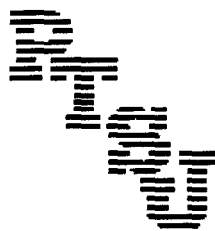


CITY OF ARKANSAS CITY, KANSAS
ANNUAL FINANCIAL STATEMENTS

December 31, 2006



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

110 South First Street
Arkansas City, KS 67005

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 FINANCIAL STATEMENTS
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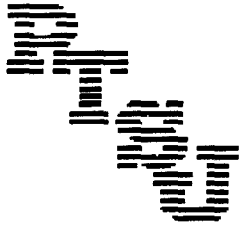
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Certified Public Accountants, RLLP

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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, 2006 and 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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, 2 and 22 the financial statements referred to above do not include component unit data or inventories and any liability for post employment benefits. 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, 2006 and 2005 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.


Certified Public Accountants, RLLP

September 7, 2007

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, 2006.

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.

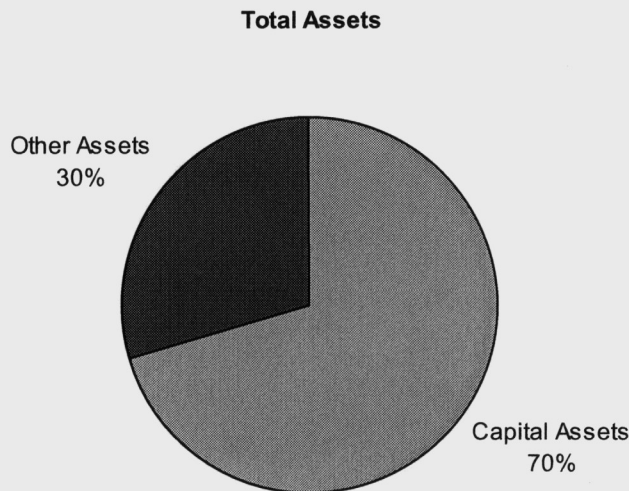
Net Assets

Combined net assets of the City at December 31 were:

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 9,763,247	\$ 11,008,875	\$ 3,334,400	\$ 3,894,055	\$ 13,097,647	\$ 14,902,930
Capital assets	\$ 24,699,219	\$ 29,370,010	\$ 6,198,426	\$ 5,741,108	\$ 30,897,645	\$ 35,111,118
Total Assets	<u>\$ 34,462,466</u>	<u>\$ 40,378,885</u>	<u>\$ 9,532,826</u>	<u>\$ 9,635,163</u>	<u>\$ 43,995,292</u>	<u>\$ 50,014,048</u>
Long-term liabilities	\$ 11,504,496	\$ 13,821,288	\$ 1,471,732	\$ 1,228,952	\$ 12,976,228	\$ 15,050,240
Other liabilities	\$ 5,121,653	\$ 5,014,269	\$ 533,344	\$ 491,742	\$ 5,654,997	\$ 5,506,011
Total liabilities	<u>\$ 16,626,149</u>	<u>\$ 18,835,557</u>	<u>\$ 2,005,076</u>	<u>\$ 1,720,694</u>	<u>\$ 18,631,225</u>	<u>\$ 20,556,251</u>
Net assets:						
Invested in capital assets, net of debt	\$ 11,042,015	\$ 14,784,592	\$ 4,783,047	\$ 4,579,388	\$ 15,825,062	\$ 19,363,980
Restricted for other purposes	\$ 3,701,289	\$ 3,789,653	\$ 104,404	\$ 114,320	\$ 3,805,693	\$ 3,903,973
Unrestricted	\$ 3,093,013	\$ 2,969,083	\$ 2,640,299	\$ 3,220,761	\$ 5,733,312	\$ 6,189,844
Total Net Assets	<u>\$ 17,836,317</u>	<u>\$ 21,543,328</u>	<u>\$ 7,527,750</u>	<u>\$ 7,914,469</u>	<u>\$ 25,364,067</u>	<u>\$ 29,457,797</u>

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

The City ended 2006 with positive net assets. Total assets for the City are \$50,014,048. Of these total assets, \$35,111,118 is capital assets and \$14,902,930 is other assets.



Statement of Activities

The table below shows the condensed revenue, expenses and the change in net assets for 2005 and 2006.

	Governmental activities		Business-type Activities	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 1,025,735	\$ 1,291,565	\$ 5,429,684	\$ 6,041,781
Operating grants/contributions	6,680	10,126	-	-
Capital grants/contributions	597,036	3,075,972	-	-
General Revenues:				
Property taxes	5,788,811	6,162,052	-	-
Public services taxes	1,234,617	1,328,216	-	-
Other taxes	210,444	200,000	-	-
Other	381,801	587,559	70,017	(114,286)
Total revenues	<u>9,245,124</u>	<u>12,655,490</u>	<u>5,499,701</u>	<u>5,927,495</u>
Expenses:				
General government	\$ 1,846,984	\$ 2,159,953	-	-
Public safety	3,216,091	4,243,105	-	-
Public works	739,370	909,196	-	-
Cultural and recreation	851,758	983,025	-	-
Personal services	885,232	89,699	-	-
Contractual	317,432	310,972	-	-
Outside services	270,000	383,316	-	-
Commodities	298,156	286,098	-	-
Water	-	-	2,242,818	2,311,404
Sewer	-	-	1,199,958	1,253,995
Sanitation	-	-	1,149,072	1,154,294
Storm Water	-	-	111,321	172,068
Miscellaneous	-	-	197,534	-
Interest on long-term debt	384,401	442,435	-	-
Total Expenses	<u>8,809,424</u>	<u>9,807,799</u>	<u>4,900,703</u>	<u>4,891,761</u>
Excess (deficiency) before	435,700	2,847,691	598,998	1,035,734
Reimbursements	336,016	189,320	11,809	20,985
Transfers	653,817	670,000	(445,000)	(670,000)
Increase in net assets	1,425,533	3,707,011	165,807	386,719
Net assets January 1	16,410,784	17,836,317	7,558,670	7,527,750
Net assets December 31	<u>\$ 17,836,317</u>	<u>\$ 21,543,328</u>	<u>\$ 7,724,477</u>	<u>\$ 7,914,469</u>

Governmental Activities

Several of the revenue and expense categories fluctuated between 2005 and 2006, as explained below.

- Charges for Services – This revenue category increased 25.92% in 2006 due to increases in franchise fees, ambulance service charges, rural fire fees, and interest on investments.
- Capital Grants/Contributions – Federal, State and local government Grants and reimbursements increased in 2006 due to several large infrastructure improvements that were started or completed in 2006.

- Sales Tax – This revenue category was 7.99% higher in 2006 due to an increase in sales because the local economy improved
- General Government expenses – This expense category was higher in 2006 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 Safety Expenses – This expense category was higher in 2006 due to changes in personal and execution of various public safety grants that were received.
- Public Works Expense – This expense category was higher in 2006 due to increase in fuel and material cost.

Business-type Activities

Several of the revenue and expense categories fluctuated between 2005 and 2006, as explained below.

- Charges for Services – This revenue category was 11.27% higher in 2006 due to an increase in water service charges. The 2006 water service charge increase was the first of five-planned increase. The increase took effect January 1, 2006.
- Water, Sewer & Sanitation Expense – These expense categories were lower in 2006 than 2005.

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 increased in fiscal year 2006 due to an increase in funds for scheduled capital projects.

The General Fund is the chief operating fund of the City. The fund balance of the General Fund at December 31, 2006 was \$148,348. This represents a decrease of \$60,677, or a 29.03% decrease over the previous year.

The Employee Benefit Fund was removed in 2006 and the expenses were allocated to other line items.

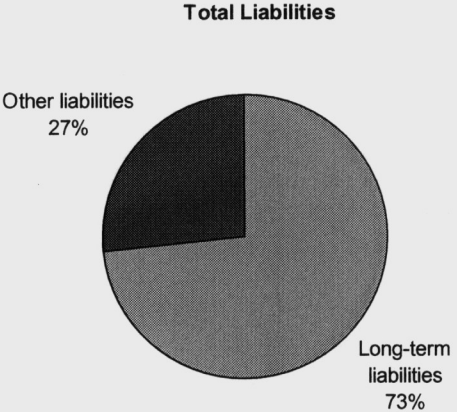
The Debt Service Fund balance decreased from \$112,332 as of December 31, 2005 to \$94,972 as of December 31, 2006. All of the Debt Service Fund balance is reserved for payment of debt service.

Proprietary Funds

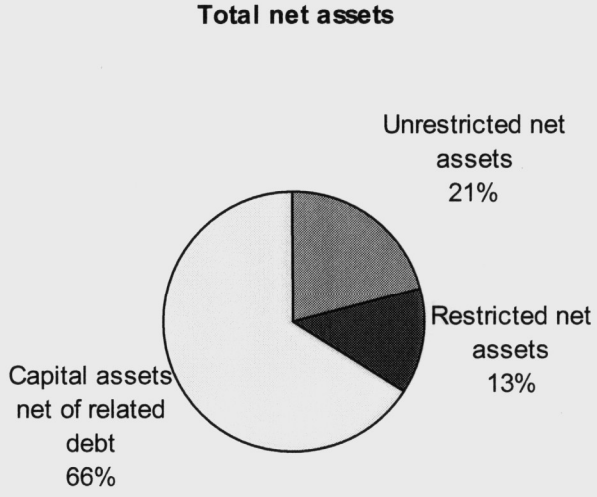
The Internal Service Funds information is included with the governmental activities information on the government-wide statements. Any asset, revenue, and/or expense fluctuations have been discussed in the government-wide statement section.

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

Total liabilities for the City are \$20,556,251. Of this total, \$15,050,240 is for long-term liabilities and \$5,506,011 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 \$29,457,797. Of these total net assets, \$6,189,844 is for unrestricted net assets and \$3,903,973 is for restricted net assets. Net assets invested in capital assets net of related debt are \$19,363,980.



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. New infrastructure is estimated to have a useful life of 40 years. The remaining basis of traded assets is added to the cost of new assets and gains or losses have not been recognized which would be material.

	Governmental Activities		Business-type Activities	
	January 1, 2006	December 31, 2006	January 1, 2006	December 31, 2006
Land, infrastructure and buildings	\$ 25,225,823	\$ 30,438,715	\$ 5,283,441	\$ 5,283,441
Equipment	1,602,325	1,976,088	2,754,371	2,913,110
Meter, mains and service lines	-	-	3,410,851	3,518,167
Accumulated depreciation	(2,128,929)	(3,044,793)	(5,250,237)	(5,973,610)
Totals	\$ 24,699,219	\$ 29,370,010	\$ 6,198,426	\$ 5,741,108

Long-term Debt

At December 31, 2006, the City had a number of debt issues outstanding.

	2006	2005
General obligation bonds	\$ 8,105,000	\$ 9,590,000
Revenue Bonds	24,000	48,000
Temporary notes	5,928,000	2,703,000
Certificate of participation	335,184	402,689
Community development block grant and Kansas department of health and environment loans	2,005,606	2,328,894
Total long-term liabilities	\$ 16,397,790	\$ 15,072,583

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 22.

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, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 6,097,764	\$ 2,778,667	\$ 8,876,431	\$ 5,882,802
Taxes receivable	3,118,000	-	3,118,000	2,974,900
Accounts receivable	470,806	1,001,068	1,471,874	1,093,818
Deposits with fiscal agent	-	-	-	210,125
Total current assets	<u>\$ 9,686,570</u>	<u>\$ 3,779,735</u>	<u>\$ 13,466,305</u>	<u>\$ 10,161,645</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	\$ 283,483	\$ 114,320	\$ 397,803	\$ 338,679
Special assessments	388,170	-	388,170	492,114
Other receivables	650,652	-	650,652	2,105,209
Land, infrastructure & buildings	30,438,715	8,801,608	39,240,323	33,920,115
Equipment	1,976,088	2,913,110	4,889,198	4,356,696
Less: accumulated depreciation	<u>(3,044,793)</u>	<u>(5,973,610)</u>	<u>(9,018,403)</u>	<u>(7,379,166)</u>
Total noncurrent assets	<u>\$ 30,692,315</u>	<u>\$ 5,855,428</u>	<u>\$ 36,547,743</u>	<u>\$ 33,833,647</u>
Total assets	<u>\$ 40,378,885</u>	<u>\$ 9,635,163</u>	<u>\$ 50,014,048</u>	<u>\$ 43,995,292</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 1,969,675	\$ 191,148	\$ 2,160,823	\$ 1,462,070
Matured coupons	-	-	-	210,125
Accrued interest	548,824	38,850	587,674	541,367
Other current liabilities	174,406	-	174,406	166,642
Current portion of long-term obligations	<u>2,321,364</u>	<u>261,744</u>	<u>2,583,108</u>	<u>3,274,793</u>
Total current liabilities	<u>\$ 5,014,269</u>	<u>\$ 491,742</u>	<u>\$ 5,506,011</u>	<u>\$ 5,654,997</u>
<u>Noncurrent Liabilities:</u>				
Long-term debt	\$ 12,914,706	\$ 899,976	\$ 13,814,682	\$ 11,797,790
Compensated absences	<u>906,582</u>	<u>328,976</u>	<u>1,235,558</u>	<u>1,178,438</u>
Total noncurrent liabilities	<u>\$ 13,821,288</u>	<u>\$ 1,228,952</u>	<u>\$ 15,050,240</u>	<u>\$ 12,976,228</u>
Total liabilities	<u>\$ 18,835,557</u>	<u>\$ 1,720,694</u>	<u>\$ 20,556,251</u>	<u>\$ 18,631,225</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 14,784,592	\$ 4,579,388	\$ 19,363,980	\$ 15,825,062
Restricted for:				
Debt	\$ 1,236,170	\$ 79,931	\$ 1,316,101	\$ 1,487,498
General Government	2,271,050	34,389	2,305,439	2,025,737
Cultural	29,433	-	29,433	51,538
Outside organizations	<u>253,000</u>	<u>-</u>	<u>253,000</u>	<u>240,920</u>
Total restricted net assets	<u>\$ 3,789,653</u>	<u>\$ 114,320</u>	<u>\$ 3,903,973</u>	<u>\$ 3,805,693</u>
Unrestricted	<u>\$ 2,969,083</u>	<u>\$ 3,220,761</u>	<u>\$ 6,189,844</u>	<u>\$ 5,733,312</u>
Total net assets	<u>\$ 21,543,328</u>	<u>\$ 7,914,469</u>	<u>\$ 29,457,797</u>	<u>\$ 25,364,067</u>

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

CITY OF ARKANSAS CITY, KANSAS
STATEMENT OF ACTIVITIES
December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
..... Program Revenue				
Primary Government				
Governmental activities:				
General government	\$ 2,159,953	\$ 562,921	\$ -	\$ 3,075,972
Public safety	4,243,105	496,820	-	-
Public works	909,196	231,824	-	-
Cultural and recreation	983,025	-	-	-
Personal services (see note 20)	89,699	-	-	-
Contractual	310,972	-	-	-
Outside services	283,316	-	-	-
Commodities	386,098	-	10,126	-
Interest on long-term debt	<u>442,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 9,807,799</u>	<u>\$ 1,291,565</u>	<u>\$ 10,126</u>	<u>\$ 3,075,972</u>
Business-type activities:				
Water	\$ 2,311,404	\$ 2,834,647	\$ -	\$ -
Sewer	1,253,995	1,839,565	-	-
Sanitation	1,154,294	1,173,830	-	-
Storm sewer	<u>172,068</u>	<u>193,739</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 4,891,761</u>	<u>\$ 6,041,781</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 14,699,560</u>	<u>\$ 7,333,346</u>	<u>\$ 10,126</u>	<u>\$ 3,075,972</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

Business entries retirement of G.O. Bonds

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, 2006

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

<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
\$ 1,478,940	\$ -	\$ 1,478,940	\$ (946,901)
(3,746,285)	-	(3,746,285)	(2,787,923)
(677,372)	-	(677,372)	(546,016)
(983,025)	-	(983,025)	(851,758)
(89,699)	-	(89,699)	(885,232)
(310,972)	-	(310,972)	(216,266)
(283,316)	-	(283,316)	(270,000)
(375,972)	-	(375,972)	(291,476)
<u>(442,435)</u>	<u>-</u>	<u>(442,435)</u>	<u>(384,401)</u>
\$ (5,430,136)	\$ -	\$ (5,430,136)	\$ (7,179,973)
\$ -	\$ 523,243	\$ 523,243	\$ 24,369
-	585,570	585,570	639,188
-	19,536	19,536	37,602
<u>-</u>	<u>21,671</u>	<u>21,671</u>	<u>25,356</u>
\$ -	\$ 1,150,020	\$ 1,150,020	\$ 726,515
<u>\$ (5,430,136)</u>	<u>\$ 1,150,020</u>	<u>\$ (4,280,116)</u>	<u>\$ (6,453,458)</u>
\$ 4,906,231	\$ -	\$ 4,906,231	\$ 4,552,298
1,255,821	-	1,255,821	1,236,513
200,000	-	200,000	210,444
1,328,216	-	1,328,216	1,234,617
263,258	103,809	367,067	244,284
105,227	-	105,227	-
10,000	-	10,000	10,000
(9,021)	-	(9,021)	-
670,000	(670,000)	-	-
189,320	20,985	210,305	437,868
<u>218,095</u>	<u>(218,095)</u>	<u>-</u>	<u>-</u>
\$ 9,137,147	\$ (763,301)	\$ 8,373,846	\$ 7,926,024
\$ 3,707,011	\$ 386,719	\$ 4,093,730	\$ 1,472,566
<u>17,836,317</u>	<u>7,527,750</u>	<u>25,364,067</u>	<u>23,891,501</u>
<u>\$ 21,543,328</u>	<u>\$ 7,914,469</u>	<u>\$ 29,457,797</u>	<u>\$ 25,364,067</u>

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

CITY OF ARKANSAS CITY, KANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2006 Total</u>	<u>2005 Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 362,896	\$ 4,731,409	\$ 1,032,470	\$ 6,126,775	\$ 3,209,608
Accounts receivable (net)	470,806	-	-	470,806	302,969
Taxes receivable	2,017,000	-	1,101,000	3,118,000	2,974,900
Deposits with fiscal agent	-	-	-	-	210,125
Special assessments	-	-	388,170	388,170	492,114
Total assets	<u>\$ 2,850,702</u>	<u>\$ 4,731,409</u>	<u>\$ 2,521,640</u>	<u>\$ 10,103,751</u>	<u>\$ 7,189,716</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 214,548	\$ 1,652,763	\$ 58,127	\$ 1,925,438	\$ 1,125,583
Matured coupons	-	-	-	-	210,125
Deferred revenue	2,487,806	-	1,489,170	3,976,976	3,769,983
Due to other agencies	-	-	174,406	174,406	166,642
Total liabilities	<u>\$ 2,702,354</u>	<u>\$ 1,652,763</u>	<u>\$ 1,721,703</u>	<u>\$ 6,076,820</u>	<u>\$ 5,272,333</u>
Fund balance:					
Reserved	\$ 148,348	\$ -	\$ 135,135	\$ 283,483	\$ 234,275
Unreserved, reported in:					
General fund	-	-	-	-	26,288
Capital projects	-	3,078,646	-	3,078,646	826,079
Debt service	-	-	94,972	94,972	112,332
Special revenue funds	-	-	569,830	569,830	718,409
Total fund balance	<u>\$ 148,348</u>	<u>\$ 3,078,646</u>	<u>\$ 799,937</u>	<u>\$ 4,026,931</u>	<u>\$ 1,917,383</u>
Total liabilities and fund balance	<u>\$ 2,850,702</u>	<u>\$ 4,731,409</u>	<u>\$ 2,521,640</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.	29,370,010	24,699,219
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.	210,235	363,385
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.)	(15,492,000)	(12,420,421)
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	3,976,976	3,769,983
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>(548,824)</u>	<u>(493,232)</u>
Net assets of governmental activities	<u>\$ 21,543,328</u>	<u>\$ 17,836,317</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, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>2006 Total</u>	<u>2005 Total</u>
<u>REVENUES</u>					
Property taxes	\$ 4,535,647	\$ -	\$ 1,587,249	\$ 6,122,896	\$ 5,807,623
Intergovernmental	559,760	-	768,456	1,328,216	1,234,617
Franchise taxes	-	-	200,000	200,000	210,444
Transient guest tax	-	-	64,832	64,832	34,445
Licenses, fees, permits	34,589	-	-	34,589	32,632
Charges for services	395,084	-	-	395,084	395,386
Fines, forfeitures, penalties	496,820	-	-	496,820	428,168
Miscellaneous	273,368	4,798	1,462,012	1,740,178	346,192
Rent and H.U.D. payments	-	-	132,403	132,403	116,102
Grants	-	3,075,972	-	3,075,972	597,036
Interest	237,856	24,017	1,385	263,258	174,267
Donations	-	-	10,126	10,126	6,680
	<u>-\$ 6,533,124</u>	<u>\$ 3,104,787</u>	<u>\$ 4,226,463</u>	<u>\$ 13,864,374</u>	<u>\$ 9,383,592</u>
<u>EXPENDITURES</u>					
Current:					
General government	\$ 1,052,783	\$ -	\$ -	\$ 1,052,783	\$ 1,105,940
Public safety	4,243,105	-	-	4,243,105	3,216,091
Public works	771,808	137,388	-	909,196	739,370
Culture and recreation	983,025	-	-	983,025	851,758
Personal services	-	-	89,699	89,699	885,232
Contractual	-	-	310,972	310,972	317,432
Outside organizations	-	-	283,316	283,316	270,000
Commodities	-	-	386,098	386,098	298,156
Debt service:					
Principal	-	-	2,736,010	2,736,010	3,063,737
Interest	-	38,048	396,898	434,946	344,942
Capital outlay	213,080	5,267,763	105,812	5,586,655	1,447,948
	<u>\$ 7,263,801</u>	<u>\$ 5,443,199</u>	<u>\$ 4,308,805</u>	<u>\$ 17,015,805</u>	<u>\$ 12,540,606</u>
Revenues over (under) expenditures	<u>\$ (730,677)</u>	<u>\$ (2,338,412)</u>	<u>\$ (82,342)</u>	<u>\$ (3,151,431)</u>	<u>\$ (3,157,014)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds of long-term capital related debt	\$ -	\$ 4,600,000	\$ -	\$ 4,600,000	\$ 3,423,000
Accrued interest on bond sale	-	(9,021)	-	(9,021)	-
Operating transfer in (out)	670,000	-	-	670,000	653,817
Equity transfer in (out)	-	-	-	-	-
	<u>\$ 670,000</u>	<u>\$ 4,590,979</u>	<u>\$ -</u>	<u>\$ 5,260,979</u>	<u>\$ 4,076,817</u>
Net change in fund balances	\$ (60,677)	\$ 2,252,567	\$ (82,342)	\$ 2,109,548	\$ 919,803
Fund balances beginning	209,025	826,079	882,279	1,917,383	997,580
Fund balances ending	<u>\$ 148,348</u>	<u>\$ 3,078,646</u>	<u>\$ 799,937</u>	<u>\$ 4,026,931</u>	<u>\$ 1,917,383</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, 2006

	<u>2006</u>	<u>2005</u>
Net change in fund balances-total governmental funds	\$ 2,109,548	\$ 919,803
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.	5,586,655	1,447,948
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.	(915,864)	(790,879)
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	\$ (4,600,000)	
Bond proceeds	-	
Bond principal retirement	1,485,000	
Certificates of participation retirement	67,505	
Temporary note retirement	1,375,000	
Notes payable retirement	<u>93,629</u>	
	(1,578,866)	(105,073)
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 2005 to 2006 was an increase.	(38,156)	84,134
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 2005 to 2006 was a decrease.	(1,247,564)	(29,776)
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 2005 to 2006 was a decrease.	(55,592)	(66,325)
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	\$ (44,161)	
Net amount eliminated to governmental funds	<u>108,989</u>	
	(153,150)	(34,299)
Change in net assets of governmental activities	<u>\$ 3,707,011</u>	<u>\$ 1,425,533</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, 2006

	Business-type Activities Enterprise Funds			
	<u>Major Water</u>	<u>Major Sewage</u>	<u>Major Sanitation</u>	<u>Non-Major Storm Sewer</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 422,776	\$ 1,939,313	\$ 171,064	\$ 245,514
Receivables, net	<u>633,107</u>	<u>213,319</u>	<u>131,117</u>	<u>23,525</u>
Total current assets	<u>\$ 1,055,883</u>	<u>\$ 2,152,632</u>	<u>\$ 302,181</u>	<u>\$ 269,039</u>
Noncurrent assets:				
Restricted cash and cash equivalents	\$ 114,320	\$ -	\$ -	\$ -
Capital assets				
Land	160,375	-	-	-
Buildings and improvements	94,769	4,838,136	173,983	16,178
Meters, mains & service lines	3,518,167	-	-	-
Vehicles and equipment	1,682,358	159,084	1,071,668	-
Less: accumulated depreciation	<u>(3,439,965)</u>	<u>(1,675,581)</u>	<u>(847,548)</u>	<u>(10,516)</u>
Total noncurrent assets	<u>\$ 2,130,024</u>	<u>\$ 3,321,639</u>	<u>\$ 398,103</u>	<u>\$ 5,662</u>
Total assets	<u>\$ 3,185,907</u>	<u>\$ 5,474,271</u>	<u>\$ 700,284</u>	<u>\$ 274,701</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 92,483	\$ 32,087	\$ 17,123	\$ 49,455
Bonds, notes & loans payable	24,000	237,744	-	-
Accrued interest payable	<u>1,200</u>	<u>37,650</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>\$ 117,683</u>	<u>\$ 307,481</u>	<u>\$ 17,123</u>	<u>\$ 49,455</u>
Noncurrent liabilities:				
Bonds, notes & loans payable	\$ -	\$ 899,976	\$ -	\$ -
Compensated absences	<u>152,943</u>	<u>85,397</u>	<u>90,636</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 152,943</u>	<u>\$ 985,373</u>	<u>\$ 90,636</u>	<u>\$ -</u>
Total liabilities	<u>\$ 270,626</u>	<u>\$ 1,292,854</u>	<u>\$ 107,759</u>	<u>\$ 49,455</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 1,991,704	\$ 2,183,919	\$ 398,103	\$ 5,662
Restricted for self insurance	34,389	-	-	-
Restricted for debt service	79,931	-	-	-
Unrestricted	<u>809,257</u>	<u>1,997,498</u>	<u>194,422</u>	<u>219,584</u>
Total net assets	<u>\$ 2,915,281</u>	<u>\$ 4,181,417</u>	<u>\$ 592,525</u>	<u>\$ 225,246</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, 2006

<u>2006 Total</u>	2006 Governmental Activities Internal Service Funds	<u>2005 Total</u>	2005 Governmental Activities Internal Service Funds
\$ 2,778,667	\$ 254,471	\$ 2,439,147	\$ 468,322
<u>1,001,068</u>	<u>-</u>	<u>790,849</u>	<u>-</u>
<u>\$ 3,779,735</u>	<u>\$ 254,471</u>	<u>\$ 3,229,996</u>	<u>\$ 468,322</u>
\$ 114,320	\$ -	\$ 104,404	\$ -
160,375	-	160,375	-
5,123,066	-	5,123,066	-
3,518,167	-	3,410,851	-
2,913,110	742,243	2,754,371	559,030
<u>(5,973,610)</u>	<u>(197,181)</u>	<u>(5,250,237)</u>	<u>(122,957)</u>
<u>\$ 5,855,428</u>	<u>\$ 545,062</u>	<u>\$ 6,302,830</u>	<u>\$ 436,073</u>
<u>\$ 9,635,163</u>	<u>\$ 799,533</u>	<u>\$ 9,532,826</u>	<u>\$ 904,395</u>
\$ 191,148	\$ 44,236	\$ 231,550	\$ 104,937
261,744	-	253,659	-
<u>38,850</u>	<u>-</u>	<u>48,135</u>	<u>-</u>
<u>\$ 491,742</u>	<u>\$ 44,236</u>	<u>\$ 533,344</u>	<u>\$ 104,937</u>
\$ 899,976	\$ -	\$ 1,161,720	\$ -
<u>328,976</u>	<u>-</u>	<u>310,012</u>	<u>-</u>
<u>\$ 1,228,952</u>	<u>\$ -</u>	<u>\$ 1,471,732</u>	<u>\$ -</u>
<u>\$ 1,720,694</u>	<u>\$ 44,236</u>	<u>\$ 2,005,076</u>	<u>\$ 104,937</u>
\$ 4,579,388	\$ 545,062	\$ 4,783,047	\$ 436,073
34,389	-	-	-
79,931	-	104,404	-
<u>3,220,761</u>	<u>210,235</u>	<u>2,640,299</u>	<u>363,385</u>
<u>\$ 7,914,469</u>	<u>\$ 755,297</u>	<u>\$ 7,527,750</u>	<u>\$ 799,458</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, 2006

	Business-Type Activities Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Storm Sewer</u>
Operating revenues:				
Charges for services	\$ 2,770,818	\$ 1,839,565	\$ 1,167,817	\$ 193,739
Miscellaneous	43,688	-	6,013	-
Penalties	<u>20,141</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>\$ 2,834,647</u>	<u>\$ 1,839,565</u>	<u>\$ 1,173,830</u>	<u>\$ 193,739</u>
Operating expenses:				
General government	\$ 424,113	\$ 295,729	\$ 214,317	\$ 171,259
Supervision	157,829	75,284	41,867	-
Pumping and supply	771,486	-	-	-
Meter reading	118,556	-	-	-
Distribution	459,633	-	-	-
Reimbursed expense	(17,733)	(2,252)	(1,000)	-
Disposal and treatment	-	364,607	-	-
Collection	-	191,645	-	-
Contractual	-	-	-	-
Sanitation	-	-	781,969	-
Depreciation	<u>348,883</u>	<u>257,815</u>	<u>115,866</u>	<u>809</u>
Total operating expenses	<u>\$ 2,262,767</u>	<u>\$ 1,182,828</u>	<u>\$ 1,153,019</u>	<u>\$ 172,068</u>
Operating income (loss)	\$ 571,880	\$ 656,737	\$ 20,811	\$ 21,671
Nonoperating revenues (expenses):				
Proceeds from lease obligation	\$ -	\$ -	\$ -	\$ -
Interest revenue	25,157	62,952	11,223	4,477
Interest expense	<u>(30,904)</u>	<u>(68,915)</u>	<u>(275)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>\$ (5,747)</u>	<u>\$ (5,963)</u>	<u>\$ 10,948</u>	<u>\$ 4,477</u>
Income (loss) before contributions and transfers	\$ 566,133	\$ 650,774	\$ 31,759	\$ 26,148
Capital contribution G.O. bonds	(104,996)	(103,099)	(10,000)	-
Transfers	<u>(360,000)</u>	<u>(235,000)</u>	<u>(75,000)</u>	<u>-</u>
Change in net assets	\$ 101,137	\$ 312,675	\$ (53,241)	\$ 26,148
Total net assets - beginning	2,814,144	3,868,742	645,766	199,098
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets - ending	<u>\$ 2,915,281</u>	<u>\$ 4,181,417</u>	<u>\$ 592,525</u>	<u>\$ 225,246</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, 2006

2006 <u>Total</u>	2006 Governmental Activities Internal Service <u>Funds</u>	2005 <u>Total</u>	2005 Governmental Activities Internal Service <u>Funds</u>
\$ 5,971,939	\$ 1,040,216	\$ 5,358,281	\$ 1,095,836
49,701	226,008	54,001	202,955
<u>20,141</u>	<u>-</u>	<u>17,402</u>	<u>-</u>
<u>\$ 6,041,781</u>	<u>\$ 1,266,224</u>	<u>\$ 5,429,684</u>	<u>\$ 1,298,791</u>
\$ 1,105,418	\$ -	\$ 974,979	\$ -
274,980	-	239,018	-
771,486	-	770,542	-
118,556	-	131,000	-
459,633	-	416,479	-
(20,985)	(45,322)	(101,852)	(55,747)
364,607	-	349,688	-
191,645	-	202,520	-
-	1,388,804	-	1,325,171
781,969	-	805,695	-
<u>723,373</u>	<u>74,224</u>	<u>702,133</u>	<u>55,903</u>
<u>\$ 4,770,682</u>	<u>\$ 1,417,706</u>	<u>\$ 4,490,202</u>	<u>\$ 1,325,327</u>
\$ 1,271,099	\$ (151,482)	\$ 939,482	\$ (26,536)
\$ -	\$ 105,075	\$ -	\$ 91,665
103,809	2,246	70,017	3,212
<u>(100,094)</u>	<u>-</u>	<u>(111,115)</u>	<u>-</u>
<u>\$ 3,715</u>	<u>\$ 107,321</u>	<u>\$ (41,098)</u>	<u>\$ 94,877</u>
\$ 1,274,814	\$ (44,161)	\$ 898,384	\$ 68,341
(218,095)	-	(197,534)	-
<u>(670,000)</u>	<u>-</u>	<u>(653,817)</u>	<u>-</u>
<u>\$ 386,719</u>	<u>\$ (44,161)</u>	<u>\$ 47,033</u>	<u>\$ 68,341</u>
7,527,750	799,458	7,480,717	731,117
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,914,469</u>	<u>\$ 755,297</u>	<u>\$ 7,527,750</u>	<u>\$ 799,458</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, 2006

	Business-Type Activities Enterprise Funds	
	<u>Water</u>	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,611,397	\$ 1,848,241
Payments to suppliers	(1,154,092)	(509,889)
Payments to employees	<u>(754,990)</u>	<u>(416,807)</u>
Net cash provided by operating activities	<u>\$ 702,315</u>	<u>\$ 921,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in (out)	<u>\$ (360,000)</u>	<u>\$ (235,000)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Purchases of capital assets	\$ (120,591)	\$ (83,183)
Principal paid on capital debt	(128,996)	(332,758)
Interest and fees paid on capital debt	<u>(32,104)</u>	<u>(77,000)</u>
Net cash used by capital and related financing activities	<u>\$ (281,691)</u>	<u>\$ (492,941)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$ 25,157	\$ 62,952
Other	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 25,157</u>	<u>\$ 62,952</u>
Net increase (decrease) in cash and cash equivalents	\$ 85,781	\$ 256,556
Cash and cash equivalents at beginning of year	<u>451,315</u>	<u>1,682,757</u>
Cash and cash equivalents at end of year	<u>\$ 537,096</u>	<u>\$ 1,939,313</u>
SUPPLEMENTAL SCHEDULE - COMPOSITION OF CASH		
Current cash and cash equivalents	\$ 422,776	\$ 1,939,313
Restricted cash:		
Revenue bond debt service	5,896	-
Revenue bond reserve	28,000	-
Improvements	46,035	-
Self insurance	<u>34,389</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 537,096</u>	<u>\$ 1,939,313</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 571,880	\$ 656,737
(Increase) decrease in accounts receivable	(223,250)	8,676
Increase (decrease) in accounts payable	4,802	(1,683)
Depreciation	<u>348,883</u>	<u>257,815</u>
	<u>\$ 702,315</u>	<u>\$ 921,545</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, 2006

Business-Type Activities Enterprise Funds (Continued)		2006 Governmental Activities Internal Service Funds		2005 Governmental Activities Internal Service Funds	
<u>Sanitation</u>	<u>Storm Sewer</u>	<u>2006 Total</u>	<u>2006 Total</u>	<u>2005 Total</u>	<u>2005 Total</u>
\$ 1,179,619	\$ 192,305	\$ 5,831,562	\$ 1,311,546	\$ 5,351,944	\$ 1,354,538
(693,038)	(127,429)	(2,484,448)	(1,387,531)	(2,139,304)	(1,325,171)
<u>(412,502)</u>	<u>-</u>	<u>(1,584,299)</u>	<u>-</u>	<u>(1,590,662)</u>	<u>-</u>
\$ 74,079	\$ 64,876	\$ 1,762,815	\$ (75,985)	\$ 1,621,978	\$ 29,367
<u>(75,000)</u>	<u>-</u>	<u>(670,000)</u>	<u>-</u>	<u>(653,817)</u>	<u>-</u>
\$ (62,281)	\$ -	\$ (266,055)	\$ (245,187)	\$ (284,251)	\$ (115,353)
(10,000)	-	(471,754)	-	(648,384)	-
<u>(275)</u>	<u>-</u>	<u>(109,379)</u>	<u>-</u>	<u>(130,377)</u>	<u>-</u>
\$ (72,556)	\$ -	\$ (847,188)	\$ (245,187)	\$ (1,063,012)	\$ (115,353)
\$ 11,223	\$ 4,477	\$ 103,809	\$ 2,246	\$ 70,017	\$ 3,212
<u>-</u>	<u>-</u>	<u>-</u>	<u>105,075</u>	<u>-</u>	<u>91,665</u>
\$ 11,223	\$ 4,477	\$ 103,809	\$ 107,321	\$ 70,017	\$ 94,877
\$ (62,254)	\$ 69,353	\$ 349,436	\$ (213,851)	\$ (24,834)	\$ 8,891
<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>
\$ 171,064	\$ 245,514	\$ 2,892,987	\$ 254,471	\$ 2,543,551	\$ 468,322
\$ 171,064	\$ 245,514	\$ 2,778,667	\$ 254,471	\$ 2,439,147	\$ 468,322
-	-	5,896	-	30,369	-
-	-	28,000	-	28,000	-
-	-	46,035	-	-	-
<u>-</u>	<u>-</u>	<u>34,389</u>	<u>-</u>	<u>46,035</u>	<u>-</u>
\$ 171,064	\$ 245,514	\$ 2,892,987	\$ 254,471	\$ 2,543,551	\$ 468,322
\$ 20,811	\$ 21,671	\$ 1,271,099	\$ (151,482)	\$ 939,482	\$ (26,536)
5,789	(1,434)	(210,219)	-	(77,740)	-
(68,387)	43,830	(21,438)	1,273	58,103	-
<u>115,866</u>	<u>809</u>	<u>723,373</u>	<u>74,224</u>	<u>702,133</u>	<u>55,903</u>
\$ 74,079	\$ 64,876	\$ 1,762,815	\$ (75,985)	\$ 1,621,978	\$ 29,367

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, 2006

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, 2006

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, 2006

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 2006. 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, 2006

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, 2005 to December 31, 2006.

Government Fund <u>Receivables</u>	Balance December <u>31, 2005</u>	Increase (Decrease)	Balance December <u>31, 2006</u>
Taxes receivable	\$ 2,974,900	\$ 143,100	\$ 3,118,000
Accounts receivable	302,969	167,837	470,806
Special assessments	<u>492,114</u>	<u>(103,944)</u>	<u>388,170</u>
	<u>\$ 3,769,983</u>	<u>\$ 206,993</u>	<u>\$ 3,976,976</u>

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

	Balance December <u>31, 2005</u>	Increase (Decrease)	Balance December <u>31, 2006</u>
Governmental activities	\$ 493,232	\$ 55,592	\$ 548,824
Business activities	<u>48,135</u>	<u>(9,285)</u>	<u>38,850</u>
	<u>\$ 541,367</u>	<u>\$ 46,307</u>	<u>\$ 587,674</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 was one amendment to the original 2006 budget. Both the Street Maintenance and Economic Funds increased expenditure authorization from \$100,000 to \$140,000.

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, 2006

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 12-31-2006, cash and investments included certificates of deposit and interest bearing checking accounts and temporary notes. See Schedule 1. At December 31, 2006 the City's carrying amount of deposits was \$9,274,234 and the bank balance was \$9,652,635. 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 \$9,352,635 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>5,504,485</u>	
Sub-total for Home National Bank	<u>\$ 5,604,485</u>	<u>\$ 5,604,485</u>
Union State Bank:		
Insured FDIC	\$ 100,000	
(Secured with 3rd party joint custody receipts)	<u>2,900,000</u>	
Sub-total for Union State Bank	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
CornerBank:		
Insured FDIC	\$ 100,000	
(Secured with 3rd party joint custody receipts)	<u>400,000</u>	
Sub-total for CornerBank	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Total deposits	<u>\$ 9,104,485</u>	
<u>Cash</u>		
Petty cash on hand	\$ 1,750	\$ 1,750
Rounding	(1)	(1)
Temporary notes	<u>168,000</u>	<u>168,000</u>
Total cash deposits and cash on hand	<u>\$ 9,274,234</u>	<u>\$ 9,274,234</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, 2006

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	\$ 360,000
Sewer	General	12-825d	235,000
Sanitation	General	12-825d	<u>75,000</u>
Total operating transfers			<u>\$ 670,000</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, 2005 and December 31, 2006.

<u>Fund</u>	<u>Balance December 31, 2005</u>	<u>Increase (Decrease)</u>	<u>Balance December 31, 2006</u>
General	\$ 839,599	\$ 55,790	\$ 895,389
Special Street & Highway	<u>28,827</u>	<u>(17,634)</u>	<u>11,193</u>
Total governmental funds	<u>\$ 868,426</u>	<u>\$ 38,156</u>	<u>\$ 906,582</u>
Water	\$ 152,477	\$ 466	\$ 152,943
Sewer	72,041	13,356	85,397
Sanitation	<u>85,494</u>	<u>5,142</u>	<u>90,636</u>
Total business-type funds	<u>\$ 310,012</u>	<u>\$ 18,964</u>	<u>\$ 328,976</u>
Total compensated absences	<u>\$ 1,178,438</u>	<u>\$ 57,120</u>	<u>\$ 1,235,558</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, 2006

2. Capital Assets

Capital asset activity for the year ended December 31, 2006 is as follows:

	<u>Balance</u> <u>January 1, 2006</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>December 31, 2006</u>
Governmental Activities				
Land, infrastructure and buildings	\$ 25,225,823	\$ 5,212,892	\$ -	\$ 30,438,715
Equipment	1,602,325	373,763	-	1,976,088
Accumulated depreciation	<u>(2,128,929)</u>	<u>(915,864)</u>	<u>-</u>	<u>(3,044,793)</u>
Total governmental activities	\$ 24,699,219	\$ 4,670,791	\$ -	\$ 29,370,010
Business-type Activities				
Land	\$ 160,375	\$ -	\$ -	\$ 160,375
Buildings and improvements	5,123,066	-	-	5,123,066
Meters, mains and service lines	3,410,851	107,316	-	3,518,167
Vehicles and equipment	2,754,371	158,739	-	2,913,110
Accumulated depreciation	<u>(5,250,237)</u>	<u>(723,373)</u>	<u>-</u>	<u>(5,973,610)</u>
Total business-type activities	\$ 6,198,426	\$ (457,318)	\$ -	\$ 5,741,108
Total capital assets	\$ 30,897,645	\$ 4,213,473	\$ -	\$ 35,111,118

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 2005 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. New infrastructure is estimated to have a useful life of 40 years. The remaining basis of traded assets is added to the cost of new assets and gains or losses have not been recognized which would be immaterial.

The schedule below shows accumulated depreciation at December 31, 2005 and December 31, 2006 based upon these estimates.

	<u>Accumulated</u> <u>Depreciation</u> <u>January 1, 2006</u>	<u>2006</u> <u>Depreciation</u>	<u>2006</u> <u>Adjustments</u>	<u>Accumulated</u> <u>Depreciation</u> <u>December 31, 2006</u>
Governmental funds	\$ 2,128,929	\$ 915,864	\$ -	\$ 3,044,793
Business type activities	<u>5,250,237</u>	<u>723,373</u>	<u>-</u>	<u>5,973,610</u>
Total accumulated depreciation	\$ 7,379,166	\$ 1,639,237	\$ -	\$ 9,018,403

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, 2006

3. Long-term debt

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

	<u>Series Number</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Maturity</u>
<u>General obligation bonds</u>					
Internal improvements	1993	10/01/93	3.20% to 6.20%	\$ 1,600,000	12/01/08
Internal improvements	1998-A	05/01/98	4.15% to 6.125 %	1,200,000	12/01/08
Internal improvements	1999	01/01/99	3.60% to 4.50 %	1,261,000	12/01/08
Internal improvements	2000	05/01/00	5.00% to 6.50 %	1,790,000	12/01/09
Internal improvements	2001	10/01/01	3.15% to 4.25 %	1,175,000	12/01/11
Internal improvements	2002	10/01/02	3.50% to 5.30 %	2,200,000	04/01/12
Internal improvements	2003	08/01/03	2.50% to 3.75%	3,685,000	12/01/13
Internal improvements	2005	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
Internal improvements	2006	11/01/06	3.70%	4,600,000	11/01/08
<u>Revenue bonds</u>					
Water system	1977-C	01/01/78	5.00%	429,000	01/01/08
<u>Certificates of participation</u>					
Humane society	2004	12/01/02	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	2005	10/08/05	4.00%	750,000	10/08/16

The following is a summary of debt transactions of the City for the year ended December 31, 2006:

	<u>General Obligations</u>	<u>Revenue Bonds</u>	<u>Temporary Notes</u>	<u>Certificates of Participation</u>	<u>CBDG & KDHE Loans</u>	<u>Total</u>
Bonds and notes payable						
January 1, 2006	\$ 9,590,000	\$ 48,000	\$ 2,703,000	\$ 402,689	\$ 2,328,894	\$ 15,072,583
New issues	-	-	4,600,000	-	-	4,600,000
Bonds retired						
tax levy revenue	(1,266,415)	-	-	-	-	(1,266,415)
Bonds retired						
utility revenue	(208,095)	(24,000)	-	-	-	(232,095)
special revenue	(10,490)	-	(1,375,000)	-	-	(1,385,490)
Notes retired						
utility revenue	-	-	-	-	(229,660)	(229,660)
tax levy revenue	-	-	-	-	(36,599)	(36,599)
other entities	-	-	-	-	(57,029)	(57,029)
Cert. of part. retired						
tax levy revenue	-	-	-	(47,505)	-	(47,505)
other entities	-	-	-	(10,000)	-	(10,000)
utility revenue	-	-	-	(10,000)	-	(10,000)
Long-term debt outstand.						
December 31, 2006	<u>\$ 8,105,000</u>	<u>\$ 24,000</u>	<u>\$ 5,928,000</u>	<u>\$ 335,184</u>	<u>\$ 2,005,606</u>	<u>\$ 16,397,790</u>

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2006

The annual requirements to amortize the bonds outstanding as of December 31, 2006, including interest are as follows:

Year	.. General Obligation Revenue Certificates of Participation CDBG & KDHE Loans	
	<u>Outstanding</u>	<u>Interest</u>	<u>Outstanding</u>	<u>Interest</u>	<u>Outstanding</u>	<u>Interest</u>	<u>Outstanding</u>	<u>Interest and Fees</u>
2007	\$ 1,420,000	\$ 304,634	\$ 24,000	\$ 1,200	\$ 49,716	\$ 15,599	\$ 921,392	\$ 46,233
2008	1,465,000	247,397	-	-	51,994	13,321	284,199	32,776
2009	1,160,000	188,955	-	-	54,450	10,865	293,628	23,346
2010	975,000	144,710	-	-	56,984	8,331	303,379	13,596
2011	1,020,000	109,169	-	-	59,636	5,679	175,763	3,514
2012-2016	<u>2,065,000</u>	<u>139,518</u>	<u>-</u>	<u>-</u>	<u>62,404</u>	<u>2,913</u>	<u>27,245</u>	<u>339</u>
Total	<u>\$ 8,105,000</u>	<u>\$ 1,134,383</u>	<u>\$ 24,000</u>	<u>\$ 1,200</u>	<u>\$ 335,184</u>	<u>\$ 56,708</u>	<u>\$ 2,005,606</u>	<u>\$ 119,804</u>

Temporary notes series 2006-1 in the amount of \$4,600,000 were issued in 2006. Temporary note series 2005-1 in the amount of \$1,160,000 and 2005-2 in the amount of \$168,000 are still outstanding. The temporary notes issued for South Central Kansas Regional Medical Center in the amount of \$1,375,000 with the hospital reimbursing the City for both principal and interest.

<u>Series</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
2005-1	\$1,160,000	8/1/2005	8/1/2009
2005-2	168,000	11/1/2005	11/1/2007
2006	4,600,000	11/1/2006	11/1/2008

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, 2006

7. Lease/Purchase Agreements

The City entered into a lease/purchase agreement in 2006 for a new fire truck. Following is the detail of the lease purchase agreement.

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Maturity</u>
Fire truck	8/18/2006	4.89%	\$ 668,665	02/01/16

Summary of changes - lease purchase:

Principal balance payable January 1, 2006	\$ -
New leases payable - 2006	668,665
Principal paid - 2006	<u>-</u>
Balance December 31, 2006	<u>\$ 668,665</u>

The following is a schedule of future minimum lease payments:

<u>Year</u>	<u>Total Payments</u>	<u>Amount Representing Interest</u>	<u>Present Value of Min Lease Payments</u>
2007	\$ 84,216	\$ 15,168	\$ 69,048
2008	84,216	29,729	54,487
2009	84,216	27,101	57,115
2010	84,216	24,195	60,021
2011	84,216	21,220	62,996
2012-2016	<u>421,079</u>	<u>56,081</u>	<u>364,998</u>
Total	<u>\$ 842,159</u>	<u>\$ 173,494</u>	<u>\$ 668,665</u>

8. Contingent Liability - Pending Litigation

A. In July of 2005 a sub-contractor working in the northern part of the City damaged a water line. The interruption in water caused a local Company \$39,012 in damages. The company presented the City with an invoice for this amount as its "Business Interruption Claim." The City believes they will recover all damages from the contractor and any potential loss by the City is minimal.

B. A building in downtown Arkansas City was declared a dangerous structure by the City of Arkansas City. 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 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.

CITY OF ARKANSAS CITY, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended December 31, 2006

8. Contingent Liability - Pending Litigation (continued)

The City, through counsel appointed by its insurance carrier, rigorously defended this action. The City's maximum exposure is approximately the same amount the City is seeking from the owners.

- C. A person was arrested by the Arkansas City Police Department in June of 2005 for driving under the influence and transported to the Cowley County Jail for detention. Later that evening he was transported to the hospital for treatment, thereafter was transported to a hospital in Wichita for treatment. The person died due to an overdose of prescription drugs.

Heirs for the person have filed litigation against the City for wrongful death. The plaintiff argues the City was negligent in evaluating and monitoring for signs of drug overdose.

The City has referred this matter to its insurance carrier to mount a defense. The City does not anticipate an unfavorable outcome, however should the Court rule in the Plaintiff's favor, the amount of damages is unknown without further discovery.

- D. The City requested review by the Kansas Supreme Court, which was granted, regarding a claim against the City alleging trespassing and an unlawful taking of land and seeking declaratory and injunctive relief together with damages. The City moved for summary judgement on these claims, which was granted in May 2005. The landowners appealed and prevailed at the Kansas Court of Appeals in July 2006. If the Supreme Court should rule in the landowner's favor, the City may face some liability. Maximum damages are unknown at this point without additional discovery.

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 \$148,348 in the General fund and \$34,389 in the Water 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, 2006 was as follows:

	<u>Waterworks Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Storm Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues	\$ 2,834,647	\$ 1,839,565	\$ 1,173,830	\$ 193,739	\$ 6,041,781
Operating income (loss)	571,880	656,737	20,811	21,671	1,271,099
Operating transfers in (out)	(360,000)	(235,000)	(75,000)	-	(670,000)
Non-operating revenue	(5,747)	(5,963)	10,948	4,477	3,715
Tax revenues	-	-	-	-	-
Net income	101,137	312,675	(53,241)	26,148	386,719
Capital asset additions	120,591	83,183	62,281	-	266,055
Depreciation	(348,883)	(257,815)	(115,866)	(809)	(723,373)
Net working capital	938,200	1,845,151	285,058	219,584	3,287,993
Total assets	3,185,907	5,474,271	700,284	274,701	9,635,163
Revenue bonds outstanding	(24,000)	-	-	-	(24,000)
Loans outstanding	-	(899,976)	-	-	(899,976)
Total net assets	\$ 2,915,281	\$ 4,181,417	\$ 595,525	\$ 225,246	\$ 7,917,469

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2006

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.

The amount deposited to the escrow account during 2006 was \$0, and \$0 was withdrawn payable to the Corps of Engineers. Interest earned was \$1,546 for 2004, \$537 for 2005 and \$1,477 for 2006. A separate bank account was established at the Home National Bank to account for the cash contribution, drawing and interest earned. At December 31, 2006, the balance on hand was \$325,991. 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, 2006 is \$19,967,399. Total expenditures to date equal \$11,751,199. 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 eight series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$6,736,036.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2006

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, 2006. The City paid \$15,000 during 2006.

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.

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.

CITY OF ARKANSAS CITY, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2006

18. Defined Benefit Pension Plan (continued)

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 2006 is 3.81%. The City of Arkansas City contributions to KPERS for the years ending December 31, 2006, 2005 and 2005 were \$108,141, \$92,097 and \$96,248 respectively, equal of the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning 2006 is 14.60%. 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, 2006, 2005 and 2005 were, \$333,695, \$291,826 and \$256,143, 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 have not been included in the financial statements of the City.

20. Reclassifications

In prior years the personnel services expense line item included expenses paid out of the employee benefit fund. In 2006 the employee benefit fund was removed, therefore these expenses are allocated to other line items.

21. Other receivables

The City has a CDBG loan with the State of Kansas Department of Commerce in the amount of \$646,313. 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 \$4,338 is shown as a liability with the expected reimbursement from Kan-Pac LLC also shown as part of the receivable. These amounts have completely paid off in 2007.

22. Other post employee benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

CITY OF ARKANSAS CITY, KANSAS
GENERAL FUND
BALANCE SHEET
December 31, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 214,548	\$ 241,695
Receivables (net of allowance for uncollectibles):		
Taxes	2,017,000	1,843,000
Accounts - Refuse and others	470,806	302,969
Due from other funds	-	-
Restricted assets:		
Restricted cash (Note 9)	<u>148,348</u>	<u>182,737</u>
 Total assets	 <u>\$ 2,850,702</u>	 <u>\$ 2,570,401</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
 <u>Liabilities</u>		
Accounts payable	\$ 214,548	\$ 215,407
Deferred revenue	<u>2,487,806</u>	<u>2,145,969</u>
 Total liabilities	 <u>\$ 2,702,354</u>	 <u>\$ 2,361,376</u>
 <u>Fund balance</u>		
Unreserved:		
Undesignated	\$ -	\$ 26,288
Reserved (Note 9)	<u>148,348</u>	<u>182,737</u>
 Total fund balance	 <u>\$ 148,348</u>	 <u>\$ 209,025</u>
 Total liabilities and fund balance	 <u>\$ 2,850,702</u>	 <u>\$ 2,570,401</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, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ 4,535,647	\$ 4,419,908	\$ 115,739	\$3,631,397
Intergovernmental revenue	559,760	493,000	66,760	541,093
Licenses, fees and permits	34,589	36,600	(2,011)	32,632
Charges for services	395,084	390,100	4,984	395,386
Fines, forfeitures and penalties	496,820	478,500	18,320	428,168
Use of money and property	237,856	180,050	57,806	154,747
Miscellaneous	<u>273,368</u>	<u>186,200</u>	<u>87,168</u>	<u>308,092</u>
 Total revenues	 <u>\$ 6,533,124</u>	 <u>\$ 6,184,358</u>	 <u>\$ 348,766</u>	 <u>\$5,491,515</u>
<u>Expenditures</u>				
General government:				
City commission	\$ 52,147	\$ 54,600	\$ 2,453	\$ 50,611
City manager	84,078	92,915	8,837	83,877
Community support	47,662	33,000	(14,662)	41,848
Legal council	152,365	87,018	(65,347)	129,006
Administration	352,129	306,819	(45,310)	298,401
Code enforcement	269,558	271,085	1,527	252,176
Non-departmental	66,015	421,050	355,035	224,554
Planning	155	4,360	4,205	325
Animal control - Humane Society	<u>52,408</u>	<u>68,460</u>	<u>16,052</u>	<u>42,144</u>
 Total general government	 <u>\$ 1,076,517</u>	 <u>\$ 1,339,307</u>	 <u>\$ 262,790</u>	 <u>\$1,122,942</u>
Public safety:				
Law enforcement	\$ 2,522,873	\$ 2,335,849	\$ (187,024)	\$2,088,370
Fire fighting	1,824,113	1,704,295	(119,818)	1,325,060
Civil defense	<u>36,243</u>	<u>40,300</u>	<u>4,057</u>	<u>37,390</u>
 Total public safety	 <u>\$ 4,383,229</u>	 <u>\$ 4,080,444</u>	 <u>\$ (302,785)</u>	 <u>\$3,450,820</u>
Public works:				
Supervision	\$ 91,913	\$ 86,965	\$ (4,948)	\$ 77,765
Street repair	281,964	230,750	(51,214)	210,936
Street lighting	151,784	145,000	(6,784)	143,075
Cemetery	139,892	159,825	19,933	134,284
Public buildings	<u>122,081</u>	<u>121,827</u>	<u>(254)</u>	<u>117,517</u>
 Total public works	 <u>\$ 787,634</u>	 <u>\$ 744,367</u>	 <u>\$ (43,267)</u>	 <u>\$ 683,577</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
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET (CONTINUED)
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	Variance- Favorable <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Expenditures (continued)</u>				
Culture and recreation:				
Park	\$ 508,918	\$ 521,030	\$ 12,112	\$ 457,891
Baseball park	11,491	19,030	7,539	15,569
Swimming pool	71,605	64,905	(6,700)	53,718
NW Community Center	49,304	67,177	17,873	37,282
Senior Citizen	198,689	213,328	14,639	172,522
Museum	146,426	142,258	(4,168)	120,280
Teen Center	25,917	32,885	6,968	27,428
Human Relations Council	<u>4,071</u>	<u>4,120</u>	<u>49</u>	<u>2,436</u>
Total culture and recreation	<u>\$ 1,016,421</u>	<u>\$ 1,064,733</u>	<u>\$ 48,312</u>	<u>\$ 887,126</u>
Capital outlay:				
Non-departmental	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ 7,263,801</u>	<u>\$ 7,228,851</u>	<u>\$ (34,950)</u>	<u>\$ 6,144,465</u>
Revenues over (under) expenditures	<u>\$ (730,677)</u>	<u>\$ (1,044,493)</u>	<u>\$ 313,816</u>	<u>\$ (652,950)</u>
<u>Other financing sources (uses)</u>				
Transfers in	\$ 670,000	\$ 770,000	\$ (100,000)	\$ 558,817
Transfers (out)	-	-	-	-
Equity transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total other financing sources (uses)	<u>\$ 670,000</u>	<u>\$ 770,000</u>	<u>\$ (100,000)</u>	<u>\$ 658,817</u>
Excess of revenues and other sources over expenditures and other uses	\$ (60,677)	\$ (274,493)	\$ 213,816	\$ 5,867
Fund balance, beginning	<u>209,025</u>	<u>274,493</u>	<u>(65,468)</u>	<u>203,158</u>
Fund balance, ending	<u>\$ 148,348</u>	<u>\$ -</u>	<u>\$ 148,348</u>	<u>\$ 209,025</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, 2006

