

CITY OF ARKANSAS CITY, KANSAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

EDW. B. STEPHENSON & CO., CPAs CHARTERED
Certified Public Accountants
Winfield, Kansas

CITY OF ARKANSAS CITY, KANSAS

FINANCIAL STATEMENTS

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

**EDW. B
STEPHENSON
& CO., CPAs
CHARTERED**

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

EDW. B. STEPHENSON  
(1905-1985)

JAMES R. DOBBS  
(1927-1997)

HARRY L. SHETLAR, JR.  
(1931-2000)

MORRIS W. JARVIS  
(1935-1999)

N. DEAN BRADBURY  
(1936-2005)

LOREN L. PONTIOUS  
(Retired)

SHAREHOLDERS

MAURICE P. ROBERTS, CPA

AARON R. IVERSON, CPA

MICHAEL B. NORTON, CPA

ACCOUNTANTS

MELISSA J. SCHOOLEY

SARAH M. KINDT

CHET D. BEERS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arkansas City, Kansas, as of and for the year ended December 31, 2010, 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 of Arkansas City, Kansas' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Central Kansas Regional Medical Center, which represents 99.6 percent, 98.7 percent, and 97.7 percent, respectively, of the assets, net assets and revenues of the discretely presented component units. Those financial statements of the South Central Kansas Regional Medical Center were reviewed by us, and we issued a report expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes, there are three departures from GAAP. