>
 <u>Expenditures</u>		
Contractual services	\$ 10,350	\$ 19,101
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 10,350</u>	<u>\$ 19,101</u>
Revenues over (under) expenditures	\$ 4,166	\$ (4,765)
Fund balance, beginning	<u>59,136</u>	<u>63,901</u>
Fund balance, ending	<u>\$ 63,302</u>	<u>\$ 59,136</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
PUBLIC LIBRARY FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ -	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes receivable	<u>219,000</u>	<u>210,781</u>
Total assets	<u>\$ 219,000</u>	<u>\$ 210,781</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Deferred revenue	<u>\$ 219,000</u>	<u>\$ 210,781</u>
<u>Fund balance</u>		
Undesignated	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 219,000</u>	<u>\$ 210,781</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ 245,875	\$ 253,575	\$ (7,700)	\$ 255,031
Use of money and property	-	-	-	-
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 245,875</u>	<u>\$ 253,575</u>	<u>\$ (7,700)</u>	<u>\$ 255,031</u>
<u>Expenditures</u>				
Outside organizations	<u>\$ 245,875</u>	<u>\$ 253,575</u>	<u>\$ 7,700</u>	<u>\$ 258,280</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ (3,249)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,249</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
EMPLOYEE BENEFITS FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ -	\$ 18,095
Receivables (net of allowance for uncollectibles):		
Taxes	-	573,743
Total assets	<u>\$ -</u>	<u>\$ 591,838</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 18,095
Deferred revenue	-	573,743
Total liabilities	<u>\$ -</u>	<u>\$ 591,838</u>
 <u>Fund balance</u>		
Undesignated	\$ -	\$ -
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 591,838</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2005</u>	<u>Variance-</u>	<u>2004</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u>	<u>Actual</u>
			<u>(Unfavorable)</u>	
<u>Revenues</u>				
Taxes	\$ 669,713	\$ 693,882	\$ (24,169)	\$ 705,622
Refund of expenditure	-	-	-	2,384
Total revenues	<u>\$ 669,713</u>	<u>\$ 693,882</u>	<u>\$ (24,169)</u>	<u>\$ 708,006</u>
 <u>Expenditures</u>				
Personal services	\$ 764,713	\$ 881,339	\$ 116,626	\$ 862,719
Revenues over (under) expenditures	<u>\$ (95,000)</u>	<u>\$(187,457)</u>	<u>\$ 92,457</u>	<u>\$ (154,713)</u>
 <u>Other financing sources (uses)</u>				
Transfer in (Note 1-H)	\$ 95,000	\$ 95,000	-	\$ 95,000
Total other financing sources (uses)	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>
 <u>Revenue and other sources over</u>				
(under) expenditures and other uses	\$ -	\$ (92,457)	\$ 92,457	\$ (59,713)
Fund balance, beginning	-	92,457	(92,457)	59,713
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
SPECIAL STREET AND HIGHWAY FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>201,188</u>	\$ <u>163,839</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>10,877</u>	\$ <u>8,799</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>190,311</u>	\$ <u>155,040</u>
 Total liabilities and fund balance	 \$ <u>201,188</u>	 \$ <u>163,839</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	Variance- Favorable <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
County gas tax	\$ 57,964	\$ 55,500	\$ 2,464	\$ 56,625
State gas tax	343,230	364,500	(21,270)	336,448
Refund of expenditure	<u>83</u>	<u>-</u>	<u>83</u>	<u>302</u>
Total revenues	\$ <u>401,277</u>	\$ <u>420,000</u>	\$ <u>(18,723)</u>	\$ <u>393,375</u>
 <u>Expenditures</u>				
Personal services	\$ 79,842	\$ -	\$ (79,842)	\$ 176,938
Contractual services	46,384	434,115	387,731	20,444
Commodities	190,649	-	(190,649)	137,630
Capital outlay	<u>49,131</u>	<u>-</u>	<u>(49,131)</u>	<u>113,823</u>
Total expenditures	\$ <u>366,006</u>	\$ <u>434,115</u>	\$ <u>68,109</u>	\$ <u>448,835</u>
Revenues over (under) expenditures	\$ 35,271	\$ (14,115)	\$ (49,386)	\$ (55,460)
Fund balance, beginning	<u>155,040</u>	<u>205,229</u>	<u>(50,189)</u>	<u>210,500</u>
Fund balance, ending	\$ <u>190,311</u>	\$ <u>191,114</u>	\$ <u>(803)</u>	\$ <u>155,040</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
STREET MAINTENANCE FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	<u>\$ 182,180</u>	<u>\$ 158,568</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	<u>\$ 7,120</u>	<u>\$ 2,464</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 175,060</u>	<u>\$ 156,104</u>
 Total liabilities and fund balance	 <u>\$ 182,180</u>	 <u>\$ 158,568</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Taxes:				
Franchise tax	<u>\$ 105,222</u>	<u>\$ 100,000</u>	<u>\$ 5,222</u>	<u>\$ 105,906</u>
 <u>Expenditures</u>				
Commodities	\$ 86,266	\$ 100,000	\$ 13,734	\$ 100,000
Capital outlay	-	-	-	-
 Total expenditures	 <u>\$ 86,266</u>	 <u>\$ 100,000</u>	 <u>\$ 13,734</u>	 <u>\$ 100,000</u>
 Revenues over (under) expenditures	 \$ 18,956	 \$ -	 \$ 18,956	 \$ 5,906
 Fund balance, beginning	 <u>156,104</u>	 <u>143,359</u>	 <u>12,745</u>	 <u>150,198</u>
 Fund balance, ending	 <u>\$ 175,060</u>	 <u>\$ 143,359</u>	 <u>\$ 31,701</u>	 <u>\$ 156,104</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
ALCOHOL PROGRAM FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>3,040</u>	\$ <u>5,422</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ _____	\$ _____
 <u>Fund balance</u>		
Undesignated	\$ <u>3,040</u>	\$ <u>5,422</u>
Total liabilities and fund balance	\$ <u>3,040</u>	\$ <u>5,422</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable <u>(Unfavorable)</u>	2004 <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
State	\$ 9,618	\$ 12,000	\$ (2,382)	\$ 11,981
Charges for services	-	-	-	-
Miscellaneous	_____	_____	_____	_____
Total revenues	\$ <u>9,618</u>	\$ <u>12,000</u>	\$ <u>(2,382)</u>	\$ <u>11,981</u>
 <u>Expenditures</u>				
Contractual services	\$ 12,000	\$ 12,000	\$ -	\$ 10,250
Commodities	_____	_____	_____	_____
Total expenditures	\$ <u>12,000</u>	\$ <u>12,000</u>	\$ _____	\$ <u>10,250</u>
Revenues over (under) expenditures	\$ (2,382)	\$ -	\$ (2,382)	\$ 1,731
Fund balance, beginning	_____ 5,422	_____ 2,690	_____ 2,732	_____ 3,691
Fund balance, ending	\$ <u>3,040</u>	\$ <u>2,690</u>	\$ <u>350</u>	\$ <u>5,422</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
SPECIAL RECREATION AND PARK FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>22,945</u>	\$ <u>20,177</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>1,750</u>	\$ <u>-</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>21,195</u>	\$ <u>20,177</u>
 Total liabilities and fund balance	 \$ <u>22,945</u>	 \$ <u>20,177</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	Variance- Favorable <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
State	\$ <u>9,618</u>	\$ <u>37,000</u>	\$ <u>(27,382)</u>	\$ <u>11,981</u>
 <u>Expenditures</u>				
Contractual services	\$ <u>7,000</u>	\$ <u>40,663</u>	\$ <u>33,663</u>	\$ <u>7,000</u>
Commodities	<u>1,600</u>	<u>1,600</u>	<u>-</u>	<u>6,886</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,781</u>
 Total expenditures	 \$ <u>8,600</u>	 \$ <u>42,263</u>	 \$ <u>33,663</u>	 \$ <u>23,667</u>
 Revenues over (under) expenditures	 \$ <u>1,018</u>	 \$ <u>(5,263)</u>	 \$ <u>6,281</u>	 \$ <u>(11,686)</u>
 Fund balance, beginning	 <u>20,177</u>	 <u>5,263</u>	 <u>14,914</u>	 <u>31,863</u>
 Fund balance, ending	 \$ <u>21,195</u>	 \$ <u>-</u>	 \$ <u>21,195</u>	 \$ <u>20,177</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
MEMORIAL HOSPITAL FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>13,313</u>	\$ <u>12,900</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ _____ -	\$ _____ -
 <u>Fund balance</u>		
Undesignated	\$ <u>13,313</u>	\$ <u>12,900</u>
Total liabilities and fund balance	\$ <u>13,313</u>	\$ <u>12,900</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>		
Taxes	\$ -	\$ -
Receipts from hospital	-	-
Use of money and property	413	267
Other	_____ -	_____ -
Total revenues	\$ <u>413</u>	\$ <u>267</u>
 <u>Expenditures</u>		
Bond principal	\$ -	\$ -
Bond interest	-	-
Contractual services	_____ -	_____ -
Total expenditures	\$ _____ -	\$ _____ -
Revenues over (under) expenditures	\$ 413	\$ 267
Fund balance, beginning	_____ <u>12,900</u>	_____ <u>12,633</u>
Fund balance, ending	\$ <u>13,313</u>	\$ <u>12,900</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
TOURISM FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 12,625	\$ 16,949
Accounts receivables		
Other entity	_____ -	_____ -
 Total assets	 <u>\$ 12,625</u>	 <u>\$ 16,949</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ 4,000	\$ 231
Due to other funds	-	-
Deferred revenue	_____ -	_____ -
 Total liabilities	 <u>\$ 4,000</u>	 <u>\$ 231</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 8,625</u>	<u>\$ 16,718</u>
 Total liabilities and fund balance	 <u>\$ 12,625</u>	 <u>\$ 16,949</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Transient guest tax	\$ 34,445	\$ 50,000	\$ (15,555)	\$ 39,774
Reimbursements and donations	_____ -	_____ -	_____ -	_____ -
 Total revenues	 <u>\$ 34,445</u>	 <u>\$ 50,000</u>	 <u>\$ (15,555)</u>	 <u>\$ 39,774</u>
 <u>Expenditures</u>				
Contractual services	\$ 33,781	\$ 55,000	\$ 21,219	\$ 41,327
Commodities	<u>8,757</u>	_____ -	<u>(8,757)</u>	<u>6,115</u>
 Total expenditures	 <u>\$ 42,538</u>	 <u>\$ 55,000</u>	 <u>\$ 12,462</u>	 <u>\$ 47,442</u>
Revenues over (under) expenditures	\$ (8,093)	\$ (5,000)	\$ (3,093)	\$ (7,668)
Fund balance, beginning	<u>16,718</u>	<u>6,542</u>	<u>10,176</u>	<u>24,386</u>
Fund balance, ending	<u>\$ 8,625</u>	<u>\$ 1,542</u>	<u>\$ 7,083</u>	<u>\$ 16,718</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
PROJECT INDEPENDENCE FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>123,951</u>	\$ <u>119,959</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>3,621</u>	\$ <u>3,735</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>120,330</u>	\$ <u>116,224</u>
 Total liabilities and fund balance	 \$ <u>123,951</u>	 \$ <u>119,959</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	Variance- Favorable (Unfavorable)	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Rent	\$ 24,263	\$ 69,000	\$ (44,737)	\$ 84,914
Deposits and service charges	590	250	340	490
H.U.D. voucher payments	91,839	-	91,839	39,490
Reimbursed expense	60	-	60	18
Grants	<u>-</u>	<u>60,000</u>	<u>(60,000)</u>	<u>3,569</u>
 Total revenues	 \$ <u>116,752</u>	 \$ <u>129,250</u>	 \$ <u>(12,498)</u>	 \$ <u>128,481</u>
 <u>Expenditures</u>				
Personnel	\$ 40,677	\$ -	\$ (40,677)	\$ 27,077
Contractual services	46,726	110,950	64,224	56,115
Commodities	9,795	-	(9,795)	4,814
Capital outlay	1,858	-	(1,858)	523
G.O. principal	9,978	9,978	-	9,466
Interest	<u>3,612</u>	<u>3,612</u>	<u>-</u>	<u>4,068</u>
 Total expenditures	 \$ <u>112,646</u>	 \$ <u>124,540</u>	 \$ <u>11,894</u>	 \$ <u>102,063</u>
 Revenues over (under) expenditures	 \$ 4,106	 \$ 4,710	 \$ (604)	 \$ 26,418
 Fund balance, beginning	 <u>116,224</u>	 <u>98,227</u>	 <u>17,997</u>	 <u>89,806</u>
 Fund balance, ending	 \$ <u>120,330</u>	 \$ <u>102,937</u>	 \$ <u>17,393</u>	 \$ <u>116,224</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
DARE PROGRAM FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>44,637</u>	\$ <u>29,895</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>-</u>	\$ <u>374</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>44,637</u>	\$ <u>29,521</u>
 Total liabilities and fund balance	 \$ <u>44,637</u>	 \$ <u>29,895</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>		
Donations	\$ 6,680	\$ 8,580
Other	<u>9,525</u>	<u>532</u>
 Total revenues	 \$ <u>16,205</u>	 \$ <u>9,112</u>
 <u>Expenditures</u>		
Commodities	\$ 1,089	\$ 15,543
Contractual services	<u>-</u>	<u>-</u>
 Total expenditures	 \$ <u>1,089</u>	 \$ <u>15,543</u>
 Revenues over (under) expenditures	 \$ 15,116	 \$ (6,431)
 Fund balance, beginning	 <u>29,521</u>	 <u>35,952</u>
 Fund balance, ending	 \$ <u>44,637</u>	 \$ <u>29,521</u>

Not subject to budget law per K.S.A. 12-1663.

Not subject to cash basis law per K.S.A. 12-1664.

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
ECONOMIC DEVELOPMENT FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>130,134</u>	\$ <u>85,353</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ _____ -	\$ _____ 416
 <u>Fund balance</u>		
Undesignated	\$ <u>130,134</u>	\$ <u>84,937</u>
 Total liabilities and fund balance	 \$ <u>130,134</u>	 \$ <u>85,353</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Taxes:				
Franchise tax	\$ 105,222	\$ 90,000	\$ 15,222	\$ 105,906
Reimbursements	_____ -	_____ -	_____ -	_____ 2,234
 Total revenues	 \$ <u>105,222</u>	 \$ <u>90,000</u>	 \$ <u>15,222</u>	 \$ <u>108,140</u>
 <u>Expenditures</u>				
Contractual services	\$ 60,025	\$ 90,000	\$ 29,975	\$ 71,854
Capital outlay	_____ -	_____ -	_____ -	_____ -
 Total expenditures	 \$ <u>60,025</u>	 \$ <u>90,000</u>	 \$ <u>29,975</u>	 \$ <u>71,854</u>
 Revenues over (under) expenditures	 \$ 45,197	 \$ -	 \$ 45,197	 \$ 36,286
 Fund balance, beginning	 _____ 84,937	 _____ 51,812	 _____ 33,125	 _____ 48,651
 Fund balance, ending	 \$ <u>130,134</u>	 \$ <u>51,812</u>	 \$ <u>78,322</u>	 \$ <u>84,937</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SPECIAL REVENUE FUND
COMMUNITY DEVELOPMENT GRANTS
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ <u>101,166</u>	\$ <u> -</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ 101,166	\$ -
Deferred revenue	<u> -</u>	<u> -</u>
Total liabilities	<u>\$ 101,166</u>	<u>\$ -</u>
 <u>Fund balance</u>		
Undesignated	\$ <u> -</u>	\$ <u> -</u>
Total liabilities and fund balances	<u>\$ 101,166</u>	<u>\$ -</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-ACTUAL
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>		
Federal grants	\$ 101,166	\$ -
State grants	<u> -</u>	<u> -</u>
Total revenues	<u>\$ 101,166</u>	<u>\$ -</u>
 <u>Expenditures</u>		
Contractual	\$ 101,166	\$ -
Capital outlay	<u> -</u>	<u> -</u>
Total expenditures	<u>\$ 101,166</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ -	\$ -
Fund balance, beginning	<u> -</u>	<u> -</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>

Not subject to budget law per K.S.A. 12-1663.

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
DEBT SERVICE FUND
BOND AND INTEREST FUND
BALANCE SHEET
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 198,437	\$ 56,495
Cash with fiscal agent	210,125	220,270
Receivables (net of allowance for doubtful accounts):		
Taxes	890,980	784,300
Special assessments	<u>492,114</u>	<u>626,224</u>
Total assets	<u>\$ 1,791,656</u>	<u>\$ 1,687,289</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ 86,105	\$ -
Matured bonds and coupons payable	210,125	220,270
Deferred revenue	<u>1,383,094</u>	<u>1,410,524</u>
Total liabilities	<u>\$ 1,679,324</u>	<u>\$ 1,630,794</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 112,332</u>	<u>\$ 56,495</u>
Total liabilities and fund balance	<u>\$ 1,791,656</u>	<u>\$ 1,687,289</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Ad valorem taxes	\$ 904,981	\$ 784,300	\$ 120,681	\$ 802,061
Special assessments	165,166	455,061	(289,895)	139,648
Motor vehicle tax	140,859	133,798	7,061	138,062
Reimbursements	273,094	55,000	218,094	398,382
Delinquent taxes	<u>25,507</u>	<u>25,087</u>	<u>420</u>	<u>-</u>
Total revenues	<u>\$ 1,509,607</u>	<u>\$ 1,453,246</u>	<u>\$ 56,361</u>	<u>\$ 1,478,153</u>
 <u>Other financing sources</u>				
Accrued interest on bond sale	\$ -	\$ -	\$ -	\$ 1,302
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302</u>
Total revenue and other financing sources	<u>\$ 1,509,607</u>	<u>\$ 1,453,246</u>	<u>\$ 56,361</u>	<u>\$ 1,479,455</u>
 <u>Expenditures</u>				
Debt service:				
Bond principal	\$ 1,163,759	\$ 1,163,759	\$ -	\$ 1,236,853
Bond interest	289,997	289,372	(625)	377,104
Commission and postage	<u>14</u>	<u>115</u>	<u>101</u>	<u>33</u>
Total expenditures	<u>\$ 1,453,770</u>	<u>\$ 1,453,246</u>	<u>\$ (524)</u>	<u>\$ 1,613,990</u>
Revenues and other financing sources over (under) expenditures	\$ 55,837	\$ -	\$ 55,837	\$ (134,535)
Fund balance, beginning	<u>56,495</u>	<u>-</u>	<u>56,495</u>	<u>191,030</u>
Fund balance, ending	<u>\$ 112,332</u>	<u>\$ -</u>	<u>\$ 112,332</u>	<u>\$ 56,495</u>

Not a budget violation due to reimbursed expense.

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUNDS
 December 31, 2005 and 2004

	Special Improvements Fund	Construction Fund Total	
			December 31,	
			2005	2004
<u>ASSETS</u>				
Cash and investments	\$ -	\$ 1,471,573	\$ 1,471,573	\$ 604,168
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1,471,573</u>	<u>\$ 1,471,573</u>	<u>\$ 604,168</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 645,494	\$ 645,494	\$ 522,420
Deferred revenue	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 645,494</u>	<u>\$ 645,494</u>	<u>\$ 522,420</u>
<u>Fund balance</u>				
Unreserved:				
Undesignated	<u>\$ -</u>	<u>\$ 826,079</u>	<u>\$ 826,079</u>	<u>\$ 81,748</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1,471,573</u>	<u>\$ 1,471,573</u>	<u>\$ 604,168</u>

COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 Years Ended December 31, 2005 and 2004