	Special Revenue Service Funds	Debt Service Fund	Trust & Agency Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 719,718	\$ 94,972	\$ 217,780	\$ 1,032,470
Receivables - taxes	253,000	848,000	-	1,101,000
Cash with fiscal agent	-	-	-	-
Special assessments	<u>-</u>	<u>388,170</u>	<u>-</u>	<u>388,170</u>
 Total assets	 <u>\$ 972,718</u>	 <u>\$ 1,331,142</u>	 <u>\$ 217,780</u>	 <u>\$ 2,521,640</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 14,753	\$ -	\$ 43,374	\$ 58,127
Deferred revenue	253,000	1,236,170	-	1,489,170
Matured coupons	-	-	-	-
Due to other agencies	<u>-</u>	<u>-</u>	<u>174,406</u>	<u>174,406</u>
 Total liabilities	 <u>\$ 267,753</u>	 <u>\$ 1,236,170</u>	 <u>\$ 217,780</u>	 <u>\$ 1,721,703</u>
 <u>Fund balance</u>				
Reserved	\$ 135,135	\$ -	\$ -	\$ 135,135
Undesignated	<u>569,830</u>	<u>94,972</u>	<u>-</u>	<u>664,802</u>
 Total fund balance	 <u>\$ 704,965</u>	 <u>\$ 94,972</u>	 <u>\$ -</u>	 <u>\$ 799,937</u>
 Total liabilities and fund balance	 <u>\$ 972,718</u>	 <u>\$ 1,331,142</u>	 <u>\$ 217,780</u>	 <u>\$ 2,521,640</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, 2006

<u>Revenues</u>	Special Revenue Funds	Debt Service Fund	Total
Taxes	\$ 553,280	\$ 1,298,801	\$ 1,852,081
Intergovernmental	411,034	-	411,034
Interest	1,385	-	1,385
Miscellaneous	<u>1,604,541</u>	<u>357,422</u>	<u>1,961,963</u>
 Total revenues	 <u>\$ 2,570,240</u>	 <u>\$ 1,656,223</u>	 <u>\$ 4,226,463</u>
 <u>Expenditures</u>			
Current:			
General government	\$ 7,250	\$ -	\$ 7,250
Public Safety	19,599	-	19,599
Public Works	750,120	-	750,120
Culture and recreation	293,116	-	293,116
Debt service:			
Principal	1,385,490	1,350,520	2,736,010
Interest and fees	73,835	323,063	396,898
Capital outlay	<u>105,812</u>	<u>-</u>	<u>105,812</u>
 Total expenditures	 <u>\$ 2,635,222</u>	 <u>\$ 1,673,583</u>	 <u>\$ 4,308,805</u>
 Revenues over (under) expenditures	 <u>\$ (64,982)</u>	 <u>\$ (17,360)</u>	 <u>\$ (82,342)</u>
 Other financing sources (uses)			
Transfer in (Note 1-H)	\$ -	\$ -	\$ -
Accrued interest on bond sale	-	-	-
Equity transfer out	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources (uses)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ (64,982)</u>	 <u>\$ (17,360)</u>	 <u>\$ (82,342)</u>
 Fund balance beginning of year	 <u>769,947</u>	 <u>112,332</u>	 <u>882,279</u>
 Fund balance end of year	 <u>\$ 704,965</u>	 <u>\$ 94,972</u>	 <u>\$ 799,937</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, 2006 and 2005

	Employee Benefits Library <u>Fund</u>	Convention Center <u>Fund</u>	Public Library <u>Fund</u>	Special Street and Highway <u>Fund</u>	Street Main- tenance <u>Fund</u>	Alcohol Program <u>Fund</u>
<u>ASSETS</u>						
Cash and investments	\$ -	\$ 19,619	\$ 5,132	\$ 145,606	\$ 139,634	\$ 4,872
Receivables (net of allowance for uncollectibles):						
Taxes	23,000	-	230,000	-	-	-
Other	-	-	-	-	-	-
Federal grant	-	-	-	-	-	-
Restricted cash	<u>-</u>	<u>29,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,000</u>	<u>\$ 49,052</u>	<u>\$ 235,132</u>	<u>\$ 145,606</u>	<u>\$ 139,634</u>	<u>\$ 4,872</u>
<u>LIABILITIES & FUND BALANCE</u>						
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ 8,125	\$ 89	\$ -
Due to other fund	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Deferred revenue	<u>23,000</u>	<u>-</u>	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 8,125</u>	<u>\$ 89</u>	<u>\$ -</u>
<u>Fund balance</u>						
Undesignated	\$ -	\$ 19,619	\$ 5,132	\$ 137,481	\$ 139,545	\$ 4,872
Reserve	<u>-</u>	<u>29,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ -</u>	<u>\$ 49,052</u>	<u>\$ 5,132</u>	<u>\$ 137,481</u>	<u>\$ 139,545</u>	<u>\$ 4,872</u>
Total liabilities and fund balance	<u>\$ 23,000</u>	<u>\$ 49,052</u>	<u>\$ 235,132</u>	<u>\$ 145,606</u>	<u>\$ 139,634</u>	<u>\$ 4,872</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, 2006 and 2005

Special Recrea- tion and Park <u>Fund</u>	Memorial Hospital <u>Fund</u>	Tourism <u>Fund</u>	Project Indepen- dence <u>Fund</u>	DARE Program <u>Fund</u>	Economic Develop- ment <u>Fund</u> Total	
						December 31,	
						<u>2006</u>	<u>2005</u>
\$ 20,477	\$ 13,725	\$ 22,973	\$ 50,499	\$ 35,654	\$ 126,392	\$ 584,583	\$ 846,943
-	-	-	-	-	-	253,000	240,920
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	<u>105,702</u>	-	-	<u>135,135</u>	<u>51,538</u>
<u>\$ 20,477</u>	<u>\$ 13,725</u>	<u>\$ 22,973</u>	<u>\$ 156,201</u>	<u>\$ 35,654</u>	<u>\$ 126,392</u>	<u>\$ 972,718</u>	<u>\$ 1,139,401</u>
\$ -	\$ -	\$ -	\$ 3,951	\$ 40	\$ 2,548	\$ 14,753	\$ 128,534
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	<u>253,000</u>	<u>240,920</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,951</u>	<u>\$ 40</u>	<u>\$ 2,548</u>	<u>\$ 267,753</u>	<u>\$ 369,454</u>
\$ 20,477	\$ 13,725	\$ 22,973	\$ 46,548	\$ 35,614	\$ 123,844	\$ 569,830	\$ 718,409
-	-	-	<u>105,702</u>	-	-	<u>135,135</u>	<u>51,538</u>
<u>\$ 20,477</u>	<u>\$ 13,725</u>	<u>\$ 22,973</u>	<u>\$ 152,250</u>	<u>\$ 35,614</u>	<u>\$ 123,844</u>	<u>\$ 704,965</u>	<u>\$ 769,947</u>
<u>\$ 20,477</u>	<u>\$ 13,725</u>	<u>\$ 22,973</u>	<u>\$ 156,201</u>	<u>\$ 35,654</u>	<u>\$ 126,392</u>	<u>\$ 972,718</u>	<u>\$ 1,139,401</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, 2006 and 2005

	Employee Benefits Library <u>Fund</u>	Convention Center <u>Fund</u>	Public Library <u>Fund</u>	Special Street and Highway <u>Fund</u>	Street Main- tenance <u>Fund</u>	Alcohol Program <u>Fund</u>
<u>Revenues</u>						
Taxes	\$ 26,137	\$ -	\$ 262,311	\$ -	\$ 100,000	\$ -
Intergovernmental revenue	-	-	-	392,870	-	9,082
Use of money and property	-	973	-	-	-	-
Miscellaneous	-	<u>12,193</u>	-	<u>2,847</u>	-	-
 Total revenues	 <u>\$ 26,137</u>	 <u>\$ 13,166</u>	 <u>\$ 262,311</u>	 <u>\$ 395,717</u>	 <u>\$ 100,000</u>	 <u>\$ 9,082</u>
<u>Expenditures</u>						
Current:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,250
Public safety	-	-	-	-	-	-
Public works	-	27,416	-	362,437	122,380	-
Culture and recreation	26,137	-	257,179	-	-	-
Debt service-principal & interest	-	-	-	-	-	-
Capital outlay	-	-	-	<u>86,110</u>	<u>13,135</u>	-
 Total expenditures	 <u>\$ 26,137</u>	 <u>\$ 27,416</u>	 <u>\$ 257,179</u>	 <u>\$ 448,547</u>	 <u>\$ 135,515</u>	 <u>\$ 7,250</u>
 Excess of revenues over expenditures	 <u>\$ -</u>	 <u>\$(14,250)</u>	 <u>\$ 5,132</u>	 <u>\$ (52,830)</u>	 <u>\$ (35,515)</u>	 <u>\$ 1,832</u>
<u>Other financing sources (uses)</u>						
Transfers in (out) (Note 1-H)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Total other financing sources (uses)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Excess of revenue over expenditures and other financing sources	 <u>\$ -</u>	 <u>\$(14,250)</u>	 <u>\$ 5,132</u>	 <u>\$ (52,830)</u>	 <u>\$ (35,515)</u>	 <u>\$ 1,832</u>
 Fund balance, beginning	 <u>-</u>	 <u>63,302</u>	 <u>-</u>	 <u>190,311</u>	 <u>175,060</u>	 <u>3,040</u>
 Fund balance, ending	 <u>\$ -</u>	 <u>\$ 49,052</u>	 <u>\$ 5,132</u>	 <u>\$ 137,481</u>	 <u>\$ 139,545</u>	 <u>\$ 4,872</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, 2006 and 2005