	Special Improvements Fund	Construction Fund Total	
			December 31,	
			2005	2004
<u>Revenues</u>				
Interest on investments	\$ -	\$ 17,836	\$ 17,836	\$ 8,879
State grant	-	355,894	355,894	308,564
Reimbursements	-	14,597	14,597	31,750
Federal grant	-	139,976	139,976	158,744
Other	-	-	-	30,255
Total revenues	<u>\$ -</u>	<u>\$ 528,303</u>	<u>\$ 528,303</u>	<u>\$ 538,192</u>
<u>Expenditures</u>				
Payments to contractors	\$ -	\$ 238,635	\$ 238,635	\$ 533,976
Engineering	-	613,853	613,853	275,109
Interest	-	51,319	51,319	43,734
Other construction costs	-	154,062	154,062	17,825
Equipment	-	159,103	159,103	180,677
Total expenditures	<u>\$ -</u>	<u>\$ 1,216,972</u>	<u>\$ 1,216,972</u>	<u>\$ 1,051,321</u>
<u>Other financing resources (uses)</u>				
Equity transfer to general	\$ (100,000)	\$ -	\$ (100,000)	\$ -
Sale of bonds	-	2,095,000	2,095,000	-
Sale of temporary notes	-	1,328,000	1,328,000	1,890,000
Retirement of temporary notes	-	(1,890,000)	(1,890,000)	(1,315,000)
CDBG loan proceeds	-	154,135	154,135	551,845
CDBG paid out	-	(154,135)	(154,135)	(551,845)
Discount and interest	-	-	-	709
CDBG reimbursement	-	21,539	21,539	-
CDBG principal & interest	-	(21,539)	(21,539)	-
Total sources (uses)	<u>\$ (100,000)</u>	<u>\$ 1,533,000</u>	<u>\$ 1,433,000</u>	<u>\$ 575,709</u>
Revenues over (under) expenditures and other sources (uses)	\$ (100,000)	\$ 844,331	\$ 744,331	\$ 62,580
Fund balance, beginning	100,000	(18,252)	81,748	19,168
Fund balance, ending	<u>\$ -</u>	<u>\$ 826,079</u>	<u>\$ 826,079</u>	<u>\$ 81,748</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
WATERWORKS FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and investments	\$ 346,911	\$ 585,887
Accounts receivable (net of allowance for uncollectibles \$317,382):		
Trade	<u>409,857</u>	<u>349,358</u>
Total current assets	<u>\$ 756,768</u>	<u>\$ 935,245</u>
<u>Restricted assets</u>		
Revenue bond debt service: cash and investments (Note 6)	\$ 30,369	\$ 46,496
Revenue bond reserve (Note 6): cash and investments	28,000	222,000
Reserved - Improvements	<u>46,035</u>	<u>46,035</u>
Total restricted assets	<u>\$ 104,404</u>	<u>\$ 314,531</u>
<u>Utility plant in service</u>		
Buildings and improvements	\$ 94,769	\$ 94,769
Meters, mains and service lines	1,659,996	1,525,907
Vehicles and equipment	1,669,083	1,661,327
Land	160,375	160,375
Water system update	1,750,855	1,750,855
Less: Accumulated depreciation	<u>(3,091,082)</u>	<u>(2,748,894)</u>
Total utility plant in service	<u>\$ 2,243,996</u>	<u>\$ 2,444,339</u>
Total assets	<u>\$ 3,105,168</u>	<u>\$ 3,694,115</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 88,147	\$ 64,690
Accrued interest	2,400	13,850
Current portion of revenue bonds payable - 1977C	24,000	24,000
Current portion of revenue bonds payable - Series 1995	<u>-</u>	<u>205,000</u>
Total current liabilities	<u>\$ 114,547</u>	<u>\$ 307,540</u>
<u>Non-current liabilities</u>		
Long-term portion of water revenue bonds payable, 5% interest payable semi-annually, due 1978-2008 - 1977C Series - 1995	\$ 24,000	\$ 48,000
Accrued compensated absences	<u>152,477</u>	<u>166,067</u>
Total non-current liabilities	<u>\$ 176,477</u>	<u>\$ 214,067</u>
Total liabilities	<u>\$ 291,024</u>	<u>\$ 521,607</u>
<u>NET ASSETS</u>		
Restricted:		
Debt service	\$ 30,369	\$ 46,496
Bond retirement	28,000	222,000
Water system improvements	<u>46,035</u>	<u>46,035</u>
Total restricted	<u>\$ 104,404</u>	<u>\$ 314,531</u>
Invested in capital assets, net of related debt	2,195,996	2,167,339
Unrestricted	<u>513,744</u>	<u>690,638</u>
Total net assets	<u>\$ 2,814,144</u>	<u>\$ 3,172,508</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
WATERWORKS FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating revenues</u>		
Water sales	\$ 2,151,379	\$ 2,017,417
Connection fees	50,988	63,654
Permits	1,789	1,969
Penalties and credits	17,402	15,798
Other revenue	<u>45,629</u>	<u>45,889</u>
 Total operating revenues	 <u>\$ 2,267,187</u>	 <u>\$ 2,144,727</u>
 <u>Operating expenses</u>		
General government	\$ 410,636	\$ 427,128
Supervision	135,949	127,312
Pumping and supply	770,542	668,956
Meter reading	131,000	125,713
Distribution	416,479	351,811
Reimbursed expense	(101,601)	(1,439)
Depreciation	<u>342,189</u>	<u>334,709</u>
 Total operating expense	 <u>\$ 2,105,194</u>	 <u>\$ 2,034,190</u>
 Income from operations	 <u>\$ 161,993</u>	 <u>\$ 110,537</u>
 <u>Non-operating revenues (expense)</u>		
Interest earned	\$ 29,821	\$ 25,689
Interest expense and fees	(36,023)	(52,375)
Payment of G.O. Bonds	<u>(100,338)</u>	<u>(95,288)</u>
 Total non-operating revenues (expense)	 <u>\$ (106,540)</u>	 <u>\$ (121,974)</u>
 Income before operating transfers	 55,453	 (11,437)
 Operating transfers in (out) (Note 1-H)	 <u>\$ (413,817)</u>	 <u>\$ (295,000)</u>
 Change in net assets	 \$ (358,364)	 \$ (306,437)
 Net assets at beginning of year	 3,172,508	 6,077,210
 Prior period adjustment (note 20)	 <u> -</u>	 <u>(2,598,265)</u>
 Net assets at end of year	 <u>\$ 2,814,144</u>	 <u>\$ 3,172,508</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
WATERWORKS FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 2,206,688	\$ 2,184,382
Payments to suppliers	(961,948)	(990,919)
Payments to employees	<u>(791,190)</u>	<u>(736,778)</u>
Net cash provided by operating activities	<u>\$ 453,550</u>	<u>\$ 456,685</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	<u>\$ (413,817)</u>	<u>\$ (295,000)</u>
Net cash used by noncapital financing activities	<u>\$ (413,817)</u>	<u>\$ (295,000)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ (141,845)	\$ (204,491)
Principal paid on bonds	(329,339)	(328,288)
Interest and fees paid on bonds	<u>(47,473)</u>	<u>(63,815)</u>
Net cash used by capital and related financing activities	<u>\$ (518,657)</u>	<u>\$ (596,594)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ 29,821	\$ 25,689
Other	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 29,821</u>	<u>\$ 25,689</u>
Net increase (decrease) in cash	\$ (449,103)	\$ (409,220)
Cash at beginning of year	<u>900,418</u>	<u>1,309,638</u>
Cash at end of year	<u>\$ 451,315</u>	<u>\$ 900,418</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 346,911	\$ 585,887
Restricted cash - Revenue bond debt service	30,369	46,496
Restricted cash - Revenue bond reserve	28,000	222,000
Restricted cash - Improvements	<u>46,035</u>	<u>46,035</u>
Total cash and investments	<u>\$ 451,315</u>	<u>\$ 900,418</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 161,993	\$ 110,537
(Increase) decrease in accounts receivable	(60,499)	39,655
Increase (decrease) in accounts payable	9,867	(28,216)
Depreciation	<u>342,189</u>	<u>334,709</u>
Net cash provided by operating activities	<u>\$ 453,550</u>	<u>\$ 456,685</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
WATERWORKS FUND
BUDGETARY ACCOUNTS
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Water sales	\$ 2,024,809	\$ 2,300,000	\$ (275,191)	\$ 1,984,728
Connect and disconnect	50,988	46,000	4,988	63,654
Non-metered sales	<u>5,174</u>	<u>1,150</u>	<u>4,024</u>	<u>3,785</u>
Total charge for services	<u>\$ 2,080,971</u>	<u>\$ 2,347,150</u>	<u>\$ (266,179)</u>	<u>\$ 2,052,167</u>
License and permits:				
Plumbing permits	<u>\$ 1,789</u>	<u>\$ 3,000</u>	<u>\$ (1,211)</u>	<u>\$ 1,969</u>
Fines and forfeits:				
Penalties	<u>\$ 17,402</u>	<u>\$ 20,000</u>	<u>\$ (2,598)</u>	<u>\$ 15,798</u>
Use of money and property:				
Interest income	<u>\$ 29,821</u>	<u>\$ 40,000</u>	<u>\$ (10,179)</u>	<u>\$ 25,689</u>
Miscellaneous:				
Sales tax	\$ 41,334	\$ 35,000	\$ 6,334	\$ 49,825
State fee	19,563	17,750	1,813	18,734
Miscellaneous	45,629	51,950	(6,321)	45,889
Reimbursements	<u>101,601</u>	<u>-</u>	<u>101,601</u>	<u>1,439</u>
Total miscellaneous	<u>\$ 208,127</u>	<u>\$ 104,700</u>	<u>\$ 103,427</u>	<u>\$ 115,887</u>
Total revenues	<u>\$ 2,338,110</u>	<u>\$ 2,514,850</u>	<u>\$ (176,740)</u>	<u>\$ 2,211,510</u>
<u>Expenditures</u>				
General government	\$ 424,226	\$ 444,536	\$ 20,310	\$ 419,851
Supervision	135,949	151,979	16,030	127,312
Pumping and supply	770,542	624,934	(145,608)	668,956
Meter reading	131,000	133,401	2,401	125,713
Distribution	416,479	381,734	(34,745)	351,811
Capital outlay	141,845	167,576	25,731	204,491
subtotal	<u>\$ 2,020,041</u>	<u>\$ 1,904,160</u>	<u>\$ (115,881)</u>	<u>\$ 1,898,134</u>
Debt service:				
Principal	\$ 329,338	\$ 329,339	\$ 1	\$ 328,288
Interest and fees	47,473	48,115	642	63,815
Total debt service	<u>\$ 376,811</u>	<u>\$ 377,454</u>	<u>\$ 643</u>	<u>\$ 392,103</u>
Total expenditures	<u>\$ 2,396,852</u>	<u>\$ 2,281,614</u>	<u>\$ (115,238)</u>	<u>\$ 2,290,237</u>
Revenues over (under) expenditures	\$ (58,742)	\$ 233,236	\$ (291,978)	\$ (78,727)
Other financing sources:				
Operating transfer in (out) (Note 1-H)	<u>(413,817)</u>	<u>(430,000)</u>	<u>16,183</u>	<u>(295,000)</u>
Revenues and other sources over (under) expenditures	\$ (472,559)	\$ (196,764)	\$ (275,795)	\$ (373,727)
Fund balance, beginning	<u>835,728</u>	<u>1,068,202</u>	<u>(232,474)</u>	<u>1,209,455</u>
Fund balance, ending	<u>\$ 363,169</u>	<u>\$ 871,438</u>	<u>\$ (508,269)</u>	<u>\$ 835,728</u>

Not a budget violation due to reimbursed expenses of \$101,601.

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SEWAGE DISPOSAL AND TREATMENT PLANT FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>Current assets</u>		
Cash and investments	\$ 1,682,757	\$ 1,314,545
Receivables (net of allowance for uncollectibles)	<u>221,995</u>	<u>209,929</u>
Total current assets	<u>\$ 1,904,752</u>	<u>\$ 1,524,474</u>
<u>Restricted assets</u>		
Debt service:		
Cash and investments	\$ -	\$ -
<u>Other assets</u>		
Utility plant in service	\$ 4,838,136	\$ 4,838,136
Other equipment	75,901	24,440
Less accumulated depreciation	<u>(1,417,766)</u>	<u>(1,168,269)</u>
Total other assets	<u>\$ 3,496,271</u>	<u>\$ 3,694,307</u>
Total assets	<u>\$ 5,401,023</u>	<u>\$ 5,218,781</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 47,126	\$ 51,015
Accrued interest	45,735	53,546
Current portion of KDHE loan	<u>229,659</u>	<u>221,849</u>
Total current liabilities	<u>\$ 322,520</u>	<u>\$ 326,410</u>
<u>Non-current liabilities</u>		
Long-term portion of KDHE loan	\$ 1,137,720	\$ 1,367,380
Accrued compensated absences	<u>72,041</u>	<u>76,294</u>
Total non-current liabilities	<u>\$ 1,209,761</u>	<u>\$ 1,443,674</u>
Total liabilities	<u>\$ 1,532,281</u>	<u>\$ 1,770,084</u>
<u>NET ASSETS</u>		
Contributed capital	\$ 349,070	\$ 349,070
Invested in capital assets, net of related debt	2,128,892	2,105,078
Unrestricted	<u>1,390,780</u>	<u>994,549</u>
Total net assets	<u>\$ 3,868,742</u>	<u>\$ 3,448,697</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SEWAGE DISPOSAL AND TREATMENT PLANT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating revenues</u>		
Sewer service charges	\$ 1,839,146	\$ 1,681,985
Taps	_____ -	_____ -
 Total operating revenues	 <u>\$ 1,839,146</u>	 <u>\$ 1,681,985</u>
<u>Operating expenses</u>		
General government	\$ 259,890	\$ 379,647
Supervision	63,821	63,314
Disposal and treatment	349,688	367,286
Collection	202,520	133,783
Reimbursed expenses	(64)	(8,604)
Depreciation	<u>249,497</u>	<u>244,351</u>
 Total operating expenses	 <u>\$ 1,125,352</u>	 <u>\$ 1,179,777</u>
 Operating income (loss) (Note 2)	 <u>\$ 713,794</u>	 <u>\$ 502,208</u>
<u>Non-operating revenues (expenses)</u>		
Interest earned	\$ 32,989	\$ 21,773
Interest expense and fees	(74,542)	(87,118)
Payment of G.O. bond	(87,196)	(82,206)
Noncash reduction of KDHE loan	_____ -	_____ -
 Total non-operating revenues (expenses)	 <u>\$ (128,749)</u>	 <u>\$ (147,551)</u>
 Income before operating transfers	 \$ 585,045	 \$ 354,657
 Operating transfers in (out) (Note 1-H)	 <u>(165,000)</u>	 <u>(75,000)</u>
 Change in net assets	 \$ 420,045	 \$ 279,657
 Net assets at beginning of year	 3,448,697	 4,212,936
 Prior period adjustment (note 20)	 <u>_____ -</u>	 <u>(1,043,896)</u>
 Net assets at end of year	 <u>\$ 3,868,742</u>	 <u>\$ 3,448,697</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SEWAGE DISPOSAL AND TREATMENT PLANT FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,827,080	\$ 1,670,778
Payments to suppliers	(502,953)	(438,586)
Payments to employees	<u>(381,044)</u>	<u>(464,364)</u>
Net cash provided by operating activities	<u>\$ 943,083</u>	<u>\$ 767,828</u>
Cash flows from non-capital financing activities:		
Operating transfers in (out)	<u>\$ (165,000)</u>	<u>\$ (75,000)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ (51,461)	\$ (24,440)
Principal paid on bonds	(87,196)	(82,206)
Interest and fees paid on bonds	(32,644)	(37,906)
KDHE loan principal	(221,849)	(214,893)
KDHE loan interest	<u>(49,710)</u>	<u>(56,167)</u>
Net cash provided by capital and related financing activities	<u>\$ (442,860)</u>	<u>\$ (415,612)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	<u>\$ 32,989</u>	<u>\$ 21,773</u>
Net cash used by investing activities	<u>\$ 32,989</u>	<u>\$ 21,773</u>
Net increase (decrease) in cash	\$ 368,212	\$ 298,989
Cash at beginning of year	<u>1,314,545</u>	<u>1,015,556</u>
Cash at end of year	<u>\$ 1,682,757</u>	<u>\$ 1,314,545</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 1,682,757</u>	<u>\$ 1,314,545</u>
Total cash and investments	<u>\$ 1,682,757</u>	<u>\$ 1,314,545</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 713,794	\$ 502,208
(Increase) decrease in accounts receivable	(12,066)	(11,207)
Increase (decrease) in accounts payable	(8,142)	32,476
Depreciation	<u>249,497</u>	<u>244,351</u>
Net cash provided by operating activities	<u>\$ 943,083</u>	<u>\$ 767,828</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SEWAGE DISPOSAL AND TREATMENT PLANT FUND
BUDGETARY ACCOUNTS
Years Ended December 31, 2005 and 2004

	<u>2005</u> <u>Actual</u>	<u>2005</u> <u>Budget</u>	Variance- Favorable (Unfavorable)	<u>2004</u> <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Sewer service	\$ 1,827,080	\$ 1,600,000	\$ 227,080	\$ 1,670,778
Sewer taps	<u> -</u>	<u> 350</u>	<u> (350)</u>	<u> -</u>
Total charge for services	<u>\$ 1,827,080</u>	<u>\$ 1,600,350</u>	<u>\$ 226,730</u>	<u>\$ 1,670,778</u>
Use of money and property:				
Interest	\$ 32,989	\$ 20,000	\$ 12,989	\$ 21,773
Miscellaneous:				
Reimbursements	\$ 64	\$ 2,000	\$ (1,936)	\$ 8,604
Total revenues	<u>\$ 1,860,133</u>	<u>\$ 1,622,350</u>	<u>\$ 237,783</u>	<u>\$ 1,701,155</u>
<u>Expenditures</u>				
General government	\$ 264,143	\$ 274,725	\$ 10,582	\$ 362,830
Supervision	63,821	79,696	15,875	63,314
Disposal and treatment	349,688	368,771	19,083	367,286
Collection	202,520	150,335	(52,185)	133,783
Capital outlay	<u>51,461</u>	<u>64,908</u>	<u>13,447</u>	<u>24,440</u>
	<u>\$ 931,633</u>	<u>\$ 938,435</u>	<u>\$ 6,802</u>	<u>\$ 951,653</u>
Debt service:				
Principal	\$ 87,196	\$ 87,196	\$ -	\$ 82,206
Interest	28,806	28,806	-	33,568
State revolving loan principal	221,849	221,850	1	214,893
State revolving loan interest	49,710	49,710	-	56,167
Fiscal agency fees	<u>3,838</u>	<u>3,836</u>	<u>(2)</u>	<u>4,338</u>
Total debt service	<u>\$ 391,399</u>	<u>\$ 391,398</u>	<u>\$ (1)</u>	<u>\$ 391,172</u>
Total expenditures	<u>\$ 1,323,032</u>	<u>\$ 1,329,833</u>	<u>\$ 6,801</u>	<u>\$ 1,342,825</u>
Revenues over (under) expenditures	<u>\$ 537,101</u>	<u>\$ 292,517</u>	<u>\$ 244,584</u>	<u>\$ 358,330</u>
<u>Other financing sources (uses)</u>				
Operating transfer in (out) (Note 1-H)	\$ (165,000)	\$ (165,000)	\$ -	\$ (75,000)
Total other financing sources (uses)	<u>\$ (165,000)</u>	<u>\$ (165,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>
Revenues and other sources over expenditures	\$ 372,101	\$ 127,517	\$ 244,584	\$ 283,330
Fund balance, beginning	<u>1,263,530</u>	<u>1,250,031</u>	<u>13,499</u>	<u>980,200</u>
Fund balance, ending	<u>\$ 1,635,631</u>	<u>\$ 1,377,548</u>	<u>\$ 258,083</u>	<u>\$ 1,263,530</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SANITATION FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>Current assets</u>		
Cash and investments	\$ 233,318	\$ 207,051
Receivables (net of allowance for uncollectibles)	<u>136,906</u>	<u>136,947</u>
 Total current assets	 <u>\$ 370,224</u>	 <u>\$ 343,998</u>
<u>Fixed assets</u>		
Motor vehicles	\$ 413,080	\$ 413,080
Building and improvements	173,983	173,983
Other equipment	596,307	505,362
Less accumulated depreciation	<u>(731,682)</u>	<u>(622,044)</u>
 Total fixed assets	 <u>\$ 451,688</u>	 <u>\$ 470,381</u>
 Total assets	 <u>\$ 821,912</u>	 <u>\$ 814,379</u>
 <u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>90,652</u>	\$ <u>46,085</u>
 Total current liabilities	 <u>\$ 90,652</u>	 <u>\$ 46,085</u>
<u>Non-current liabilities</u>		
Accrued compensated absences	\$ <u>85,494</u>	\$ <u>79,043</u>
 Total non-current liabilities	 <u>\$ 85,494</u>	 <u>\$ 79,043</u>
 Total liabilities	 <u>\$ 176,146</u>	 <u>\$ 125,128</u>
 <u>NET ASSETS</u>		
Contributed capital	\$ 120,875	\$ 120,875
Invested in capital assets, net of related debt	451,688	470,381
Unrestricted	<u>73,203</u>	<u>97,995</u>
 Total net assets	 <u>\$ 645,766</u>	 <u>\$ 689,251</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SANITATION FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating revenues</u>		
Collections	\$ 1,178,302	\$ 1,158,634
Miscellaneous	<u>8,372</u>	<u>6,216</u>
Total operating revenues	<u>\$ 1,186,674</u>	<u>\$ 1,164,850</u>
<u>Operating expenses</u>		
General government	\$ 193,941	\$ 190,729
Supervision	39,248	32,257
Sanitation	805,695	786,615
Reimbursed expenses	(187)	(1,766)
Depreciation	<u>109,638</u>	<u>100,543</u>
Total operating expenses	<u>\$ 1,148,335</u>	<u>\$ 1,108,378</u>
Operating income (loss) (Note 2)	<u>\$ 38,339</u>	<u>\$ 56,472</u>
<u>Non-operating revenues (expense)</u>		
Interest earned	\$ 3,726	\$ 6,956
Certificates of participation	(10,000)	(9,675)
Interest expense and fees	<u>(550)</u>	<u>(1,375)</u>
Total non-operating revenues (expense)	<u>\$ (6,824)</u>	<u>\$ (4,094)</u>
Income before operating transfers	\$ 31,515	\$ 52,378
Operating transfers in (out) (Note 1-H)	<u>(75,000)</u>	<u>(75,000)</u>
Change in net assets	\$ (43,485)	\$ (22,622)
Net assets, beginning of year	<u>689,251</u>	<u>1,312,791</u>
Prior period adjustment (note 20)	<u>-</u>	<u>(600,918)</u>
Net assets, end of year	<u>\$ 645,766</u>	<u>\$ 689,251</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SANITATION FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,186,715	\$ 1,161,048
Payments to suppliers	(569,251)	(604,708)
Payments to employees	<u>(418,428)</u>	<u>(409,967)</u>
Net cash provided by operating activities	<u>\$ 199,036</u>	<u>\$ 146,373</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	\$ (90,945)	\$ (49,423)
Certificates of participation	-	-
Interest paid - Certificates of participation	(550)	(1,375)
Principal paid - Certificates of participation	<u>(10,000)</u>	<u>(9,675)</u>
Net cash used by capital and related financing activities	<u>\$ (101,495)</u>	<u>\$ (60,473)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	<u>\$ 3,726</u>	<u>\$ 6,956</u>
Net cash provided by investing activities	<u>\$ 3,726</u>	<u>\$ 6,956</u>
Net increase (decrease) in cash	\$ 26,267	\$ 17,856
Cash at beginning of year	<u>207,051</u>	<u>189,195</u>
Cash at end of year	<u>\$ 233,318</u>	<u>\$ 207,051</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 233,318	\$ 207,051
Restricted cash - Revenue bond debt service	-	-
Restricted cash - Revenue bond reserve	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 233,318</u>	<u>\$ 207,051</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 38,339	\$ 56,472
(Increase) decrease in accounts receivable	41	(3,802)
Increase (decrease) in accounts payable	51,018	(6,840)
Depreciation	<u>109,638</u>	<u>100,543</u>
Net cash provided by operating activities	<u>\$ 199,036</u>	<u>\$ 146,373</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
SANITATION FUND
BUDGETARY ACCOUNTS
Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Collections	\$ 1,178,343	\$ 1,200,000	\$ (21,657)	\$ 1,154,832
Use of money and property:				
Interest income	\$ 3,726	\$ 5,000	\$ (1,274)	\$ 6,956
Miscellaneous:				
Reimbursements	\$ 187	\$ 2,500	\$ (2,313)	\$ 1,766
Other	<u>8,372</u>	<u>11,000</u>	<u>(2,628)</u>	<u>6,216</u>
Total revenues	<u>\$ 1,190,628</u>	<u>\$ 1,218,500</u>	<u>\$ (27,872)</u>	<u>\$ 1,169,770</u>
<u>Expenditures</u>				
General government	\$ 187,490	\$ 241,525	\$ 54,035	\$ 191,103
Supervision	39,248	-	(39,248)	32,257
Sanitation	805,695	915,735	110,040	786,615
Capital outlay	<u>90,945</u>	<u>-</u>	<u>(90,945)</u>	<u>49,423</u>
Subtotal	<u>1,123,378</u>	<u>\$ 1,157,260</u>	<u>\$ 33,882</u>	<u>\$ 1,059,398</u>
Debt service:				
Principal	\$ 10,000	\$ -	\$ (10,000)	\$ 9,675
Interest and fees	<u>550</u>	<u>-</u>	<u>(550)</u>	<u>1,375</u>
Total debt service	<u>\$ 10,550</u>	<u>\$ -</u>	<u>\$ (10,550)</u>	<u>\$ 11,050</u>
Total expenditures	<u>\$ 1,133,928</u>	<u>\$ 1,157,260</u>	<u>\$ 23,332</u>	<u>\$ 1,070,448</u>
Revenues over (under) expenditures	\$ 56,700	\$ 61,240	\$ (4,540)	\$ 99,322
<u>Other financing sources (uses)</u>				
Operating transfer in (out) (Note 1-H)	\$ (75,000)	\$ (75,000)	\$ -	\$ (75,000)
Revenues and other sources over (under) expenditures	\$ (18,300)	\$ (13,760)	\$ (4,540)	\$ 24,322
Fund balance, beginning	<u>160,966</u>	<u>130,967</u>	<u>29,999</u>	<u>136,644</u>
Fund balance, ending	<u>\$ 142,666</u>	<u>\$ 117,207</u>	<u>\$ 25,459</u>	<u>\$ 160,966</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
STORM SEWER FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>Current assets</u>		
Cash and investments	\$ 176,161	\$ 146,371
Receivables (net of allowance for uncollectibles)	<u>22,091</u>	<u>16,875</u>
Total current assets	<u>\$ 198,252</u>	<u>\$ 163,246</u>
<u>Restricted assets</u>		
Debt service:		
Cash and investments	\$ _____	\$ _____
<u>Fixed assets</u>		
Utility plant in service	\$ 16,178	\$ 16,178
Less accumulated depreciation	<u>(9,707)</u>	<u>(8,898)</u>
Total fixed assets	<u>\$ 6,471</u>	<u>\$ 7,280</u>
Total assets	<u>\$ 204,723</u>	<u>\$ 170,526</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 5,625	\$ 265
Total liabilities	<u>\$ 5,625</u>	<u>\$ 265</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	\$ 6,471	\$ 7,280
Unrestricted	<u>192,627</u>	<u>162,981</u>
Total net assets	<u>\$ 199,098</u>	<u>\$ 170,261</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating revenues</u>		
Service charge	\$ 136,677	\$ 130,668
<u>Operating expenses</u>		
Public works	\$ 110,512	\$ 160,000
Reimbursed expenses	-	-
Depreciation	<u>809</u>	<u>809</u>
Total operating expenses	<u>\$ 111,321</u>	<u>\$ 160,809</u>
Operating income (loss) (Note 2)	<u>\$ 25,356</u>	<u>\$ (30,141)</u>
<u>Non-operating revenues (expense)</u>		
Interest earned	\$ 3,481	\$ 1,590
Interest expense and fees	-	-
Total non-operating revenues (expenses)	<u>\$ 3,481</u>	<u>\$ 1,590</u>
Income before operating transfers	\$ 28,837	\$ (28,551)
Operating transfers in (out) (Note 1-H)	-	-
Change in net assets	\$ 28,837	\$ (28,551)
Net assets beginning of year	<u>170,261</u>	<u>206,901</u>
Prior period adjustment (note 20)	-	<u>(8,089)</u>
Net assets end of year	<u>\$ 199,098</u>	<u>\$ 170,261</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
STORM SEWER FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 131,461	\$ 130,086
Payments to suppliers	<u>(105,152)</u>	<u>(162,230)</u>
Net cash provided by operating activities	<u>\$ 26,309</u>	<u>\$ (32,144)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ -	\$ -
Principal paid on bonds	-	-
Interest and fees paid on bonds	-	-
Other	<u>-</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ 3,481	\$ 1,590
Other	<u>-</u>	<u>-</u>
Net cash from investing activities	<u>\$ 3,481</u>	<u>\$ 1,590</u>
Net increase (decrease) in cash	\$ 29,790	\$ (30,554)
Cash at beginning of year	<u>146,371</u>	<u>176,925</u>
Cash at end of year	<u>\$ 176,161</u>	<u>\$ 146,371</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 176,161	\$ 146,371
Restricted cash - Revenue bond debt service	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 176,161</u>	<u>\$ 146,371</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 25,356	\$ (30,141)
(Increase) decrease in accounts receivable	(5,216)	(582)
Increase (decrease) in accounts payable	5,360	(2,230)
Depreciation	<u>809</u>	<u>809</u>
Net cash provided by operating activities	<u>\$ 26,309</u>	<u>\$ (32,144)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
STORM SEWER FUND
BUDGETARY ACCOUNTS
For The Years Ended December 31, 2005 and 2004