Special Recreation And Park Fund	Memorial Hospital Fund	Tourism Fund	Project Indepen- dence Fund	DARE Program Fund	Economic Develop- ment Fund Total	
						December 31,	
						2006	2005
\$ -	\$ -	\$ 64,832	\$ -	\$ -	\$ 100,000	\$ 553,280	\$ 1,184,602
9,082	-	-	-	-	-	411,034	521,596
-	412	-	-	-	-	1,385	1,684
<u>-</u>	<u>1,445,631</u>	<u>-</u>	<u>133,294</u>	<u>10,576</u>	<u>-</u>	<u>1,604,541</u>	<u>146,285</u>
<u>\$ 9,082</u>	<u>\$ 1,446,043</u>	<u>\$ 64,832</u>	<u>\$ 133,294</u>	<u>\$ 10,576</u>	<u>\$ 100,000</u>	<u>\$ 2,570,240</u>	<u>\$ 1,854,167</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,250	\$ 776,713
-	-	-	-	19,599	-	19,599	1,089
-	-	50,484	81,113	-	106,290	750,120	723,018
9,800	-	-	-	-	-	293,116	270,000
-	1,445,631	-	13,694	-	-	1,459,325	13,590
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,567</u>	<u>-</u>	<u>-</u>	<u>105,812</u>	<u>50,989</u>
<u>\$ 9,800</u>	<u>\$ 1,445,631</u>	<u>\$ 50,484</u>	<u>\$ 101,374</u>	<u>\$ 19,599</u>	<u>\$ 106,290</u>	<u>\$ 2,635,222</u>	<u>\$ 1,835,399</u>
\$ (718)	\$ 412	\$ 14,348	\$ 31,920	\$ (9,023)	\$ (6,290)	\$ (64,982)	\$ 18,768
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,000
\$ (718)	\$ 412	\$ 14,348	\$ 31,920	\$ (9,023)	\$ (6,290)	\$ (64,982)	\$ 113,768
<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>\$ 20,477</u>	<u>\$ 13,725</u>	<u>\$ 22,973</u>	<u>\$ 152,250</u>	<u>\$ 35,614</u>	<u>\$ 123,844</u>	<u>\$ 704,965</u>	<u>\$ 769,947</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ -	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes receivable	<u>23,000</u>	<u>21,920</u>
Total assets	<u>\$ 23,000</u>	<u>\$ 21,920</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ -
Deferred revenue	<u>23,000</u>	<u>21,920</u>
Total liabilities	<u>\$ 23,000</u>	<u>\$ 21,920</u>
 <u>Fund balance</u>		
Undesignated	\$ -	\$ -
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 21,920</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ 26,137	\$ 26,317	\$ (180)	\$ 24,125
Refund of expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 26,137</u>	<u>\$ 26,317</u>	<u>\$ (180)</u>	<u>\$ 24,125</u>
 <u>Expenditures</u>				
Personal services	<u>\$ 26,137</u>	<u>\$ 26,317</u>	<u>\$ 180</u>	<u>\$ 24,125</u>
Total expenditures	<u>\$ 26,137</u>	<u>\$ 26,317</u>	<u>\$ 180</u>	<u>\$ 24,125</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 19,619	\$ 11,764
Restricted cash	<u>29,433</u>	<u>51,538</u>
Total assets	<u>\$ 49,052</u>	<u>\$ 63,302</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Deferred revenue	\$ -	\$ -
Fund balance		
Undesignated	\$ 19,619	\$ 11,764
Reserved for maintenance	<u>29,433</u>	<u>51,538</u>
Total fund balance	<u>\$ 49,052</u>	<u>\$ 63,302</u>
Total liabilities and fund balance	<u>\$ 49,052</u>	<u>\$ 63,302</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>		
Sales	\$ 12,193	\$ 13,245
Use of money and property	<u>973</u>	<u>1,271</u>
Total revenues	<u>\$ 13,166</u>	<u>\$ 14,516</u>
<u>Expenditures</u>		
Contractual services	\$ 27,416	\$ 10,350
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 27,416</u>	<u>\$ 10,350</u>
Revenues over (under) expenditures	\$ (14,250)	\$ 4,166
Fund balance, beginning	<u>63,302</u>	<u>59,136</u>
Fund balance, ending	<u>\$ 49,052</u>	<u>\$ 63,302</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 5,132	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes receivable	<u>230,000</u>	<u>219,000</u>
Total assets	<u>\$ 235,132</u>	<u>\$ 219,000</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Deferred revenue	<u>\$ 230,000</u>	<u>\$ 219,000</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 5,132</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 235,132</u>	<u>\$ 219,000</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	Variance- Favorable (Unfavorable)	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ 262,311	\$ 257,179	\$ 5,132	\$ 245,875
Use of money and property	-	-	-	-
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 262,311</u>	<u>\$ 257,179</u>	<u>\$ 5,132</u>	<u>\$ 245,875</u>
 <u>Expenditures</u>				
Outside organizations	<u>\$ 257,179</u>	<u>\$ 257,179</u>	<u>\$ -</u>	<u>\$ 245,875</u>
Revenues over (under) expenditures	\$ 5,132	\$ -	\$ 5,132	\$ -
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,132</u>	<u>\$ -</u>	<u>\$ 5,132</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ -	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ -
Deferred revenue	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
<u>Fund balance</u>		
Undesignated	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ 669,713
Refund of expenditure	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,713</u>
<u>Expenditures</u>				
Personal services	\$ -	\$ -	\$ -	\$ 764,713
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,000)</u>
<u>Other financing sources (uses)</u>				
Transfer in (Note 1-H)	\$ -	\$ -	\$ -	\$ 95,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>
<u>Revenue and other sources over</u>				
(under) expenditures and other uses	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning	-	-	-	-
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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>145,606</u>	\$ <u>201,188</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>8,125</u>	\$ <u>10,877</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>137,481</u>	\$ <u>190,311</u>
Total liabilities and fund balance	\$ <u>145,606</u>	\$ <u>201,188</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
County gas tax	\$ 56,113	\$ -	\$ 56,113	\$ 57,964
State gas tax	336,757	420,000	(83,243)	343,230
Refund of expenditure	<u>2,847</u>	<u>-</u>	<u>2,847</u>	<u>83</u>
Total revenues	\$ <u>395,717</u>	\$ <u>420,000</u>	\$ <u>(24,283)</u>	\$ <u>401,277</u>
 <u>Expenditures</u>				
Personal services	\$ 64,273	\$ -	\$ (64,273)	\$ 79,842
Contractual services	67,400	493,555	426,155	46,384
Commodities	230,764	-	(230,764)	190,649
Capital outlay	<u>86,110</u>	<u>-</u>	<u>(86,110)</u>	<u>49,131</u>
Total expenditures	\$ <u>448,547</u>	\$ <u>493,555</u>	\$ <u>45,008</u>	\$ <u>366,006</u>
Revenues over (under) expenditures	\$ (52,830)	\$ (73,555)	\$ 20,725	\$ 35,271
Fund balance, beginning	<u>190,311</u>	<u>167,990</u>	<u>22,321</u>	<u>155,040</u>
Fund balance, ending	\$ <u>137,481</u>	\$ <u>94,435</u>	\$ <u>43,046</u>	\$ <u>190,311</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	<u>\$ 139,634</u>	<u>\$ 182,180</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ 89	\$ 7,120
 <u>Fund balance</u>		
Undesignated	<u>\$ 139,545</u>	<u>\$ 175,060</u>
Total liabilities and fund balance	<u>\$ 139,634</u>	<u>\$ 182,180</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Taxes:				
Franchise tax	<u>\$ 100,000</u>	<u>\$ 100,000</u>	\$ -	<u>\$ 105,222</u>
 <u>Expenditures</u>				
Commodities	\$ 122,380	\$ 140,000	\$ 17,620	\$ 86,266
Capital outlay	<u>13,135</u>	-	<u>(13,135)</u>	-
Total expenditures	<u>\$ 135,515</u>	<u>\$ 140,000</u>	<u>\$ 4,485</u>	<u>\$ 86,266</u>
Revenues over (under) expenditures	\$ (35,515)	\$ (40,000)	\$ 4,485	\$ 18,956
Fund balance, beginning	<u>175,060</u>	<u>175,000</u>	<u>60</u>	<u>156,104</u>
Fund balance, ending	<u>\$ 139,545</u>	<u>\$ 135,000</u>	<u>\$ 4,545</u>	<u>\$ 175,060</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>4,872</u>	\$ <u>3,040</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ _____	\$ _____
 <u>Fund balance</u>		
Undesignated	\$ <u>4,872</u>	\$ <u>3,040</u>
 Total liabilities and fund balance	 \$ <u>4,872</u>	 \$ <u>3,040</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
State	\$ 9,082	\$ 10,000	\$ (918)	\$ 9,618
Charges for services	-	-	-	-
Miscellaneous	_____	_____	_____	_____
 Total revenues	 \$ <u>9,082</u>	 \$ <u>10,000</u>	 \$ (918)	 \$ <u>9,618</u>
 <u>Expenditures</u>				
Contractual services	\$ 7,250	\$ 12,000	\$ 4,750	\$ 12,000
Commodities	_____	_____	_____	_____
 Total expenditures	 \$ <u>7,250</u>	 \$ <u>12,000</u>	 \$ <u>4,750</u>	 \$ <u>12,000</u>
 Revenues over (under) expenditures	 \$ 1,832	 \$ (2,000)	 \$ 3,832	 \$ (2,382)
 Fund balance, beginning	 _____ 3,040	 _____ 5,421	 _____ (2,381)	 _____ 5,422
 Fund balance, ending	 \$ <u>4,872</u>	 \$ <u>3,421</u>	 \$ <u>4,872</u>	 \$ <u>3,040</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	<u>\$ 20,477</u>	<u>\$ 22,945</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 1,750
 <u>Fund balance</u>		
Undesignated	<u>\$ 20,477</u>	<u>\$ 21,195</u>
 Total liabilities and fund balance	 <u>\$ 20,477</u>	 <u>\$ 22,945</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Intergovernmental:				
State	\$ 9,082	\$ 10,000	\$ (918)	\$ 9,618
 <u>Expenditures</u>				
Contractual services	\$ 7,000	\$ 12,000	\$ 5,000	\$ 7,000
Commodities	2,800	1,600	(1,200)	1,600
Capital outlay	-	-	-	-
 Total expenditures	 <u>\$ 9,800</u>	 <u>\$ 13,600</u>	 <u>\$ 3,800</u>	 <u>\$ 8,600</u>
Revenues over (under) expenditures	\$ (718)	\$ (3,600)	\$ 2,882	\$ 1,018
Fund balance, beginning	<u>21,195</u>	<u>18,577</u>	<u>2,618</u>	<u>20,177</u>
Fund balance, ending	<u>\$ 20,477</u>	<u>\$ 14,977</u>	<u>\$ 5,500</u>	<u>\$ 21,195</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	<u>\$ 13,725</u>	<u>\$ 13,313</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ -
 <u>Fund balance</u>		
Undesignated	<u>\$ 13,725</u>	<u>\$ 13,313</u>
 Total liabilities and fund balance	 <u>\$ 13,725</u>	 <u>\$ 13,313</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>		
Taxes	\$ -	\$ -
Temporary note reimbursement	1,445,631	-
Use of money and property	412	413
Other	-	-
 Total revenues	 <u>\$ 1,446,043</u>	 <u>\$ 413</u>
 <u>Expenditures</u>		
Temporary note	\$ 1,375,000	\$ -
Temporary note interest	70,631	-
Contractual services	-	-
 Total expenditures	 <u>\$ 1,445,631</u>	 <u>\$ -</u>
 Revenues over (under) expenditures	 \$ 412	 \$ 413
 Fund balance, beginning	 <u>13,313</u>	 <u>12,900</u>
 Fund balance, ending	 <u>\$ 13,725</u>	 <u>\$ 13,313</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 22,973	\$ 12,625
Accounts receivables		
Other entity	-	-
 Total assets	 <u>\$ 22,973</u>	 <u>\$ 12,625</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 4,000
Due to other funds	-	-
Deferred revenue	-	-
 Total liabilities	 <u>\$ -</u>	 <u>\$ 4,000</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 22,973</u>	<u>\$ 8,625</u>
 Total liabilities and fund balance	 <u>\$ 22,973</u>	 <u>\$ 12,625</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Transient guest tax	\$ 64,832	\$ 60,000	\$ 4,832	\$ 34,445
Reimbursements and donations	-	-	-	-
 Total revenues	 <u>\$ 64,832</u>	 <u>\$ 60,000</u>	 <u>\$ 4,832</u>	 <u>\$ 34,445</u>
 <u>Expenditures</u>				
Contractual services	\$ 46,817	\$ 55,000	\$ 8,183	\$ 33,781
Commodities	<u>3,667</u>	-	<u>(3,667)</u>	<u>8,757</u>
 Total expenditures	 <u>\$ 50,484</u>	 <u>\$ 55,000</u>	 <u>\$ 4,516</u>	 <u>\$ 42,538</u>
Revenues over (under) expenditures	\$ 14,348	\$ 5,000	\$ 9,348	\$ (8,093)
Fund balance, beginning	<u>8,625</u>	<u>6,719</u>	<u>1,906</u>	<u>16,718</u>
Fund balance, ending	<u>\$ 22,973</u>	<u>\$ 11,719</u>	<u>\$ 11,254</u>	<u>\$ 8,625</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 50,499	\$ 123,951
Reserved cash and investments	<u>105,702</u>	<u>-</u>
Total assets	<u>\$ 156,201</u>	<u>\$ 123,951</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	<u>\$ 3,951</u>	<u>\$ 3,621</u>
<u>Fund balance</u>		
Undesignated	\$ 46,548	\$ 120,330
Reserved for deposits and debt	<u>105,702</u>	<u>-</u>
Total fund balance	<u>\$ 152,250</u>	<u>\$ 120,330</u>
Total liabilities and fund balance	<u>\$ 156,201</u>	<u>\$ 123,951</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	Variance- Favorable (Unfavorable)	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Rent	\$ 38,593	\$ -	\$ 38,593	\$ 24,263
Deposits and service charges	809	250	559	590
H.U.D. voucher payments	93,810	80,000	13,810	91,839
Reimbursed expense	82	-	82	60
Grants	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
Total revenues	<u>\$ 133,294</u>	<u>\$ 120,250</u>	<u>\$ 13,044</u>	<u>\$ 116,752</u>
<u>Expenditures</u>				
Personnel	\$ 25,426	\$ -	\$ (25,426)	\$ 40,677
Contractual services	48,799	116,450	67,651	46,726
Commodities	6,888	-	(6,888)	9,795
Capital outlay	6,567	-	(6,567)	1,858
G.O. principal	10,490	10,490	-	9,978
Interest	<u>3,204</u>	<u>3,204</u>	<u>-</u>	<u>3,612</u>
Total expenditures	<u>\$ 101,374</u>	<u>\$ 130,144</u>	<u>\$ 28,770</u>	<u>\$ 112,646</u>
Revenues over (under) expenditures	\$ 31,920	\$ (9,894)	\$ 41,814	\$ 4,106
Fund balance, beginning	<u>120,330</u>	<u>118,383</u>	<u>1,947</u>	<u>116,224</u>
Fund balance, ending	<u>\$ 152,250</u>	<u>\$ 108,489</u>	<u>\$ 43,761</u>	<u>\$ 120,330</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>35,654</u>	\$ <u>44,637</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>40</u>	\$ <u>-</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>35,614</u>	\$ <u>44,637</u>
 Total liabilities and fund balance	 \$ <u>35,654</u>	 \$ <u>44,637</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>		
Donations	\$ 10,126	\$ 6,680
Other	<u>450</u>	<u>9,525</u>
 Total revenues	 \$ <u>10,576</u>	 \$ <u>16,205</u>
 <u>Expenditures</u>		
Commodities	\$ 19,599	\$ 1,089
Contractual services	<u>-</u>	<u>-</u>
 Total expenditures	 \$ <u>19,599</u>	 \$ <u>1,089</u>
 Revenues over (under) expenditures	 \$ (9,023)	 \$ 15,116
 Fund balance, beginning	 <u>44,637</u>	 <u>29,521</u>
 Fund balance, ending	 \$ <u>35,614</u>	 \$ <u>44,637</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u>126,392</u>	\$ <u>130,134</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ <u>2,548</u>	\$ <u>-</u>
 <u>Fund balance</u>		
Undesignated	\$ <u>123,844</u>	\$ <u>130,134</u>
 Total liabilities and fund balance	 \$ <u>126,392</u>	 \$ <u>130,134</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Taxes:				
Franchise tax	\$ 100,000	\$ 100,000	\$ -	\$ 105,222
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>-</u>	\$ <u>105,222</u>
 <u>Expenditures</u>				
Contractual services	\$ 106,290	\$ 140,000	\$ 33,710	\$ 60,025
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>106,290</u>	\$ <u>140,000</u>	\$ <u>33,710</u>	\$ <u>60,025</u>
Revenues over (under) expenditures	\$ (6,290)	\$ (40,000)	\$ 33,710	\$ 45,197
Fund balance, beginning	<u>130,134</u>	<u>130,134</u>	<u>-</u>	<u>84,937</u>
Fund balance, ending	\$ <u>123,844</u>	\$ <u>90,134</u>	\$ <u>33,710</u>	\$ <u>130,134</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ <u> -</u>	\$ <u>101,166</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 101,166
Deferred revenue	<u> -</u>	<u> -</u>
Total liabilities	\$ <u> -</u>	\$ <u>101,166</u>
 <u>Fund balance</u>		
Undesignated	\$ <u> -</u>	\$ <u> -</u>
Total liabilities and fund balances	\$ <u> -</u>	\$ <u>101,166</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-ACTUAL
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>		
Federal grants	\$ -	\$ 101,166
State grants	<u> -</u>	<u> -</u>
Total revenues	\$ <u> -</u>	\$ <u>101,166</u>
 <u>Expenditures</u>		
Contractual	\$ -	\$ 101,166
Capital outlay	<u> -</u>	<u> -</u>
Total expenditures	\$ <u> -</u>	\$ <u>101,166</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 94,972	\$ 198,437
Cash with fiscal agent	-	210,125
Receivables (net of allowance for doubtful accounts):		
Taxes	848,000	890,980
Special assessments	<u>388,170</u>	<u>492,114</u>
Total assets	<u>\$1,331,142</u>	<u>\$1,791,656</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 86,105
Matured bonds and coupons payable	-	210,125
Deferred revenue	<u>1,236,170</u>	<u>1,383,094</u>
Total liabilities	<u>\$1,236,170</u>	<u>\$1,679,324</u>
 <u>Fund balance</u>		
Undesignated	<u>\$ 94,972</u>	<u>\$ 112,332</u>
Total liabilities and fund balance	<u>\$1,331,142</u>	<u>\$1,791,656</u>

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
Years Ended December 31, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	Variance- Favorable (Unfavorable)	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Ad valorem taxes	\$ 947,265	\$ 890,980	\$ 56,285	\$ 904,981
Special assessments	150,778	389,465	(238,687)	165,166
Motor vehicle tax	149,016	142,063	6,953	140,859
Reimbursements	357,422	200,000	157,422	273,094
Delinquent taxes	<u>51,742</u>	<u>22,882</u>	<u>28,860</u>	<u>25,507</u>
Total revenues	<u>\$ 1,656,223</u>	<u>\$ 1,645,390</u>	<u>\$ 10,833</u>	<u>\$ 1,509,607</u>
<u>Other financing sources</u>				
Accrued interest on bond sale	\$ -	\$ -	\$ -	\$ -
Total other financing sources	\$ -	\$ -	\$ -	\$ -
Total revenue and other financing sources	<u>\$ 1,656,223</u>	<u>\$ 1,645,390</u>	<u>\$ 10,833</u>	<u>\$ 1,509,607</u>
<u>Expenditures</u>				
Debt service:				
Principal	\$ 1,350,520	\$ 1,380,238	\$ 29,718	\$ 1,163,759
Interest	323,049	340,062	17,013	289,997
Commission and postage	<u>14</u>	<u>118</u>	<u>104</u>	<u>14</u>
Total expenditures	<u>\$ 1,673,583</u>	<u>\$ 1,720,418</u>	<u>\$ 46,835</u>	<u>\$ 1,453,770</u>
Revenues and other financing sources over (under) expenditures	\$ (17,360)	\$ (75,028)	\$ 57,668	\$ 55,837
Fund balance, beginning	<u>112,332</u>	<u>75,028</u>	<u>37,304</u>	<u>56,495</u>
Fund balance, ending	<u>\$ 94,972</u>	<u>\$ -</u>	<u>\$ 94,972</u>	<u>\$ 112,332</u>

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

CITY OF ARKANSAS CITY, KANSAS
CAPITAL PROJECT FUND
December 31, 2006 and 2005

	Construction Fund <u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and investments	\$ 4,731,409	\$ 1,471,573
Accounts receivable	-	-
Total assets	<u>\$ 4,731,409</u>	<u>\$ 1,471,573</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Liabilities</u>		
Accounts payable	\$ 1,652,763	\$ 645,494
Deferred revenue	-	-
Total liabilities	<u>\$ 1,652,763</u>	<u>\$ 645,494</u>
<u>Fund balance</u>		
Unreserved:		
Undesignated	\$ 3,078,646	\$ 826,079
Total liabilities and fund balance	<u>\$ 4,731,409</u>	<u>\$ 1,471,573</u>

COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2006 and 2005

	Construction Fund <u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Interest on investments	\$ 24,017	\$ 17,836
State revenue	2,873,486	355,894
Reimbursements	4,798	14,597
Federal grant	202,486	139,976
Other	-	-
Total revenues	<u>\$ 3,104,787</u>	<u>\$ 528,303</u>
<u>Expenditures</u>		
Payments to contractors	\$ 1,225,462	\$ 238,635
Engineering	1,675,829	613,853
Interest	38,048	51,319
Other construction costs	628,595	154,062
Equipment & land	1,818,422	159,103
Other entity contributions	56,843	-
Total expenditures	<u>\$ 5,443,199</u>	<u>\$ 1,216,972</u>
<u>Other financing resources (uses)</u>		
Equity transfer to general	\$ -	\$ (100,000)
Sale of bonds	-	2,095,000
Sale of temporary notes	4,600,000	1,328,000
Retirement of temporary notes	-	(1,890,000)
CDBG loan proceeds	-	154,135
CDBG paid out	-	(154,135)
Discount and interest	(9,021)	-
CDBG reimbursement	88,408	21,539
CDBG principal & interest	(88,408)	(21,539)
Total sources (uses)	<u>\$ 4,590,979</u>	<u>\$ 1,433,000</u>
Revenues over (under) expenditures and other sources (uses)	\$ 2,252,567	\$ 744,331
Fund balance, beginning	826,079	81,748
Fund balance, ending	<u>\$ 3,078,646</u>	<u>\$ 826,079</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash and investments	\$ 422,776	\$ 346,911
Accounts receivable (net of allowance for uncollectibles \$424,298):		
Trade	<u>633,107</u>	<u>409,857</u>
Total current assets	<u>\$ 1,055,883</u>	<u>\$ 756,768</u>
<u>Restricted assets</u>		
Revenue bond debt service: cash and investments (Note 6)	\$ 5,896	\$ 30,369
Revenue bond reserve (Note 6): cash and investments	28,000	28,000
Reserved - Improvements	46,035	46,035
Reserved - Self insurance (Note 9)	<u>34,389</u>	<u>-</u>
Total restricted assets	<u>\$ 114,320</u>	<u>\$ 104,404</u>
<u>Utility plant in service</u>		
Buildings and improvements	\$ 94,769	\$ 94,769
Meters, mains and service lines	1,767,312	1,659,996
Vehicles and equipment	1,682,358	1,669,083
Land	160,375	160,375
Water system update	1,750,855	1,750,855
Less: Accumulated depreciation	<u>(3,439,965)</u>	<u>(3,091,082)</u>
Total utility plant in service	<u>\$ 2,015,704</u>	<u>\$ 2,243,996</u>
Total assets	<u>\$ 3,185,907</u>	<u>\$ 3,105,168</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 92,483	\$ 88,147
Accrued interest	1,200	2,400
Current portion of revenue bonds payable - 1977C	<u>24,000</u>	<u>24,000</u>
Total current liabilities	<u>\$ 117,683</u>	<u>\$ 114,547</u>
<u>Non-current liabilities</u>		
Long-term portion of water revenue bonds payable, 5% interest payable semi-annually, due 1978-2008 - 1977C	\$ -	\$ 24,000
Accrued compensated absences	<u>152,943</u>	<u>152,477</u>
Total non-current liabilities	<u>\$ 152,943</u>	<u>\$ 176,477</u>
Total liabilities	<u>\$ 270,626</u>	<u>\$ 291,024</u>
<u>NET ASSETS</u>		
Restricted:		
Debt service	\$ 5,896	\$ 30,369
Bond retirement	28,000	28,000
Water system improvements	46,035	46,035
Self insurance	<u>34,389</u>	<u>-</u>
Total restricted	<u>\$ 114,320</u>	<u>\$ 104,404</u>
Invested in capital assets, net of related debt	1,991,704	2,195,996
Unrestricted	<u>809,257</u>	<u>513,744</u>
Total net assets	<u>\$ 2,915,281</u>	<u>\$ 2,814,144</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Operating revenues</u>		
Water sales	\$ 2,712,151	\$ 2,151,379
Connection fees	56,947	50,988
Permits	1,720	1,789
Penalties and credits	20,141	17,402
Other revenue	<u>43,688</u>	<u>45,629</u>
Total operating revenues	<u>\$ 2,834,647</u>	<u>\$ 2,267,187</u>
 <u>Operating expenses</u>		
General government	\$ 424,113	\$ 410,636
Supervision	157,829	135,949
Pumping and supply	771,486	770,542
Meter reading	118,556	131,000
Distribution	459,633	416,479
Reimbursed expense	(17,733)	(101,601)
Depreciation	<u>348,883</u>	<u>342,189</u>
Total operating expense	<u>\$ 2,262,767</u>	<u>\$ 2,105,194</u>
Income from operations	<u>\$ 571,880</u>	<u>\$ 161,993</u>
 <u>Non-operating revenues (expense)</u>		
Interest earned	\$ 25,157	\$ 29,821
Interest expense and fees	(30,904)	(36,023)
Payment of G.O. Bonds	<u>(104,996)</u>	<u>(100,338)</u>
Total non-operating revenues (expense)	<u>\$ (110,743)</u>	<u>\$ (106,540)</u>
Income before operating transfers	461,137	55,453
Operating transfers in (out) (Note 1-H)	<u>\$ (360,000)</u>	<u>\$ (413,817)</u>
Change in net assets	\$ 101,137	\$ (358,364)
Net assets at beginning of year	<u>2,814,144</u>	<u>3,172,508</u>
Net assets at end of year	<u>\$ 2,915,281</u>	<u>\$ 2,814,144</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 2,611,397	\$ 2,206,688
Payments to suppliers	(1,154,092)	(961,948)
Payments to employees	<u>(754,990)</u>	<u>(791,190)</u>
Net cash provided by operating activities	<u>\$ 702,315</u>	<u>\$ 453,550</u>
<u>Cash flows from non-capital financing activities:</u>		
Operating transfers in (out)	<u>\$ (360,000)</u>	<u>\$ (413,817)</u>
Net cash used by noncapital financing activities	<u>\$ (360,000)</u>	<u>\$ (413,817)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ (120,591)	\$ (141,845)
Principal paid on bonds	(128,996)	(329,339)
Interest and fees paid on bonds	<u>(32,104)</u>	<u>(47,473)</u>
Net cash used by capital and related financing activities	<u>\$ (281,691)</u>	<u>\$ (518,657)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ 25,157	\$ 29,821
Other	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 25,157</u>	<u>\$ 29,821</u>
Net increase (decrease) in cash	\$ 85,781	\$ (449,103)
Cash at beginning of year	<u>451,315</u>	<u>900,418</u>
Cash at end of year	<u>\$ 537,096</u>	<u>\$ 451,315</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 422,776	\$ 346,911
Restricted cash - Revenue bond debt service	5,896	30,369
Restricted cash - Revenue bond reserve	28,000	28,000
Restricted cash - Improvements	46,035	46,035
Restricted cash - Self insurance	<u>34,389</u>	<u>-</u>
Total cash and investments	<u>\$ 537,096</u>	<u>\$ 451,315</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 571,880	\$ 161,993
(Increase) decrease in accounts receivable	(223,250)	(60,499)
Increase (decrease) in accounts payable	4,802	9,867
Depreciation	<u>348,883</u>	<u>342,189</u>
Net cash provided by operating activities	<u>\$ 702,315</u>	<u>\$ 453,550</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, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Water sales	\$ 2,525,667	\$ 2,600,000	\$ (74,333)	\$ 2,024,809
Connect and disconnect	56,947	45,000	11,947	50,988
Non-metered sales	<u>12,494</u>	<u>1,150</u>	<u>11,344</u>	<u>5,174</u>
Total charge for services	<u>\$ 2,595,108</u>	<u>\$ 2,646,150</u>	<u>\$ (51,042)</u>	<u>\$ 2,080,971</u>
License and permits:				
Plumbing permits	<u>\$ 1,720</u>	<u>\$ 2,000</u>	<u>\$ (280)</u>	<u>\$ 1,789</u>
Fines and forfeits:				
Penalties	<u>\$ 20,141</u>	<u>\$ 20,000</u>	<u>\$ 141</u>	<u>\$ 17,402</u>
Use of money and property:				
Interest income	<u>\$ 25,157</u>	<u>\$ 37,000</u>	<u>\$ (11,843)</u>	<u>\$ 29,821</u>
Miscellaneous:				
Sales tax	\$ 29,019	\$ 40,000	\$ (10,981)	\$ 41,334
State fee	20,777	17,750	3,027	19,563
Miscellaneous	43,688	41,950	1,738	45,629
Reimbursements	<u>17,733</u>	<u>10,000</u>	<u>7,733</u>	<u>101,601</u>
Total miscellaneous	<u>\$ 111,217</u>	<u>\$ 109,700</u>	<u>\$ 1,517</u>	<u>\$ 208,127</u>
Total revenues	<u>\$ 2,753,343</u>	<u>\$ 2,814,850</u>	<u>\$ (61,507)</u>	<u>\$ 2,338,110</u>
<u>Expenditures</u>				
General government	\$ 423,647	\$ 444,484	\$ 20,837	\$ 424,226
Supervision	157,829	152,163	(5,666)	135,949
Pumping and supply	771,486	744,999	(26,487)	770,542
Meter reading	118,556	126,764	8,208	131,000
Distribution	459,633	460,267	634	416,479
Capital outlay	<u>120,591</u>	<u>161,167</u>	<u>40,576</u>	<u>141,845</u>
subtotal	<u>\$ 2,051,742</u>	<u>\$ 2,089,844</u>	<u>\$ 38,102</u>	<u>\$ 2,020,041</u>
Debt service:				
Principal	\$ 128,996	\$ 128,715	\$ (281)	\$ 329,338
Interest and fees	<u>32,104</u>	<u>31,988</u>	<u>(116)</u>	<u>47,473</u>
Total debt service	<u>\$ 161,100</u>	<u>\$ 160,703</u>	<u>(397)</u>	<u>\$ 376,811</u>
Total expenditures	<u>\$ 2,212,842</u>	<u>\$ 2,250,547</u>	<u>\$ 37,705</u>	<u>\$ 2,396,852</u>
Revenues over (under) expenditures	\$ 540,501	\$ 564,303	\$ (23,802)	\$ (58,742)
Other financing sources:				
Operating transfer in (out) (Note 1-H)	<u>(360,000)</u>	<u>(360,000)</u>	<u>-</u>	<u>(413,817)</u>
Revenues and other sources over (under) expenditures	\$ 180,501	\$ 204,303	\$ (23,802)	\$ (472,559)
Fund balance, beginning	<u>363,169</u>	<u>372,594</u>	<u>372,594</u>	<u>835,728</u>
Fund balance, ending	<u>\$ 543,670</u>	<u>\$ 576,897</u>	<u>\$ (33,227)</u>	<u>\$ 363,169</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 NET ASSETS
December 31, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash and investments	\$ 1,939,313	\$ 1,682,757
Receivables (net of allowance for uncollectibles)	<u>213,319</u>	<u>221,995</u>
Total current assets	<u>\$ 2,152,632</u>	<u>\$ 1,904,752</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	159,084	75,901
Less accumulated depreciation	<u>(1,675,581)</u>	<u>(1,417,766)</u>
Total other assets	<u>\$ 3,321,639</u>	<u>\$ 3,496,271</u>
Total assets	<u>\$ 5,474,271</u>	<u>\$ 5,401,023</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 32,087	\$ 47,126
Accrued interest	37,650	45,735
Current portion of KDHE loan	<u>237,744</u>	<u>229,659</u>
Total current liabilities	<u>\$ 307,481</u>	<u>\$ 322,520</u>
<u>Non-current liabilities</u>		
Long-term portion of KDHE loan	\$ 899,976	\$ 1,137,720
Accrued compensated absences	<u>85,397</u>	<u>72,041</u>
Total non-current liabilities	<u>\$ 985,373</u>	<u>\$ 1,209,761</u>
Total liabilities	<u>\$ 1,292,854</u>	<u>\$ 1,532,281</u>
<u>NET ASSETS</u>		
Contributed capital	\$ 349,070	\$ 349,070
Invested in capital assets, net of related debt	2,183,919	2,128,892
Unrestricted	<u>1,648,428</u>	<u>1,390,780</u>
Total net assets	<u>\$ 4,181,417</u>	<u>\$ 3,868,742</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Operating revenues</u>		
Sewer service charges	\$ 1,839,565	\$ 1,839,146
Taps	<u> -</u>	<u> -</u>
Total operating revenues	<u>\$ 1,839,565</u>	<u>\$ 1,839,146</u>
<u>Operating expenses</u>		
General government	\$ 295,729	\$ 259,890
Supervision	75,284	63,821
Disposal and treatment	364,607	349,688
Collection	191,645	202,520
Reimbursed expenses	(2,252)	(64)
Depreciation	<u>257,815</u>	<u>249,497</u>
Total operating expenses	<u>\$ 1,182,828</u>	<u>\$ 1,125,352</u>
Operating income (loss)	<u>\$ 656,737</u>	<u>\$ 713,794</u>
<u>Non-operating revenues (expenses)</u>		
Interest earned	\$ 62,952	\$ 32,989
Interest expense and fees	(68,915)	(74,542)
Payment of G.O. bond	(103,099)	(87,196)
Noncash reduction of KDHE loan	<u> -</u>	<u> -</u>
Total non-operating revenues (expenses)	<u>\$ (109,062)</u>	<u>\$ (128,749)</u>
Income before operating transfers	\$ 547,675	\$ 585,045
Operating transfers in (out) (Note 1-H)	<u>(235,000)</u>	<u>(165,000)</u>
Change in net assets	\$ 312,675	\$ 420,045
Net assets at beginning of year	<u>3,868,742</u>	<u>3,448,697</u>
Net assets at end of year	<u>\$ 4,181,417</u>	<u>\$ 3,868,742</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,848,241	\$ 1,827,080
Payments to suppliers	(509,889)	(502,953)
Payments to employees	<u>(416,807)</u>	<u>(381,044)</u>
Net cash provided by operating activities	<u>\$ 921,545</u>	<u>\$ 943,083</u>
Cash flows from non-capital financing activities:		
Operating transfers in (out)	<u>\$ (235,000)</u>	<u>\$ (165,000)</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchases of capital assets	\$ (83,183)	\$ (51,461)
Principal paid on bonds	(103,099)	(87,196)
Interest and fees paid on bonds	(34,541)	(32,644)
KDHE loan principal	(229,659)	(221,849)
KDHE loan interest	<u>(42,459)</u>	<u>(49,710)</u>
Net cash provided by capital and related financing activities	<u>\$ (492,941)</u>	<u>\$ (442,860)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	<u>\$ 62,952</u>	<u>\$ 32,989</u>
Net cash used by investing activities	<u>\$ 62,952</u>	<u>\$ 32,989</u>
Net increase (decrease) in cash	\$ 256,556	\$ 368,212
Cash at beginning of year	<u>1,682,757</u>	<u>1,314,545</u>
Cash at end of year	<u>\$ 1,939,313</u>	<u>\$ 1,682,757</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 1,939,313</u>	<u>\$ 1,682,757</u>
Total cash and investments	<u>\$ 1,939,313</u>	<u>\$ 1,682,757</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 656,737	\$ 713,794
(Increase) decrease in accounts receivable	8,676	(12,066)
Increase (decrease) in accounts payable	(1,683)	(8,142)
Depreciation	<u>257,815</u>	<u>249,497</u>
Net cash provided by operating activities	<u>\$ 921,545</u>	<u>\$ 943,083</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, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Sewer service	\$ 1,848,241	\$ 1,800,000	\$ 48,241	\$ 1,827,080
Sewer taps	<u> -</u>	<u> 350</u>	<u> (350)</u>	<u> -</u>
Total charge for services	<u>\$ 1,848,241</u>	<u>\$ 1,800,350</u>	<u>\$ 47,891</u>	<u>\$ 1,827,080</u>
Use of money and property:				
Interest	<u>\$ 62,952</u>	<u>\$ 40,800</u>	<u>\$ 22,152</u>	<u>\$ 32,989</u>
Miscellaneous:				
Reimbursements	<u>\$ 2,252</u>	<u>\$ 2,000</u>	<u>\$ 252</u>	<u>\$ 64</u>
Total revenues	<u>\$ 1,913,445</u>	<u>\$ 1,843,150</u>	<u>\$ 70,295</u>	<u>\$ 1,860,133</u>
<u>Expenditures</u>				
General government	\$ 282,373	\$ 283,808	\$ 1,435	\$ 264,143
Supervision	75,284	75,762	478	63,821
Disposal and treatment	364,607	399,517	34,910	349,688
Collection	191,645	197,263	5,618	202,520
Capital outlay	<u>83,183</u>	<u>121,644</u>	<u>38,461</u>	<u>51,461</u>
	<u>\$ 997,092</u>	<u>\$ 1,077,994</u>	<u>\$ 80,902</u>	<u>\$ 931,633</u>
Debt service:				
Principal	\$ 103,099	\$ 105,364	\$ 2,265	\$ 87,196
Interest	31,264	32,607	1,343	28,806
State revolving loan principal	229,659	229,660	1	221,849
State revolving loan interest	42,459	42,460	1	49,710
Fiscal agency fees	<u>3,277</u>	<u>3,277</u>	<u>-</u>	<u>3,838</u>
Total debt service	<u>\$ 409,758</u>	<u>\$ 413,368</u>	<u>\$ 3,610</u>	<u>\$ 391,399</u>
Total expenditures	<u>\$ 1,406,850</u>	<u>\$ 1,491,362</u>	<u>\$ 84,512</u>	<u>\$ 1,323,032</u>
Revenues over (under) expenditures	<u>\$ 506,595</u>	<u>\$ 351,788</u>	<u>\$ 154,807</u>	<u>\$ 537,101</u>
<u>Other financing sources (uses)</u>				
Operating transfer in (out) (Note 1-H)	<u>\$ (235,000)</u>	<u>\$ (235,000)</u>	<u>\$ -</u>	<u>\$ (165,000)</u>
Total other financing sources (uses)	<u>\$ (235,000)</u>	<u>\$ (235,000)</u>	<u>\$ -</u>	<u>\$ (165,000)</u>
Revenues and other sources over expenditures	\$ 271,595	\$ 116,788	\$ 154,807	\$ 372,101
Fund balance, beginning	<u>1,635,631</u>	<u>1,600,180</u>	<u>35,451</u>	<u>1,263,530</u>
Fund balance, ending	<u>\$ 1,907,226</u>	<u>\$ 1,716,968</u>	<u>\$ 190,258</u>	<u>\$ 1,635,631</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash and investments	\$ 171,064	\$ 233,318
Receivables (net of allowance for uncollectibles)	<u>131,117</u>	<u>136,906</u>
Total current assets	<u>\$ 302,181</u>	<u>\$ 370,224</u>
<u>Fixed assets</u>		
Building and improvements	\$ 173,983	\$ 173,983
Motor vehicles and equipment	1,071,668	1,009,387
Less accumulated depreciation	<u>(847,548)</u>	<u>(731,682)</u>
Total fixed assets	<u>\$ 398,103</u>	<u>\$ 451,688</u>
Total assets	<u>\$ 700,284</u>	<u>\$ 821,912</u>
 <u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>17,123</u>	\$ <u>90,652</u>
Total current liabilities	<u>\$ 17,123</u>	<u>\$ 90,652</u>
<u>Non-current liabilities</u>		
Accrued compensated absences	\$ <u>90,636</u>	\$ <u>85,494</u>
Total non-current liabilities	<u>\$ 90,636</u>	<u>\$ 85,494</u>
Total liabilities	<u>\$ 107,759</u>	<u>\$ 176,146</u>
 <u>NET ASSETS</u>		
Contributed capital	\$ 120,875	\$ 120,875
Invested in capital assets, net of related debt	398,103	451,688
Unrestricted	<u>73,547</u>	<u>73,203</u>
Total net assets	<u>\$ 592,525</u>	<u>\$ 645,766</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Operating revenues</u>		
Collections	\$ 1,167,817	\$ 1,178,302
Miscellaneous	<u>6,013</u>	<u>8,372</u>
Total operating revenues	<u>\$ 1,173,830</u>	<u>\$ 1,186,674</u>
 <u>Operating expenses</u>		
General government	\$ 214,317	\$ 193,941
Supervision	41,867	39,248
Sanitation	781,969	805,695
Reimbursed expenses	(1,000)	(187)
Depreciation	<u>115,866</u>	<u>109,638</u>
Total operating expenses	<u>\$ 1,153,019</u>	<u>\$ 1,148,335</u>
Operating income (loss)	<u>\$ 20,811</u>	<u>\$ 38,339</u>
 <u>Non-operating revenues (expense)</u>		
Interest earned	\$ 11,223	\$ 3,726
Certificates of participation	(10,000)	(10,000)
Interest expense and fees	<u>(275)</u>	<u>(550)</u>
Total non-operating revenues (expense)	<u>\$ 948</u>	<u>\$ (6,824)</u>
Income before operating transfers	\$ 21,759	\$ 31,515
Operating transfers in (out) (Note 1-H)	<u>(75,000)</u>	<u>(75,000)</u>
Change in net assets	\$ (53,241)	\$ (43,485)
Net assets, beginning of year	<u>645,766</u>	<u>689,251</u>
Net assets, end of year	<u>\$ 592,525</u>	<u>\$ 645,766</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,179,619	\$ 1,186,715
Payments to suppliers	(693,038)	(569,251)
Payments to employees	<u>(412,502)</u>	<u>(418,428)</u>
Net cash provided by operating activities	<u>\$ 74,079</u>	<u>\$ 199,036</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	\$ (62,281)	\$ (90,945)
Certificates of participation	-	-
Interest paid - Certificates of participation	(275)	(550)
Principal paid - Certificates of participation	<u>(10,000)</u>	<u>(10,000)</u>
Net cash used by capital and related financing activities	<u>\$ (72,556)</u>	<u>\$ (101,495)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	<u>\$ 11,223</u>	<u>\$ 3,726</u>
Net cash provided by investing activities	<u>\$ 11,223</u>	<u>\$ 3,726</u>
Net increase (decrease) in cash	\$ (62,254)	\$ 26,267
Cash at beginning of year	<u>233,318</u>	<u>207,051</u>
Cash at end of year	<u>\$ 171,064</u>	<u>\$ 233,318</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 171,064	\$ 233,318
Restricted cash - Revenue bond debt service	-	-
Restricted cash - Revenue bond reserve	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 171,064</u>	<u>\$ 233,318</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 20,811	\$ 38,339
(Increase) decrease in accounts receivable	5,789	41
Increase (decrease) in accounts payable	(68,387)	51,018
Depreciation	<u>115,866</u>	<u>109,638</u>
Net cash provided by operating activities	<u>\$ 74,079</u>	<u>\$ 199,036</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, 2006 and 2005

	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Collections	\$ 1,173,606	\$ 1,220,000	\$ (46,394)	\$ 1,178,343
Use of money and property:				
Interest income	\$ 11,223	\$ 5,000	\$ 6,223	\$ 3,726
Miscellaneous:				
Reimbursements	\$ 1,000	\$ 2,500	\$ (1,500)	\$ 187
Other	<u>6,013</u>	<u>8,000</u>	<u>(1,987)</u>	<u>8,372</u>
Total miscellaneous	\$ 7,013	\$ 10,500	\$ (3,487)	\$ 8,559
Total revenues	\$ 1,191,842	\$ 1,235,500	\$ (43,658)	\$ 1,190,628
<u>Expenditures</u>				
General government	\$ 209,175	\$ 245,002	\$ 35,827	\$ 187,490
Supervision	41,867	-	(41,867)	39,248
Sanitation	781,969	935,985	154,016	805,695
Capital outlay	<u>62,281</u>	<u>-</u>	<u>(62,281)</u>	<u>90,945</u>
Subtotal	\$ 1,095,292	\$ 1,180,987	\$ 85,695	1,123,378
Debt service:				
Principal	\$ 10,000	\$ -	\$ (10,000)	\$ 10,000
Interest and fees	<u>275</u>	<u>-</u>	<u>(275)</u>	<u>550</u>
Total debt service	\$ 10,275	\$ -	\$ (10,275)	\$ 10,550
Total expenditures	\$ 1,105,567	\$ 1,180,987	\$ 75,420	\$ 1,133,928
Revenues over (under) expenditures	\$ 86,275	\$ 54,513	\$ 31,762	\$ 56,700
<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	\$ 11,275	\$ (20,487)	\$ 31,762	\$ (18,300)
Fund balance, beginning	<u>142,666</u>	<u>183,527</u>	<u>(40,861)</u>	<u>160,966</u>
Fund balance, ending	\$ 153,941	\$ 163,040	\$ (9,099)	\$ 142,666