	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Service charges	\$ 131,461	\$ 130,000	\$ 1,461	\$ 130,086
Use of money and property:				
Interest	3,481	3,000	481	1,590
Miscellaneous:				
Reimbursements	-	-	-	-
Total revenues	\$ 134,942	\$ 133,000	\$ 1,942	\$ 131,676
<u>Expenditures</u>				
Public works	\$ 110,512	\$ 120,000	\$ 9,488	\$ 160,000
Revenues over (under) expenditures	\$ 24,430	\$ 13,000	\$ 11,430	\$ (28,324)
Fund balance, beginning	146,106	145,542	564	174,430
Fund balance, ending	\$ 170,536	\$ 158,542	\$ 11,994	\$ 146,106

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
ENTERPRISE FUND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

	<u>Insurance Fund</u>	<u>Equipment Reserve Fund</u>	<u>Total 2005</u>	<u>Total 2004</u>
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 275,486	\$ 192,836	\$ 468,322	\$ 459,431
<u>Fixed Assets</u>				
Equipment	\$ -	\$ 559,030	\$ 559,030	\$ 400,486
Less accumulated depreciation	-	(122,957)	(122,957)	(67,053)
Total fixed assets	\$ -	\$ 436,073	\$ 436,073	\$ 333,433
Total assets	<u>\$ 275,486</u>	<u>\$ 628,909</u>	<u>\$ 904,395</u>	<u>\$ 792,864</u>
LIABILITIES				
<u>Current Liabilities</u>				
Accounts payable	\$ -	\$ 104,937	\$ 104,937	\$ 61,747
NET ASSETS				
Invested in capital assets	\$ -	\$ 436,073	\$ 436,073	\$ 333,433
Unrestricted	275,486	87,899	363,385	397,684
Total net assets	<u>\$ 275,486</u>	<u>\$ 523,972</u>	<u>\$ 799,458</u>	<u>\$ 731,117</u>

COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
For The Years Ending December 31, 2005 and 2004

	<u>Insurance Fund</u>	<u>Equipment Reserve Fund</u>	<u>Total 2005</u>	<u>Total 2004</u>
<u>Operating revenues</u>				
Charge for service	\$ 1,095,836	\$ -	\$ 1,095,836	\$ 1,263,904
Insurance	202,955	-	202,955	206,073
Total operating revenues	<u>\$ 1,298,791</u>	<u>\$ -</u>	<u>\$ 1,298,791</u>	<u>\$ 1,469,977</u>
<u>Operating expenses</u>				
Contractual services	\$ 1,325,171	\$ -	\$ 1,325,171	\$ 1,397,975
Depreciation	-	55,903	55,903	40,048
Reimbursed expenses	-	(55,747)	(55,747)	(32,064)
Total operating expenses	<u>\$ 1,325,171</u>	<u>\$ 156</u>	<u>\$ 1,325,327</u>	<u>\$ 1,405,959</u>
Revenues over (under) expenses	<u>\$ (26,380)</u>	<u>\$ (156)</u>	<u>\$ (26,536)</u>	<u>\$ 64,018</u>
<u>Non-operating revenues (expenses)</u>				
Operating transfer out	\$ -	\$ -	\$ -	\$ -
Interest	-	3,212	3,212	1,215
Proceeds from lease obligation	-	91,665	91,665	114,468
Non-operating revenues over (under) expenses	<u>\$ -</u>	<u>\$ 94,877</u>	<u>\$ 94,877</u>	<u>\$ 115,683</u>
Change in net assets	\$ (26,380)	\$ 94,721	\$ 68,341	\$ 179,701
Net assets at beginning of year	301,866	429,251	731,117	578,421
Prior period adjustment	-	-	-	(27,005)
Net assets at end of year	<u>\$ 275,486</u>	<u>\$ 523,972</u>	<u>\$ 799,458</u>	<u>\$ 731,117</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
INTERNAL SERVICES FUND
INSURANCE FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>Current assets</u>		
Cash and investments	\$ <u>275,486</u>	\$ <u>301,866</u>
 <u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>-</u>	\$ <u>-</u>
 <u>NET ASSETS</u>		
Unrestricted	\$ <u>275,486</u>	\$ <u>301,866</u>
 Total net assets	 \$ <u>275,486</u>	 \$ <u>301,866</u>

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Operating revenues</u>		
Charge for services	\$ 1,095,836	\$ 1,263,904
Insurance	<u>202,955</u>	<u>206,073</u>
 Total operating revenues	 \$ <u>1,298,791</u>	 \$ <u>1,469,977</u>
 <u>Operating expenses</u>		
Contractual services	\$ <u>1,325,171</u>	\$ <u>1,397,975</u>
 Income before operating transfers	 \$ (26,380)	 \$ 72,002
 Operating transfers in (out) (Note 1-H)	 <u>-</u>	 <u>-</u>
 Change in net assets	 \$ (26,380)	 \$ 72,002
 Net assets at beginning of year	 <u>301,866</u>	 <u>229,864</u>
 Net assets at end of year	 \$ <u>275,486</u>	 \$ <u>301,866</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
INTERNAL SERVICES
INSURANCE FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,298,791	\$ 1,469,977
Payments to suppliers	(1,325,171)	(1,397,975)
Payments to employees	<u> -</u>	<u> -</u>
Net cash provided by operating activities	<u>\$ (26,380)</u>	<u>\$ 72,002</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	<u>\$ -</u>	<u>\$ -</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ -	\$ -
Principal paid on bonds	-	-
Interest and fees paid on bonds	-	-
Other	<u> -</u>	<u> -</u>
Net cash provided by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ -	\$ -
Other	<u> -</u>	<u> -</u>
Net cash provided by investing activities	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash	\$ (26,380)	\$ 72,002
Cash at beginning of year	<u>301,866</u>	<u>229,864</u>
Cash at end of year	<u>\$ 275,486</u>	<u>\$ 301,866</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 275,486</u>	<u>\$ 301,866</u>
Total cash and investments	<u>\$ 275,486</u>	<u>\$ 301,866</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
INTERNAL SERVICES FUND
EQUIPMENT RESERVE FUND
STATEMENTS OF NET ASSETS
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ <u>192,836</u>	\$ <u>157,565</u>
<u>Fixed Assets</u>		
Equipment	\$ 559,030	\$ 400,486
Less accumulated depreciation	<u>(122,957)</u>	<u>(67,053)</u>
Total fixed assets	\$ <u>436,073</u>	\$ <u>333,433</u>
Total assets	\$ <u>628,909</u>	\$ <u>490,998</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>104,937</u>	\$ <u>61,747</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 436,073	\$ 333,433
Unrestricted	<u>87,899</u>	<u>95,818</u>
Total net assets	\$ <u>523,972</u>	\$ <u>429,251</u>

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
For The Years Ended December 31, 2005 and 2004

<u>Operating Expenses</u>		
Reimbursed expenses	\$ (55,747)	\$ (32,064)
Depreciation	<u>55,903</u>	<u>40,048</u>
Total operating expenses	\$ <u>156</u>	\$ <u>7,984</u>
Operating income	\$ <u>(156)</u>	\$ <u>(7,984)</u>
<u>Non-operating revenues (expenses)</u>		
Interest	\$ 3,212	\$ 1,215
Proceeds from lease obligation	<u>91,665</u>	<u>114,468</u>
Total non-operating revenues (expenses)	\$ <u>94,877</u>	\$ <u>115,683</u>
Change in net assets	\$ 94,721	\$ 107,699
Net assets at beginning of year	429,251	348,557
Prior period adjustment	<u>-</u>	<u>(27,005)</u>
Net assets at end of year	\$ <u>523,972</u>	\$ <u>429,251</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
INTERNAL SERVICES
EQUIPMENT RESERVE FUND
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 55,747	\$ 32,064
Payments to suppliers	-	-
Payments to employees	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 55,747</u>	<u>\$ 32,064</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	<u>\$ -</u>	<u>\$ -</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ (115,353)	\$ (111,480)
Principal paid on bonds	-	-
Interest and fees paid on bonds	-	-
Other	<u>-</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>\$ (115,353)</u>	<u>\$ (111,480)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ 3,212	\$ 1,215
Other	<u>91,665</u>	<u>114,468</u>
Net cash provided by investing activities	<u>\$ 94,877</u>	<u>\$ 115,683</u>
Net increase (decrease) in cash	\$ 35,271	\$ 36,267
Cash at beginning of year	<u>157,565</u>	<u>121,298</u>
Cash at end of year	<u>\$ 192,836</u>	<u>\$ 157,565</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 192,836</u>	<u>\$ 157,565</u>
Total cash and investments	<u>\$ 192,836</u>	<u>\$ 157,565</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 TRUST AND AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended December 31, 2005

<u>Municipal Court</u>	<u>Balance</u> <u>1/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2005</u>
<u>ASSETS</u>				
Cash	\$ 73,923	\$ 512,822	\$ 523,106	\$ 63,639
<u>LIABILITIES</u>				
Accounts payable	\$ 57,029	\$ 48,314	\$ 57,029	\$ 48,314
Due to agency	16,894	464,508	466,077	15,325
Total liabilities	<u>\$ 73,923</u>	<u>\$ 512,822</u>	<u>\$ 523,106</u>	<u>\$ 63,639</u>
<u>Community Contribution</u>				
<u>ASSETS</u>				
Cash	\$ 118,874	\$ 50,139	\$ 38,188	\$ 130,825
Federal grant cash	-	6,026	6,026	-
Total assets	<u>\$ 118,874</u>	<u>\$ 56,165</u>	<u>\$ 44,214</u>	<u>\$ 130,825</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 370	\$ 1,650	\$ 370	\$ 1,650
Due to agency	118,504	54,515	43,844	129,175
Total liabilities	<u>\$ 118,874</u>	<u>\$ 56,165</u>	<u>\$ 44,214</u>	<u>\$ 130,825</u>
<u>Fact Grant</u>				
<u>ASSETS</u>				
Cash	\$ 23,262	\$ 37,777	\$ 38,818	\$ 22,221
Federal cash	-	-	-	-
Total assets	<u>\$ 23,262</u>	<u>\$ 37,777</u>	<u>\$ 38,818</u>	<u>\$ 22,221</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 84	\$ 79	\$ 84	\$ 79
Due to agencies	23,178	37,698	38,734	22,142
Total liabilities	<u>\$ 23,262</u>	<u>\$ 37,777</u>	<u>\$ 38,818</u>	<u>\$ 22,221</u>
<u>Total Trust and Agency Fund</u>				
<u>ASSETS</u>				
Cash	\$ 216,059	\$ 600,738	\$ 600,112	\$ 216,685
Federal cash	-	6,026	6,026	-
Total assets	<u>\$ 216,059</u>	<u>\$ 606,764</u>	<u>\$ 606,138</u>	<u>\$ 216,685</u>
<u>LIABILITIES</u>				
Accounts payable - Federal grant	\$ -	\$ -	\$ -	\$ -
Accounts payable	57,483	50,043	57,483	50,043
Due to agencies	158,576	556,721	548,655	166,642
Total liabilities	<u>\$ 216,059</u>	<u>\$ 606,764</u>	<u>\$ 606,138</u>	<u>\$ 216,685</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
COMPOSITION OF CASH BALANCES
December 31, 2005

Cash Balances Per Statement of Net Assets

Unrestricted cash and investments	<u>\$ 5,882,802</u>
Restricted cash and investments	
Revenue bond service	\$ 30,369
Revenue bond reserve	28,000
Convention center	51,538
General fund - Unemployment insurance	182,737
Water fund - Improvements	<u>46,035</u>
Total restricted cash	<u>\$ 338,679</u>
Total cash and investments	<u>\$ 6,221,481</u>

Composition of Cash Balances

	Cash Per Bank 12/31/2005	Plus Deposit In Transit	Less Outstanding Warrants	Cash Balances 12/31/2005
Home National Bank:				
#771-607-6	\$ 1,370,607	\$ 280,693	\$ (353,210)	\$ 1,298,090
Home National Bank:				
#733-286-9	338,905	-	-	338,905
Certificates of deposit-				
Home National Bank - # 34818	182,737			182,737
# 35526	400,000			400,000
# 35270	500,000			500,000
Union State Bank # 10173	500,000			500,000
# 10486	500,000			500,000
#10500	500,000			500,000
# 10495	1,000,000			1,000,000
CornerBank - # 5693	500,000			500,000
# 5837	500,000			500,000
Change funds and undeposited cash on hand				1,750
Rounding				<u>(1)</u>
Total cash and investments				<u>\$ 6,221,481</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
DETAIL STATEMENTS OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET
Years Ended December 31, 2005 and 2004

<u>Revenues</u>	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Taxes:				
Ad valorem	\$ 1,206,008	\$ 1,269,700	\$ (63,692)	\$ 1,288,705
Back taxes	42,349	40,000	2,349	49,688
In lieu of taxes	20,000	20,000	-	2,019
Sales tax	1,335,799	1,450,000	(114,201)	1,327,826
RV tax	2,995	2,912	83	2,774
Animal redemptions	4,409	2,000	2,409	4,648
Liquor tax	9,618	12,000	(2,382)	11,981
Motor vehicle tax	233,307	222,193	11,114	206,156
Franchise tax	<u>776,912</u>	<u>744,000</u>	<u>32,912</u>	<u>748,806</u>
Total taxes	<u>\$ 3,631,397</u>	<u>\$ 3,762,805</u>	<u>\$ (131,408)</u>	<u>\$ 3,642,603</u>
Intergovernmental revenues:				
State highway (links)	\$ 55,875	\$ 57,000	\$ (1,125)	\$ 56,455
County ambulance payment	87,101	85,000	2,101	95,892
Rural fire contract	169,428	140,000	29,428	111,802
State grant	16,339	-	16,339	29,457
County radio payment	13,000	13,000	-	13,000
Use tax	170,241	45,000	125,241	159,809
Federal grants	<u>29,109</u>	<u>5,000</u>	<u>24,109</u>	<u>-</u>
Total intergovernmental revenues	<u>\$ 541,093</u>	<u>\$ 345,000</u>	<u>\$ 196,093</u>	<u>\$ 466,415</u>
Licenses, fees and permits:				
Liquor store licenses	\$ 400	\$ 300	\$ 100	\$ -
Beer sales licenses	2,400	1,400	1,000	1,450
Other licenses	5,055	5,000	55	6,170
Private club licenses	800	300	500	-
Electrician licenses	2,260	2,600	(340)	1,825
Plumbing permit	1,730	2,500	(770)	1,877
Electrical permit	1,425	2,600	(1,175)	1,330
Building permit	16,183	8,000	8,183	9,953
Mechanics permit	<u>2,379</u>	<u>4,000</u>	<u>(1,621)</u>	<u>3,470</u>
Total licenses, fees & permits	<u>\$ 32,632</u>	<u>\$ 26,700</u>	<u>\$ 5,932</u>	<u>\$ 26,075</u>
Charge for services:				
Funeral service charge	\$ 16,950	\$ 14,500	\$ 2,450	\$ 16,075
Cemetery lot sales	4,800	5,000	(200)	4,400
Move and set stone	810	600	210	1,271
Ambulance charges	333,589	300,000	33,589	267,331
Humane Society	<u>39,237</u>	<u>69,000</u>	<u>(29,763)</u>	<u>-</u>
Total charge for services	<u>\$ 395,386</u>	<u>\$ 389,100</u>	<u>\$ 6,286</u>	<u>\$ 289,077</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
DETAIL STATEMENTS OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2005 and 2004