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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash and investments	\$ 245,514	\$ 176,161
Receivables (net of allowance for uncollectibles)	<u>23,525</u>	<u>22,091</u>
Total current assets	<u>\$ 269,039</u>	<u>\$ 198,252</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>(10,516)</u>	<u>(9,707)</u>
Total fixed assets	<u>\$ 5,662</u>	<u>\$ 6,471</u>
Total assets	<u>\$ 274,701</u>	<u>\$ 204,723</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 49,455	\$ 5,625
Total liabilities	<u>\$ 49,455</u>	<u>\$ 5,625</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	\$ 5,662	\$ 6,471
Unrestricted	<u>219,584</u>	<u>192,627</u>
Total net assets	<u>\$ 225,246</u>	<u>\$ 199,098</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Operating revenues</u>		
Service charge	\$ 193,739	\$ 136,677
<u>Operating expenses</u>		
Public works	\$ 171,259	\$ 110,512
Reimbursed expenses	-	-
Depreciation	<u>809</u>	<u>809</u>
Total operating expenses	<u>\$ 172,068</u>	<u>\$ 111,321</u>
Operating income (loss)	<u>\$ 21,671</u>	<u>\$ 25,356</u>
<u>Non-operating revenues (expense)</u>		
Interest earned	\$ 4,477	\$ 3,481
Interest expense and fees	-	-
Total non-operating revenues (expenses)	<u>\$ 4,477</u>	<u>\$ 3,481</u>
Income before operating transfers	\$ 26,148	\$ 28,837
Operating transfers in (out) (Note 1-H)	-	-
Change in net assets	\$ 26,148	\$ 28,837
Net assets beginning of year	<u>199,098</u>	<u>170,261</u>
Net assets end of year	<u>\$ 225,246</u>	<u>\$ 199,098</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 192,305	\$ 131,461
Payments to suppliers	<u>(127,429)</u>	<u>(105,152)</u>
Net cash provided by operating activities	<u>\$ 64,876</u>	<u>\$ 26,309</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	\$ 4,477	\$ 3,481
Other	<u>-</u>	<u>-</u>
Net cash from investing activities	<u>\$ 4,477</u>	<u>\$ 3,481</u>
Net increase (decrease) in cash	\$ 69,353	\$ 29,790
Cash at beginning of year	<u>176,161</u>	<u>146,371</u>
Cash at end of year	<u>\$ 245,514</u>	<u>\$ 176,161</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	\$ 245,514	\$ 176,161
Restricted cash - Revenue bond debt service	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 245,514</u>	<u>\$ 176,161</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,671	\$ 25,356
(Increase) decrease in accounts receivable	(1,434)	(5,216)
Increase (decrease) in accounts payable	43,830	5,360
Depreciation	<u>809</u>	<u>809</u>
Net cash provided by operating activities	<u>\$ 64,876</u>	<u>\$ 26,309</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, 2006 and 2005

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2005</u> <u>Actual</u>
<u>Revenues</u>				
Charge for services:				
Service charges	\$ 192,305	\$ 190,000	\$ 2,305	\$ 131,461
Use of money and property:				
Interest	4,477	3,000	1,477	3,481
Miscellaneous:				
Reimbursements	-	-	-	-
Total revenues	\$ 196,782	\$ 193,000	\$ 3,782	\$ 134,942
<u>Expenditures</u>				
Public works	\$ 171,259	\$ 190,000	\$ 18,741	\$ 110,512
Revenues over (under) expenditures	\$ 25,523	\$ 3,000	\$ 22,523	\$ 24,430
Fund balance, beginning	170,536	163,106	7,430	146,106
Fund balance, ending	\$ 196,059	\$ 166,106	\$ 29,953	\$ 170,536

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, 2006 and 2005

	<u>Insurance Fund</u>	<u>Equipment Reserve Fund</u>	<u>Total 2006</u>	<u>Total 2005</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 154,179	\$ 100,292	\$ 254,471	\$ 468,322
<u>Fixed Assets</u>				
Equipment	\$ -	\$ 742,243	\$ 742,243	\$ 559,030
Less accumulated depreciation	-	(197,181)	(197,181)	(122,957)
Total fixed assets	\$ -	\$ 545,062	\$ 545,062	\$ 436,073
Total assets	<u>\$ 154,179</u>	<u>\$ 645,354</u>	<u>\$ 799,533</u>	<u>\$ 904,395</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts payable	<u>\$ 1,273</u>	<u>\$ 42,963</u>	<u>\$ 44,236</u>	<u>\$ 104,937</u>
<u>NET ASSETS</u>				
Invested in capital assets	\$ -	\$ 545,062	\$ 545,062	\$ 436,073
Unrestricted	<u>152,906</u>	<u>57,329</u>	<u>210,235</u>	<u>363,385</u>
Total net assets	<u>\$ 152,906</u>	<u>\$ 602,391</u>	<u>\$ 755,297</u>	<u>\$ 799,458</u>

COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
For The Years Ending December 31, 2006 and 2005

	<u>Insurance Fund</u>	<u>Equipment Reserve Fund</u>	<u>Total 2006</u>	<u>Total 2005</u>
<u>Operating revenues</u>				
Charge for service	\$ 1,040,216	\$ -	\$ 1,040,216	\$ 1,095,836
Insurance	<u>226,008</u>	<u>-</u>	<u>226,008</u>	<u>202,955</u>
Total operating revenues	<u>\$ 1,266,224</u>	<u>\$ -</u>	<u>\$ 1,266,224</u>	<u>\$ 1,298,791</u>
<u>Operating expenses</u>				
Contractual services	\$ 1,388,804	\$ -	\$ 1,388,804	\$ 1,325,171
Depreciation	-	74,224	74,224	55,903
Reimbursed expenses	<u>-</u>	<u>(45,322)</u>	<u>(45,322)</u>	<u>(55,747)</u>
Total operating expenses	<u>\$ 1,388,804</u>	<u>\$ 28,902</u>	<u>\$ 1,417,706</u>	<u>\$ 1,325,327</u>
Revenues over (under) expenses	<u>\$ (122,580)</u>	<u>\$ (28,902)</u>	<u>\$ (151,482)</u>	<u>\$ (26,536)</u>
<u>Non-operating revenues (expenses)</u>				
Operating transfer out	\$ -	\$ -	\$ -	\$ -
Interest	-	2,246	2,246	3,212
Proceeds from lease obligation	<u>-</u>	<u>105,075</u>	<u>105,075</u>	<u>91,665</u>
Non-operating revenues over (under) expenses	<u>\$ -</u>	<u>\$ 107,321</u>	<u>\$ 107,321</u>	<u>\$ 94,877</u>
Change in net assets	\$ (122,580)	\$ 78,419	\$ (44,161)	\$ 68,341
Net assets at beginning of year	<u>275,486</u>	<u>523,972</u>	<u>799,458</u>	<u>731,117</u>
Net assets at end of year	<u>\$ 152,906</u>	<u>\$ 602,391</u>	<u>\$ 755,297</u>	<u>\$ 799,458</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, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash and investments	\$ <u>154,179</u>	\$ <u>275,486</u>
 <u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>1,273</u>	\$ <u>-</u>
 <u>NET ASSETS</u>		
Unrestricted	\$ <u>152,906</u>	\$ <u>275,486</u>
Total net assets	\$ <u>152,906</u>	\$ <u>275,486</u>

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Operating revenues</u>		
Charge for services	\$ 1,040,216	\$ 1,095,836
Insurance	<u>226,008</u>	<u>202,955</u>
Total operating revenues	\$ <u>1,266,224</u>	\$ <u>1,298,791</u>
 <u>Operating expenses</u>		
Contractual services	\$ <u>1,388,804</u>	\$ <u>1,325,171</u>
Income before operating transfers	\$ (122,580)	\$ (26,380)
Operating transfers in (out) (Note 1-H)	<u>-</u>	<u>-</u>
Change in net assets	\$ (122,580)	\$ (26,380)
Net assets at beginning of year	<u>275,486</u>	<u>301,866</u>
Net assets at end of year	\$ <u>152,906</u>	\$ <u>275,486</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 1,266,224	\$ 1,298,791
Payments to suppliers	(1,387,531)	(1,325,171)
Payments to employees	<u> -</u>	<u> -</u>
Net cash provided by operating activities	<u>\$ (121,307)</u>	<u>\$ (26,380)</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	\$ (121,307)	\$ (26,380)
Cash at beginning of year	<u>275,486</u>	<u>301,866</u>
Cash at end of year	<u>\$ 154,179</u>	<u>\$ 275,486</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 154,179</u>	<u>\$ 275,486</u>
Total cash and investments	<u>\$ 154,179</u>	<u>\$ 275,486</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ <u>100,292</u>	\$ <u>192,836</u>
<u>Fixed Assets</u>		
Equipment	\$ 742,243	\$ 559,030
Less accumulated depreciation	<u>(197,181)</u>	<u>(122,957)</u>
Total fixed assets	\$ <u>545,062</u>	\$ <u>436,073</u>
Total assets	\$ <u>645,354</u>	\$ <u>628,909</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ <u>42,963</u>	\$ <u>104,937</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 545,062	\$ 436,073
Unrestricted	<u>57,329</u>	<u>87,899</u>
Total net assets	\$ <u>602,391</u>	\$ <u>523,972</u>

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
For The Years Ended December 31, 2006 and 2005

<u>Operating Expenses</u>		
Reimbursed expenses	\$ (45,322)	\$ (55,747)
Depreciation	<u>74,224</u>	<u>55,903</u>
Total operating expenses	\$ <u>28,902</u>	\$ <u>156</u>
Operating income	\$ <u>(28,902)</u>	\$ <u>(156)</u>
<u>Non-operating revenues (expenses)</u>		
Interest	\$ 2,246	\$ 3,212
Proceeds from lease obligation	<u>105,075</u>	<u>91,665</u>
Total non-operating revenues (expenses)	\$ <u>107,321</u>	\$ <u>94,877</u>
Change in net assets	\$ 78,419	\$ 94,721
Net assets at beginning of year	<u>523,972</u>	<u>429,251</u>
Net assets at end of year	\$ <u>602,391</u>	\$ <u>523,972</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers	\$ 45,322	\$ 55,747
Payments to suppliers	-	-
Payments to employees	-	-
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ 45,322</u>	<u>\$ 55,747</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	\$ (245,187)	\$ (115,353)
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>\$ (245,187)</u>	<u>\$ (115,353)</u>
<u>Cash flows from investing activities:</u>		
Interest on investments	\$ 2,246	\$ 3,212
Other	105,075	91,665
	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>\$ 107,321</u>	<u>\$ 94,877</u>
Net increase (decrease) in cash	\$ (92,544)	\$ 35,271
Cash at beginning of year	<u>192,836</u>	<u>157,565</u>
Cash at end of year	<u>\$ 100,292</u>	<u>\$ 192,836</u>
<u>Supplemental schedule - Composition of cash:</u>		
Current cash and investments	<u>\$ 100,292</u>	<u>\$ 192,836</u>
Total cash and investments	<u>\$ 100,292</u>	<u>\$ 192,836</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, 2006

<u>Municipal Court</u>	<u>Balance</u> <u>1/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2006</u>
<u>ASSETS</u>				
Cash	\$ 63,639	\$ 606,435	\$ 607,798	\$ 62,276
<u>LIABILITIES</u>				
Accounts payable	\$ 48,314	\$ 42,854	\$ 48,314	\$ 42,854
Due to agency	<u>15,325</u>	<u>563,581</u>	<u>559,484</u>	<u>19,422</u>
Total liabilities	<u>\$ 63,639</u>	<u>\$ 606,435</u>	<u>\$ 607,798</u>	<u>\$ 62,276</u>
<u>Community Contribution</u>				
<u>ASSETS</u>				
Cash	\$ 130,825	\$ 128,723	\$ 119,133	\$ 140,415
Federal grant cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 130,825</u>	<u>\$ 128,723</u>	<u>\$ 119,133</u>	<u>\$ 140,415</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 1,650	\$ 149	\$ 1,650	\$ 149
Due to agency	<u>129,175</u>	<u>128,574</u>	<u>117,483</u>	<u>140,266</u>
Total liabilities	<u>\$ 130,825</u>	<u>\$ 128,723</u>	<u>\$ 119,133</u>	<u>\$ 140,415</u>
<u>Fact Grant</u>				
<u>ASSETS</u>				
Cash	\$ 22,221	\$ 32,903	\$ 40,035	\$ 15,089
Federal cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,221</u>	<u>\$ 32,903</u>	<u>\$ 40,035</u>	<u>\$ 15,089</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 79	\$ 371	\$ 79	\$ 371
Due to agencies	<u>22,142</u>	<u>32,532</u>	<u>39,956</u>	<u>14,718</u>
Total liabilities	<u>\$ 22,221</u>	<u>\$ 32,903</u>	<u>\$ 40,035</u>	<u>\$ 15,089</u>
<u>Total Trust and Agency Fund</u>				
<u>ASSETS</u>				
Cash	\$ 216,685	\$ 768,061	\$ 766,966	\$ 217,780
Federal cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 216,685</u>	<u>\$ 768,061</u>	<u>\$ 766,966</u>	<u>\$ 217,780</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 50,043	\$ 43,374	\$ 50,043	\$ 43,374
Due to agencies	<u>166,642</u>	<u>724,687</u>	<u>716,923</u>	<u>174,406</u>
Total liabilities	<u>\$ 216,685</u>	<u>\$ 768,061</u>	<u>\$ 766,966</u>	<u>\$ 217,780</u>

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

CITY OF ARKANSAS CITY, KANSAS
COMPOSITION OF CASH BALANCES
December 31, 2006

Cash Balances Per Statement of Net Assets

Unrestricted cash and investments	<u>\$ 8,876,431</u>
Restricted cash and investments	
Revenue bond service	\$ 5,896
Revenue bond reserve	28,000
Convention center	29,433
Project independence	105,702
General fund - Unemployment insurance	148,348
Water fund - Unemployment insurance	34,389
Water fund - Improvements	<u>46,035</u>
Total restricted cash	<u>\$ 397,803</u>
Total cash and investments	<u>\$ 9,274,234</u>

Composition of Cash Balances

	Cash Per Bank 12/31/2006	Plus Deposit In Transit	Less Outstanding Warrants	Cash Balances 12/31/2006
Home National Bank:				
#771-607-6	\$ 4,247,756	\$ 19,327	\$ (399,477)	\$ 3,867,606
Home National Bank:				
#733-286-9	154,142	-	-	154,142
Certificates of deposit-				
Home National Bank - # 34818	182,737			182,737
# 36095	400,000			400,000
# 36561	500,000			500,000
# 36563	500,000			500,000
Union State Bank - # 10818	500,000			500,000
# 21116	500,000			500,000
# 21120	500,000			500,000
# 21119	1,000,000			1,000,000
# 21204	500,000			500,000
Corner Bank - # 8066	500,000			500,000
City of Arkansas City Temporary Notes	168,000			168,000
Change funds and undeposited cash on hand				1,750
Rounding				<u>(1)</u>
Total cash and investments				<u>\$ 9,274,234</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, 2006 and 2005

<u>Revenues</u>	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
Taxes:				
Ad valorem	\$ 1,758,881	\$ 1,843,000	\$ (84,119)	\$ 1,206,008
Back taxes	113,832	62,000	51,832	42,349
In lieu of taxes	27,516	25,000	2,516	20,000
Sales tax	1,445,591	1,400,000	45,591	1,335,799
RV tax	5,792	6,080	(288)	2,995
Animal redemptions	2,598	2,000	598	4,409
Liquor tax	9,081	10,000	(919)	9,618
Motor vehicle tax	345,399	327,828	17,571	233,307
Franchise tax	<u>826,957</u>	<u>744,000</u>	<u>82,957</u>	<u>776,912</u>
Total taxes	<u>\$ 4,535,647</u>	<u>\$ 4,419,908</u>	<u>\$ 115,739</u>	<u>\$ 3,631,397</u>
Intergovernmental revenues:				
State highway (links)	\$ 14,182	\$ 55,000	\$ (40,818)	\$ 55,875
County ambulance payment	91,817	85,000	6,817	87,101
Rural fire contract	200,811	175,000	25,811	169,428
State grant	59,230	-	59,230	16,339
County radio payment	13,000	13,000	-	13,000
Use tax	180,720	165,000	15,720	170,241
Federal grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,109</u>
Total intergovernmental revenues	<u>\$ 559,760</u>	<u>\$ 493,000</u>	<u>\$ 66,760</u>	<u>\$ 541,093</u>
Licenses, fees and permits:				
Liquor store licenses	\$ 1,500	\$ 2,000	\$ (500)	\$ 400
Beer sales licenses	2,250	2,000	250	2,400
Other licenses	3,170	5,800	(2,630)	5,055
Private club licenses	1,200	1,200	-	800
Electrician licenses	2,585	2,600	(15)	2,260
Plumbing permit	1,517	2,500	(983)	1,730
Electrical permit	2,800	2,000	800	1,425
Building permit	15,651	15,000	651	16,183
Mechanics permit	<u>3,916</u>	<u>3,500</u>	<u>416</u>	<u>2,379</u>
Total licenses, fees & permits	<u>\$ 34,589</u>	<u>\$ 36,600</u>	<u>\$ (2,011)</u>	<u>\$ 32,632</u>
Charge for services:				
Funeral service charge	\$ 13,900	\$ 14,500	\$ (600)	\$ 16,950
Cemetery lot sales	9,750	5,000	4,750	4,800
Move and set stone	725	600	125	810
Ambulance charges	321,950	300,000	21,950	333,589
Humane Society	<u>48,759</u>	<u>70,000</u>	<u>(21,241)</u>	<u>39,237</u>
Total charge for services	<u>\$ 395,084</u>	<u>\$ 390,100</u>	<u>\$ 4,984</u>	<u>\$ 395,386</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, 2006 and 2005