<u>Revenues (continued)</u>	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Fines, forfeitures and penalties:				
Police court fines and parking fines	\$ 428,168	\$ 403,500	\$ 24,668	\$ 388,128
Use of money and property:				
Rentals - Other	\$ 13,280	\$ 7,000	\$ 6,280	\$ 13,814
Royalties and farmland	5,602	5,000	602	5,078
NW Community Center rental	9,689	10,000	(311)	11,075
Agri-business Building rental	6,292	12,000	(5,708)	11,340
Cherokee Strip Museum	43,010	55,000	(11,990)	37,015
Miscellaneous park income	120	250	(130)	85
Interest on investments	<u>76,754</u>	<u>60,000</u>	<u>16,754</u>	<u>40,050</u>
Total use of money and property	\$ 154,747	\$ 149,250	\$ 5,497	\$ 118,457
Miscellaneous:				
Miscellaneous general income	\$ 45,145	\$ 40,000	\$ 5,145	\$ 37,771
Zoning applications	350	700	(350)	425
Donation	7,595	5,000	2,595	7,517
Refund of expenditures	202,123	130,000	72,123	355,280
Sale of property and materials	4,948	2,000	2,948	12,708
Current special assessments	22,818	7,618	15,200	25,252
Insurance recovery	10,839	-	10,839	11,800
Teen Center	<u>14,274</u>	<u>27,000</u>	<u>(12,726)</u>	<u>22,746</u>
Total miscellaneous	\$ 308,092	\$ 212,318	\$ 95,774	\$ 473,499
Total revenues	<u>\$ 5,491,515</u>	<u>\$ 5,288,673</u>	<u>\$ 202,842</u>	<u>\$ 5,404,254</u>
<u>Expenditures</u>				
City Commission:				
Personal services	\$ 4,873	\$ 4,900	\$ 27	\$ 4,873
Contractual services	40,600	46,240	5,640	41,184
Commodities	5,138	6,240	1,102	6,475
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total city commission	\$ 50,611	\$ 57,380	\$ 6,769	\$ 52,532
City Manager:				
Personal services	\$ 57,835	\$ 56,990	\$ (845)	\$ 34,117
Contractual services	15,492	19,236	3,744	15,647
Commodities	6,130	7,010	880	4,705
Capital outlay	<u>4,420</u>	<u>5,000</u>	<u>580</u>	<u>5,258</u>
Total city manager	\$ 83,877	\$ 88,236	\$ 4,359	\$ 59,727
City Attorney:				
Personal services	\$ 12,917	\$ 14,660	\$ 1,743	\$ 7,193
Contractual services	102,239	55,500	(46,739)	75,510
Commodities	13,850	5,065	(8,785)	6,071
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total city attorney	\$ 129,006	\$ 75,225	\$ (53,781)	\$ 88,774

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
DETAIL STATEMENTS OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2005 and 2004

<u>Expenditures (continued)</u>	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Planning:				
Contractual services	\$ 96	\$ 2,210	\$ 2,114	\$ 384
Commodities	229	497	268	90
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total planning	<u>\$ 325</u>	<u>\$ 2,707</u>	<u>\$ 2,382</u>	<u>\$ 474</u>
Code Enforcement:				
Personal services	\$ 183,844	\$ 181,615	\$ (2,229)	\$ 160,785
Contractual services	50,200	54,327	4,127	43,580
Commodities	9,599	11,187	1,588	11,840
Capital outlay	<u>8,533</u>	<u>9,000</u>	<u>467</u>	<u>11,408</u>
Total code enforcement	<u>\$ 252,176</u>	<u>\$ 256,129</u>	<u>\$ 3,953</u>	<u>\$ 227,613</u>
Administration:				
Personal services	\$ 153,727	\$ 162,280	\$ 8,553	\$ 85,892
Contractual services	124,307	120,210	(4,097)	103,350
Commodities	16,318	16,430	112	19,197
Capital outlay	<u>4,049</u>	<u>4,908</u>	<u>859</u>	<u>5,139</u>
Total administration	<u>\$ 298,401</u>	<u>\$ 303,828</u>	<u>\$ 5,427</u>	<u>\$ 213,578</u>
Community Support:				
Contractual services	<u>\$ 41,848</u>	<u>\$ 36,060</u>	<u>\$ (5,788)</u>	<u>\$ 30,935</u>
Humane Society Administration				
Personal services	\$ 41,801	\$ 60,850	\$ 19,049	\$ -
Contractual services	336	-	(336)	57,397
Commodities	<u>7</u>	<u>-</u>	<u>(7)</u>	<u>-</u>
Total Humane Society	<u>\$ 42,144</u>	<u>\$ 60,850</u>	<u>\$ 18,706</u>	<u>\$ 57,397</u>
Non-Departmental:				
Personal services	\$ -	\$ -	\$ -	\$ 14,606
Contractual services	224,554	501,583	277,029	32,512
Commodities	-	-	-	3,674
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,013</u>
Total non-departmental	<u>\$ 224,554</u>	<u>\$ 501,583</u>	<u>\$ 277,029</u>	<u>\$ 204,805</u>
Law Enforcement:				
Personal services	\$ 1,682,361	\$ 1,578,600	\$ (103,761)	\$ 1,621,142
Contractual services	114,719	136,325	21,606	93,336
Commodities	146,002	116,900	(29,102)	106,303
Capital outlay	<u>145,288</u>	<u>115,600</u>	<u>(29,688)</u>	<u>94,081</u>
Total law enforcement	<u>\$ 2,088,370</u>	<u>\$ 1,947,425</u>	<u>\$ (140,945)</u>	<u>\$ 1,914,862</u>
Fire Fighting:				
Personal services	\$ 1,063,142	\$ 1,018,620	\$ (44,522)	\$ 1,199,714
Contractual services	67,001	84,682	17,681	60,788
Commodities	117,476	82,150	(35,326)	70,083
Capital outlay	<u>77,441</u>	<u>89,770</u>	<u>12,329</u>	<u>139,804</u>
Total firefighting	<u>\$ 1,325,060</u>	<u>\$ 1,275,222</u>	<u>\$ (49,838)</u>	<u>\$ 1,470,389</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
DETAIL STATEMENTS OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2005 and 2004

<u>Expenditures (continued)</u>	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Civil Defense:				
Contractual services	\$ 22,782	\$ 24,000	\$ 1,218	\$ 20,716
Commodities	2,608	2,800	192	1,543
Capital outlay	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>3,624</u>
Total civil defense	<u>\$ 37,390</u>	<u>\$ 38,800</u>	<u>\$ 1,410</u>	<u>\$ 25,883</u>
Cemetery:				
Personal services	\$ 95,209	\$ 86,952	\$ (8,257)	\$ 85,446
Contractual services	13,167	13,435	268	10,975
Commodities	15,412	16,760	1,348	11,542
Capital outlay	<u>10,496</u>	<u>12,000</u>	<u>1,504</u>	<u>10,000</u>
Total cemetery	<u>\$ 134,284</u>	<u>\$ 129,147</u>	<u>\$ (5,137)</u>	<u>\$ 117,963</u>
Public Service Supervision:				
Personal services	\$ 77,590	\$ 73,525	\$ (4,065)	\$ 76,803
Contractual services	175	1,000	825	72
Commodities	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public service supervision	<u>\$ 77,765</u>	<u>\$ 74,525</u>	<u>\$ (3,240)</u>	<u>\$ 76,875</u>
Street Maintenance and Repair:				
Personal services	\$ 207,527	\$ 221,850	\$ 14,323	\$ 124,849
Contractual services	600	2,300	1,700	914
Commodities	162	250	88	290
Capital outlay	<u>2,647</u>	<u>-</u>	<u>(2,647)</u>	<u>-</u>
Total street maintenance & repair	<u>\$ 210,936</u>	<u>\$ 224,400</u>	<u>\$ 13,464</u>	<u>\$ 126,053</u>
Street Lighting:				
Contractual services	\$ 143,075	\$ 140,000	\$ (3,075)	\$ 151,584
Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total street lighting	<u>\$ 143,075</u>	<u>\$ 140,000</u>	<u>\$ (3,075)</u>	<u>\$ 151,584</u>
Park:				
Personal services	\$ 290,246	\$ 301,200	\$ 10,954	\$ 287,779
Contractual services	27,108	35,520	8,412	27,876
Commodities	106,050	85,025	(21,025)	86,705
Capital outlay	<u>34,487</u>	<u>36,000</u>	<u>1,513</u>	<u>10,866</u>
Total park	<u>\$ 457,891</u>	<u>\$ 457,745</u>	<u>\$ (146)</u>	<u>\$ 413,226</u>
Baseball Park:				
Contractual services	\$ 5,934	\$ 13,200	\$ 7,266	\$ 8,573
Commodities	<u>9,635</u>	<u>7,730</u>	<u>(1,905)</u>	<u>5,194</u>
Total baseball park	<u>\$ 15,569</u>	<u>\$ 20,930</u>	<u>\$ 5,361</u>	<u>\$ 13,767</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
DETAIL STATEMENTS OF REVENUES AND EXPENDITURES
ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2005 and 2004

<u>Expenditures (continued)</u>	2005 <u>Actual</u>	2005 <u>Budget</u>	Variance- Favorable (Unfavorable)	2004 <u>Actual</u>
Swimming Pool:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	39,695	39,805	110	41,173
Commodities	14,023	22,050	8,027	19,246
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total swimming pool	<u>\$ 53,718</u>	<u>\$ 61,855</u>	<u>\$ 8,137</u>	<u>\$ 60,419</u>
Public Buildings:				
Personal services	\$ 33,167	\$ 33,245	\$ 78	\$ 32,206
Contractual services	66,079	59,775	(6,304)	55,738
Commodities	18,271	19,375	1,104	16,823
Capital outlay	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total public buildings	<u>\$ 117,517</u>	<u>\$ 118,395</u>	<u>\$ 878</u>	<u>\$ 104,767</u>
NW Community Center:				
Personal services	\$ 9,550	\$ 34,780	\$ 25,230	\$ 29,500
Contractual services	23,018	31,800	8,782	23,760
Commodities	4,630	3,850	(780)	5,172
Capital outlay	<u>84</u>	<u>2,000</u>	<u>1,916</u>	<u>1,720</u>
Total NW Community Center	<u>\$ 37,282</u>	<u>\$ 72,430</u>	<u>\$ 35,148</u>	<u>\$ 60,152</u>
Senior Citizens:				
Personal services	\$ 130,578	\$ 152,935	\$ 22,357	\$ 126,364
Contractual services	30,817	35,700	4,883	29,606
Commodities	<u>11,127</u>	<u>9,225</u>	<u>(1,902)</u>	<u>9,561</u>
Total senior citizens	<u>\$ 172,522</u>	<u>\$ 197,860</u>	<u>\$ 25,338</u>	<u>\$ 165,531</u>
Human Relations Council				
Contractual services	<u>\$ 2,436</u>	<u>\$ -</u>	<u>\$ (2,436)</u>	<u>\$ -</u>
Museum:				
Personal services	\$ 57,208	\$ 70,350	\$ 13,142	\$ 59,443
Contractual services	47,268	36,708	(10,560)	40,355
Commodities	15,804	19,550	3,746	16,908
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total museum	<u>\$ 120,280</u>	<u>\$ 126,608</u>	<u>\$ 6,328</u>	<u>\$ 116,706</u>
Teen Center:				
Personal services	\$ 10,462	\$ 10,000	\$ (462)	\$ 10,433
Contractual services	9,927	14,560	4,633	10,288
Commodities	6,242	7,648	1,406	8,280
Capital outlay	<u>797</u>	<u>500</u>	<u>(297)</u>	<u>134</u>
Total teen center	<u>\$ 27,428</u>	<u>\$ 32,708</u>	<u>\$ 5,280</u>	<u>\$ 29,135</u>
Total expenditures	<u>\$ 6,144,465</u>	<u>\$ 6,300,048</u>	<u>\$ 155,583</u>	<u>\$ 5,783,147</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
INSURANCE COVERAGE
December 31, 2005

Property

Various municipal buildings and contents	Fire and extended coverage	\$ 18,738,297
Automobile fleet coverage	Bodily injury:	
	Each occurrence	500,000
	Uninsured motorist:	
	Each occurrence	500,000
Automobile - specific vehicles	Comprehensive, collision and specified perils	Varies
City property - General liability	General - Aggregate	1,000,000
	Products completed liability	1,000,000
	Personal and/or advertising injury	
	- Each occurrence/aggregate	1,000,000
	Fire damage limit	100,000
	Medical expense limit	5,000
	Legal liability and loss reimbursement	
	- Each occurrence	500,000
	- Aggregate	1,000,000
All employees	Workmen's compensation	
	- Employee's liability	Statutory
	Bodily injury - Accident	
	- Each occurrence	500,000
	Bodily injury - Disease	
	- Each occurrence	500,000
	Bodily injury - Disease	
	- Policy limit	500,000
Ambulance attendants	Operation of ambulances	
	- Each occurrence	500,000
	- Aggregate	1,000,000
Data processing equipment	General - Aggregate	25,000
Contactors equipment	General - Aggregate	831,089
Radio, TV, broadcast equipment and towers	General - Aggregate	68,000

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 FIDELITY BONDS
 December 31, 2005

	Expiration <u>Date</u>	Bond <u>Amount</u>
Public Employee's Blanket	01/01/06	\$ 100,000
City Commission:		
Janet English	04/24/06	5,000
Patrick McDonald	04/24/06	5,000
Arleta Rice	04/24/06	5,000
Joel Hockenbury	04/24/06	5,000
Wayne Short	04/24/06	5,000
Judge of Municipal Court - N. M. Iverson, Jr.	01/01/06	1,000
City Manager - Curtis Freeland	02/01/06	50,000
City Treasurer/Clerk - M. W. Cox	10/14/06	50,000
City Administrator - Steve Archer	09/01/06	50,000

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SCHEDULE OF INDEBTEDNESS
December 31, 2005

<u>General obligation bonds</u>	<u>Series Number</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Internal improvements	1993	10/01/93	3.20% to 6.20%	\$ 1,600,000
Internal improvements	1997-A	02/01/97	4.25% to 6.00%	\$ 1,150,000
Internal improvements	1998-A	05/01/98	4.15% to 6.125%	\$ 1,200,000
Internal improvements	1999	01/01/99	3.60% to 4.50%	\$ 1,261,000
Internal improvements	2000	05/01/00	5.00% to 6.50%	\$ 1,790,000
Internal improvements	2001	10/01/01	3.15% to 4.25%	\$ 1,175,000
Internal improvements	2002	04/01/02	3.50% to 5.30%	\$ 2,200,000
Internal improvements	2004	08/01/04	2.50% to 3.75%	\$ 3,685,000
Internal improvements	2005-8	12/01/05	3.60% to 5.50%	\$ 2,095,000

Total general obligation bonds

Temporary notes

Internal improvements	2005-1	1/1/2005	1.80%	\$ 525,000
Internal improvements	2005-2	# 09/09/05	2.50%	\$ 1,365,000
Internal improvements	2005 taxable	01/01/05	2.59%	\$ 1,375,000
Internal improvements	2005-1	08/01/05	3.28%	\$ 1,160,000
Internal improvements	2005-2	11/01/05	3.50%	\$ 168,000

Total temporary notes

Revenue bonds

Water system	1997-C	01/01/78	5.00%	\$ 429,000
Waterworks system	1995	11/01/95	4.00% to 5.00%	\$ 1,944,855

Total revenue bonds

KDHE & CDBG loans

KDHE revolving loan		01/10/00	3.49%	\$ 2,990,300
CDBG loan		01/01/01	2.00%	\$ 375,000
CDBG loan KanPac		10/08/04	4.00%	\$ 750,000

Total loans

Certificates of participation

Recycling center	1996	04/15/96	5.50%	\$ 170,000
Humane Society	2004	12/01/02	4.59%	\$ 500,000

Total certificates of participation

Total indebtedness

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SCHEDULE OF INDEBTEDNESS (CONTINUED)
December 31, 2005

Date of Maturity	Outstanding 12/31/2004	Issued	Retired	Outstanding 12/31/2005
12/01/08	\$ 440,000	\$ -	\$ 110,000	\$ 330,000
12/01/06	230,000	-	115,000	115,000
12/01/08	480,000	-	120,000	360,000
12/01/08	510,000	-	125,000	385,000
12/01/09	985,000	-	180,000	805,000
12/01/11	880,000	-	110,000	770,000
04/01/12	1,835,000	-	195,000	1,640,000
12/01/13	3,415,000	-	325,000	3,090,000
12/01/15	<u>-</u>	<u>2,095,000</u>	<u>-</u>	<u>2,095,000</u>
	<u>\$ 8,775,000</u>	<u>\$ 2,095,000</u>	<u>\$ 1,280,000</u>	<u>\$ 9,590,000</u>
01/01/06	\$ 525,000	\$ -	\$ 525,000	\$ -
09/01/06	1,365,000	-	1,365,000	-
01/01/06	1,375,000	-	-	1,375,000
08/01/09	-	1,160,000	-	1,160,000
11/01/07	<u>-</u>	<u>168,000</u>	<u>-</u>	<u>168,000</u>
	<u>\$ 3,265,000</u>	<u>\$ 1,328,000</u>	<u>\$ 1,890,000</u>	<u>\$ 2,703,000</u>
01/01/08	\$ 72,000	\$ -	\$ 24,000	\$ 48,000
01/01/06	<u>205,000</u>	<u>-</u>	<u>205,000</u>	<u>-</u>
	<u>\$ 277,000</u>	<u>\$ -</u>	<u>\$ 229,000</u>	<u>\$ 48,000</u>
09/01/21	\$ 1,589,228	\$ -	\$ 221,849	\$ 1,367,379
07/01/11	294,050	-	35,878	258,172
07/08/15	<u>750,000</u>	<u>-</u>	<u>46,657</u>	<u>703,343</u>
	<u>\$ 2,633,278</u>	<u>\$ -</u>	<u>\$ 304,384</u>	<u>\$ 2,328,894</u>
04/15/06	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
12/01/12	<u>\$ 428,082</u>	<u>\$ -</u>	<u>\$ 45,393</u>	<u>\$ 382,689</u>
	<u>\$ 468,082</u>	<u>\$ -</u>	<u>\$ 65,393</u>	<u>\$ 402,689</u>
	<u>\$ 15,418,360</u>	<u>\$ 3,423,000</u>	<u>\$ 3,768,777</u>	<u>\$ 15,072,583</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 SUPPLEMENT TO SCHEDULE OF INDEBTEDNESS
 December 31, 2005

	<u>Issued</u>	<u>Retired</u>
Totals per Page 1 of Schedule 5	<u>\$3,423,000</u>	<u>\$3,768,777</u>
Per individual fund statements:		
Bond and interest	\$ -	\$ 1,163,759
Capital projects	3,423,000	1,890,000
Waterworks	-	329,339
Sanitation	-	10,000
Sewage disposal and treatment	-	309,045
Project independence	<u>-</u>	<u>9,978</u>
Sub-total	<u>\$3,423,000</u>	<u>\$3,712,121</u>
City of Winfield (one-half certificate of participation)	\$ -	\$ 10,000
CDBG loan reimbursement	-	2,656
CDBG loan not drawn	<u>-</u>	<u>44,000</u>
Total	<u>\$3,423,000</u>	<u>\$3,768,777</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ARKANSAS CITY, KANSAS
SCHEDULE OF MATURITY OF LONG-TERM DEBT
For The Year Ended December 31, 2005

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Principal</u>				
General obligation bond	\$ 1,485,000	\$ 1,420,000	\$ 1,465,000	\$ 1,160,000
Certificates of participation	67,506	49,716	51,994	54,450
Revenue bonds	24,000	24,000	-	-
Temporary notes	1,375,000	168,000	-	1,160,000
KDHE & CDBG loans	<u>323,287</u>	<u>332,975</u>	<u>344,397</u>	<u>356,220</u>
Total principal	<u>\$ 3,274,793</u>	<u>\$ 1,994,691</u>	<u>\$ 1,861,391</u>	<u>\$ 2,730,670</u>
<u>Interest and Fees</u>				
General obligation bonds	\$ 363,485	\$ 304,634	\$ 247,397	\$ 188,955
Certificates of participation	18,359	15,599	13,321	10,865
Revenue bonds	2,400	1,200	-	-
Temporary notes	79,540	43,928	38,048	38,048
KDHE & CDBG loans	<u>77,582</u>	<u>66,285</u>	<u>54,864</u>	<u>43,040</u>
Total interest	<u>\$ 541,366</u>	<u>\$ 431,646</u>	<u>\$ 353,630</u>	<u>\$ 280,908</u>
Total principal and interest	<u>\$ 3,816,159</u>	<u>\$ 2,426,337</u>	<u>\$ 2,215,021</u>	<u>\$ 3,011,578</u>

The accompanying notes are an integral part of the financial statements

CITY OF ARKANSAS CITY, KANSAS
 SCHEDULE OF MATURITY OF LONG-TERM DEBT (CONTINUED)
 For The Year Ended December 31, 2005

<u>2010</u>	<u>2011-2015</u>	<u>2016-2020</u>	<u>Total</u>
\$ 975,000	\$ 3,085,000	\$ -	\$ 9,590,000
56,984	122,039	-	402,689
-	-	-	48,000
-	-	-	2,703,000
<u>368,461</u>	<u>564,549</u>	<u>39,005</u>	<u>2,328,894</u>
<u>\$ 1,400,445</u>	<u>\$ 3,771,588</u>	<u>\$ 39,005</u>	<u>\$ 15,072,583</u>
\$ 144,710	\$ 248,687	\$ -	\$ 1,497,868
8,331	8,592	-	75,067
-	-	-	3,600
-	-	-	199,564
<u>30,800</u>	<u>48,914</u>	<u>456</u>	<u>321,941</u>
<u>\$ 183,841</u>	<u>\$ 306,193</u>	<u>\$ 456</u>	<u>\$ 2,098,040</u>
<u>\$ 1,584,286</u>	<u>\$ 4,077,781</u>	<u>\$ 39,461</u>	<u>\$ 17,170,623</u>

The accompanying notes are an integral part of the financial statements