<u>Revenues (continued)</u>	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
Fines, forfeitures and penalties:				
Police court fines and parking fines	\$ 496,820	\$ 478,500	\$ 18,320	\$ 428,168
Use of money and property:				
Rentals - Other	\$ 12,295	\$ 12,000	\$ 295	\$ 13,280
Royalties and farmland	5,404	5,000	404	5,602
NW Community Center rental	9,366	10,000	(634)	9,689
Agri-business Building rental	8,095	12,000	(3,905)	6,292
Cherokee Strip Museum	58,519	55,000	3,519	43,010
Miscellaneous park income	85	250	(165)	120
Interest on investments	<u>144,092</u>	<u>85,800</u>	<u>58,292</u>	<u>76,754</u>
Total use of money and property	\$ 237,856	\$ 180,050	\$ 57,806	\$ 154,747
Miscellaneous:				
Miscellaneous general income	\$ 31,286	\$ 9,500	\$ 21,786	\$ 45,145
Zoning applications	900	700	200	350
Donation	6,599	7,000	(401)	7,595
Refund of expenditures	181,593	130,000	51,593	202,123
Sale of property and materials	-	2,000	(2,000)	4,948
Current special assessments	36,258	10,000	26,258	22,818
Insurance recovery	7,785	-	7,785	10,839
Teen Center	<u>8,947</u>	<u>27,000</u>	<u>(18,053)</u>	<u>14,274</u>
Total miscellaneous	\$ 273,368	\$ 186,200	\$ 87,168	\$ 308,092
Total revenues	<u>\$ 6,533,124</u>	<u>\$ 6,184,358</u>	<u>\$ 348,766</u>	<u>\$ 5,491,515</u>
<u>Expenditures</u>				
City Commission:				
Personal services	\$ 5,246	\$ 4,900	\$ (346)	\$ 4,873
Contractual services	40,388	42,150	1,762	40,600
Commodities	6,513	7,150	637	5,138
Capital outlay	<u>-</u>	<u>400</u>	<u>400</u>	<u>-</u>
Total city commission	\$ 52,147	\$ 54,600	\$ 2,453	\$ 50,611
City Manager:				
Personal services	\$ 56,961	\$ 64,630	\$ 7,669	\$ 57,835
Contractual services	13,422	17,035	3,613	15,492
Commodities	7,319	6,750	(569)	6,130
Capital outlay	<u>6,376</u>	<u>4,500</u>	<u>(1,876)</u>	<u>4,420</u>
Total city manager	\$ 84,078	\$ 92,915	\$ 8,837	\$ 83,877
City Attorney:				
Personal services	\$ 14,430	\$ 14,288	\$ (142)	\$ 12,917
Contractual services	137,221	62,730	(74,491)	102,239
Commodities	714	10,000	9,286	13,850
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total city attorney	\$ 152,365	\$ 87,018	\$ (65,347)	\$ 129,006

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, 2006 and 2005

<u>Expenditures (continued)</u>	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
Planning:				
Contractual services	\$ 155	\$ 3,857	\$ 3,702	\$ 96
Commodities	-	503	503	229
Capital outlay	-	-	-	-
Total planning	<u>\$ 155</u>	<u>\$ 4,360</u>	<u>\$ 4,205</u>	<u>\$ 325</u>
Code Enforcement:				
Personal services	\$ 217,147	\$ 210,475	\$ (6,672)	\$ 183,844
Contractual services	26,762	33,131	6,369	50,200
Commodities	11,577	11,379	(198)	9,599
Capital outlay	<u>14,072</u>	<u>16,100</u>	<u>2,028</u>	<u>8,533</u>
Total code enforcement	<u>\$ 269,558</u>	<u>\$ 271,085</u>	<u>\$ 1,527</u>	<u>\$ 252,176</u>
Administration:				
Personal services	\$ 212,948	\$ 186,405	\$ (26,543)	\$ 153,727
Contractual services	120,031	106,920	(13,111)	124,307
Commodities	16,380	11,350	(5,030)	16,318
Capital outlay	<u>2,770</u>	<u>2,144</u>	<u>(626)</u>	<u>4,049</u>
Total administration	<u>\$ 352,129</u>	<u>\$ 306,819</u>	<u>\$ (45,310)</u>	<u>\$ 298,401</u>
Community Support:				
Contractual services	<u>\$ 47,662</u>	<u>\$ 33,000</u>	<u>\$ (14,662)</u>	<u>\$ 41,848</u>
Humane Society Administration				
Personal services	\$ 50,861	\$ 68,460	\$ 17,599	\$ 41,801
Contractual services	1,411	-	(1,411)	336
Commodities	<u>136</u>	<u>-</u>	<u>(136)</u>	<u>7</u>
Total Humane Society	<u>\$ 52,408</u>	<u>\$ 68,460</u>	<u>\$ 16,052</u>	<u>\$ 42,144</u>
Non-Departmental:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	55,796	396,050	340,254	224,554
Commodities	9,703	25,000	15,297	-
Capital outlay	<u>516</u>	<u>-</u>	<u>(516)</u>	<u>-</u>
Total non-departmental	<u>\$ 66,015</u>	<u>\$ 421,050</u>	<u>\$ 355,035</u>	<u>\$ 224,554</u>
Law Enforcement:				
Personal services	\$ 2,201,638	\$ 1,926,560	\$ (275,078)	\$ 1,682,361
Contractual services	110,719	137,889	27,170	114,719
Commodities	129,920	127,850	(2,070)	146,002
Capital outlay	<u>80,596</u>	<u>143,550</u>	<u>62,954</u>	<u>145,288</u>
Total law enforcement	<u>\$ 2,522,873</u>	<u>\$ 2,335,849</u>	<u>\$ (187,024)</u>	<u>\$ 2,088,370</u>
Fire Fighting:				
Personal services	\$ 1,620,445	\$ 1,449,180	\$ (171,265)	\$ 1,063,142
Contractual services	65,173	81,865	16,692	67,001
Commodities	90,981	83,250	(7,731)	117,476
Capital outlay	<u>47,514</u>	<u>90,000</u>	<u>42,486</u>	<u>77,441</u>
Total firefighting	<u>\$ 1,824,113</u>	<u>\$ 1,704,295</u>	<u>\$ (119,818)</u>	<u>\$ 1,325,060</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, 2006 and 2005

<u>Expenditures (continued)</u>	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
Civil Defense:				
Contractual services	\$ 21,739	\$ 25,500	\$ 3,761	\$ 22,782
Commodities	2,490	2,800	310	2,608
Capital outlay	<u>12,014</u>	<u>12,000</u>	<u>(14)</u>	<u>12,000</u>
Total civil defense	<u>\$ 36,243</u>	<u>\$ 40,300</u>	<u>\$ 4,057</u>	<u>\$ 37,390</u>
Cemetery:				
Personal services	\$ 101,403	\$ 116,260	\$ 14,857	\$ 95,209
Contractual services	13,121	14,135	1,014	13,167
Commodities	14,377	17,430	3,053	15,412
Capital outlay	<u>10,991</u>	<u>12,000</u>	<u>1,009</u>	<u>10,496</u>
Total cemetery	<u>\$ 139,892</u>	<u>\$ 159,825</u>	<u>\$ 19,933</u>	<u>\$ 134,284</u>
Public Service Supervision:				
Personal services	\$ 91,837	\$ 85,965	\$ (5,872)	\$ 77,590
Contractual services	76	1,000	924	175
Commodities	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public service supervision	<u>\$ 91,913</u>	<u>\$ 86,965</u>	<u>\$ (4,948)</u>	<u>\$ 77,765</u>
Street Maintenance and Repair:				
Personal services	\$ 281,794	\$ 230,750	\$ (51,044)	\$ 207,527
Contractual services	-	-	-	600
Commodities	170	-	(170)	162
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,647</u>
Total street maintenance & repair	<u>\$ 281,964</u>	<u>\$ 230,750</u>	<u>\$ (51,214)</u>	<u>\$ 210,936</u>
Street Lighting:				
Contractual services	\$ 151,784	\$ 145,000	\$ (6,784)	\$ 143,075
Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total street lighting	<u>\$ 151,784</u>	<u>\$ 145,000</u>	<u>\$ (6,784)</u>	<u>\$ 143,075</u>
Park:				
Personal services	\$ 326,668	\$ 359,710	\$ 33,042	\$ 290,246
Contractual services	32,220	38,270	6,050	27,108
Commodities	116,745	88,550	(28,195)	106,050
Capital outlay	<u>33,285</u>	<u>34,500</u>	<u>1,215</u>	<u>34,487</u>
Total park	<u>\$ 508,918</u>	<u>\$ 521,030</u>	<u>\$ 12,112</u>	<u>\$ 457,891</u>
Baseball Park:				
Contractual services	\$ 6,401	\$ 11,500	\$ 5,099	\$ 5,934
Commodities	<u>5,090</u>	<u>7,530</u>	<u>2,440</u>	<u>9,635</u>
Total baseball park	<u>\$ 11,491</u>	<u>\$ 19,030</u>	<u>\$ 7,539</u>	<u>\$ 15,569</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, 2006 and 2005

<u>Expenditures (continued)</u>	2006 <u>Actual</u>	2006 <u>Budget</u>	Variance- Favorable (Unfavorable)	2005 <u>Actual</u>
Swimming Pool:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	43,717	40,305	(3,412)	39,695
Commodities	27,888	24,600	(3,288)	14,023
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total swimming pool	<u>\$ 71,605</u>	<u>\$ 64,905</u>	<u>\$ (6,700)</u>	<u>\$ 53,718</u>
Public Buildings:				
Personal services	\$ 40,013	\$ 39,477	\$ (536)	\$ 33,167
Contractual services	58,210	57,275	(935)	66,079
Commodities	19,023	20,075	1,052	18,271
Capital outlay	<u>4,835</u>	<u>5,000</u>	<u>165</u>	<u>-</u>
Total public buildings	<u>\$ 122,081</u>	<u>\$ 121,827</u>	<u>\$ (254)</u>	<u>\$ 117,517</u>
NW Community Center:				
Personal services	\$ 19,975	\$ 24,365	\$ 4,390	\$ 9,550
Contractual services	24,735	35,100	10,365	23,018
Commodities	4,565	5,712	1,147	4,630
Capital outlay	<u>29</u>	<u>2,000</u>	<u>1,971</u>	<u>84</u>
Total NW Community Center	<u>\$ 49,304</u>	<u>\$ 67,177</u>	<u>\$ 17,873</u>	<u>\$ 37,282</u>
Senior Citizens:				
Personal services	\$ 150,885	\$ 155,630	\$ 4,745	\$ 130,578
Contractual services	36,221	40,950	4,729	30,817
Commodities	<u>11,583</u>	<u>16,748</u>	<u>5,165</u>	<u>11,127</u>
Total senior citizens	<u>\$ 198,689</u>	<u>\$ 213,328</u>	<u>\$ 14,639</u>	<u>\$ 172,522</u>
Human Relations Council				
Contractual services	<u>\$ 4,071</u>	<u>\$ 4,120</u>	<u>\$ 49</u>	<u>\$ 2,436</u>
Museum:				
Personal services	\$ 64,264	\$ 73,700	\$ 9,436	\$ 57,208
Contractual services	59,397	45,658	(13,739)	47,268
Commodities	22,765	22,900	135	15,804
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total museum	<u>\$ 146,426</u>	<u>\$ 142,258</u>	<u>\$ (4,168)</u>	<u>\$ 120,280</u>
Teen Center:				
Personal services	\$ 10,786	\$ 10,950	\$ 164	\$ 10,462
Contractual services	10,521	13,825	3,304	9,927
Commodities	4,528	7,500	2,972	6,242
Capital outlay	<u>82</u>	<u>610</u>	<u>528</u>	<u>797</u>
Total teen center	<u>\$ 25,917</u>	<u>\$ 32,885</u>	<u>\$ 6,968</u>	<u>\$ 27,428</u>
Total expenditures	<u>\$ 7,263,801</u>	<u>\$ 7,228,851</u>	<u>\$ 34,950</u>	<u>\$ 6,144,465</u>

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

CITY OF ARKANSAS CITY, KANSAS
INSURANCE COVERAGE
December 31, 2006

Property

Various municipal buildings and contents	Fire and extended coverage	\$ 20,221,780
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	847,589
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, 2006

	<u>Expiration Date</u>	<u>Bond Amount</u>
Public Employee's Blanket	01/01/07	\$ 100,000
City Commission:		
Dotty Smith	04/24/07	5,000
Patrick McDonald	04/24/07	5,000
Mell Kuhn	04/24/07	5,000
Joel Hockenbury	04/24/07	5,000
Scott Margolius	04/24/07	5,000
Judge of Municipal Court - N. M. Iverson, Jr.	01/01/07	5,000
City Manager - Doug Russell	02/01/07	50,000
City Treasurer/Clerk - M. W. Cox	10/14/07	50,000
City Administrator - Steve Archer	09/01/07	50,000

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

CITY OF ARKANSAS CITY, KANSAS
SCHEDULE OF INDEBTEDNESS
December 31, 2006

<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% - 6.0%	\$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	2005	08/01/05	2.50% to 3.75%	\$ 3,685,000
Internal improvements	2006-8	12/01/06	3.60% to 5.50%	\$ 2,095,000

Total general obligation bonds

Temporary notes

Internal improvements	2005-taxable	01/01/05	2.59%	\$ 1,375,000
Internal improvements	2005-1	08/01/08	3.28%	\$ 1,160,000
Internal improvements	2005-2	11/01/05	3.50%	\$ 168,000
Internal improvements	2006-1	11/01/06	3.70%	\$ 4,600,000

Total temporary notes

Revenue bonds

Water system	1997-C	01/01/78	5.00%	\$ 429,000
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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		10/08/05	4.00%	750,000

Total loans

Certificates of participation

Recycling Center	1996	04/15/96	5.50%	\$ 170,000
Humane Society	2005	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, 2006

Date of Maturity	Outstanding 12/31/2005	Issued	Retired	Outstanding 12/31/2006
12/01/08	\$ 330,000	\$ -	\$ 110,000	\$ 220,000
12/01/06	115,000	-	115,000	-
12/01/08	360,000	-	120,000	240,000
12/01/08	385,000	-	125,000	260,000
12/01/09	805,000	-	185,000	620,000
12/01/11	770,000	-	115,000	655,000
04/01/12	1,640,000	-	205,000	1,435,000
12/01/13	3,090,000	-	340,000	2,750,000
12/01/15	<u>2,095,000</u>	<u>-</u>	<u>170,000</u>	<u>1,925,000</u>
	<u>\$ 9,590,000</u>	<u>\$ -</u>	<u>\$ 1,485,000</u>	<u>\$ 8,105,000</u>
01/01/06	1,375,000	-	1,375,000	-
08/01/09	1,160,000	-	-	1,160,000
11/01/07	168,000	-	-	168,000
11/01/08	<u>-</u>	<u>4,600,000</u>	<u>-</u>	<u>4,600,000</u>
	<u>\$ 2,703,000</u>	<u>\$ 4,600,000</u>	<u>\$ 1,375,000</u>	<u>\$ 5,928,000</u>
01/01/08	<u>\$ 48,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>
	<u>\$ 48,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>
09/01/21	\$ 1,367,379	\$ -	\$ 229,660	\$ 1,137,719
07/01/11	258,172	-	36,599	221,574
07/08/15	<u>703,343</u>	<u>-</u>	<u>57,029</u>	<u>646,313</u>
	<u>\$ 2,328,894</u>	<u>\$ -</u>	<u>\$ 323,288</u>	<u>\$ 2,005,606</u>
04/15/06	\$ 20,000	-	\$ 20,000	\$ -
12/01/12	<u>\$ 382,689</u>	<u>\$ -</u>	<u>\$ 47,505</u>	<u>\$ 335,184</u>
	<u>\$ 402,689</u>	<u>\$ -</u>	<u>\$ 67,505</u>	<u>\$ 335,184</u>
	<u>\$ 15,072,583</u>	<u>\$ 4,600,000</u>	<u>\$ 3,274,793</u>	<u>\$ 16,397,790</u>

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

CITY OF ARKANSAS CITY, KANSAS
 SUPPLEMENT TO SCHEDULE OF INDEBTEDNESS
 December 31, 2006

	<u>Issued</u>	<u>Retired</u>
Totals per Page 1 of Schedule 5	<u>\$ 4,600,000</u>	<u>\$ 3,274,793</u>
Per individual fund statements:		
Bond and interest	\$ -	\$ 1,350,520
Capital projects	4,600,000	-
Waterworks	-	128,996
Sanitation	-	10,000
Sewage disposal and treatment	-	332,758
Project independence	-	10,490
Hospital	<u>-</u>	<u>1,375,000</u>
Sub-total	<u>\$ 4,600,000</u>	<u>\$ 3,207,764</u>
City of Winfield (one-half certificate of participation)	\$ -	\$ 10,000
CDBG loan reimbursement	<u>-</u>	<u>57,029</u>
Total	<u>\$ 4,600,000</u>	<u>\$ 3,274,793</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, 2006

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Principal</u>				
General obligation bond	\$ 1,420,000	\$ 1,465,000	\$ 1,160,000	\$ 975,000
Certificates of participation	49,716	51,994	54,450	56,984
Revenue bonds	24,000	-	-	-
Temporary notes	168,000	4,600,000	1,160,000	-
KDHE & CDBG loans	<u>921,392</u>	<u>284,199</u>	<u>293,628</u>	<u>303,379</u>
Total principal	<u>\$ 2,583,108</u>	<u>\$ 6,401,193</u>	<u>\$ 2,668,078</u>	<u>\$ 1,335,363</u>
<u>Interest and Fees</u>				
General obligation bonds	\$ 304,634	\$ 247,397	\$ 188,955	\$ 144,710
Certificates of participation	15,599	13,321	10,865	8,331
Revenue bonds	1,200	-	-	-
Temporary notes	220,008	208,248	38,048	-
KDHE & CDBG loans	<u>46,233</u>	<u>32,776</u>	<u>23,346</u>	<u>13,596</u>
Total interest	<u>\$ 587,674</u>	<u>\$ 501,742</u>	<u>\$ 261,214</u>	<u>\$ 166,637</u>
Total principal and interest	<u>\$ 3,170,782</u>	<u>\$ 6,902,935</u>	<u>\$ 2,929,292</u>	<u>\$ 1,502,000</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, 2006

<u>2011</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>Total</u>
\$ 1,020,000	\$ 2,065,000	\$ -	\$ 8,105,000
59,636	62,404	-	335,184
-	-	-	24,000
-	-	-	5,928,000
<u>175,763</u>	<u>27,245</u>	<u>-</u>	<u>2,005,606</u>
<u>\$ 1,255,399</u>	<u>\$ 2,154,649</u>	<u>\$ -</u>	<u>\$ 16,397,790</u>
\$ 109,169	\$ 139,518	\$ -	\$ 1,134,383
5,679	2,913	-	56,708
-	-	-	1,200
-	-	-	466,304
<u>3,514</u>	<u>339</u>	<u>-</u>	<u>119,804</u>
<u>\$ 118,362</u>	<u>\$ 142,770</u>	<u>\$ -</u>	<u>\$ 1,778,399</u>
<u>\$ 1,373,761</u>	<u>\$ 2,297,419</u>	<u>\$ -</u>	<u>\$ 18,176,189</u>

The accompanying notes are an integral part of the financial statements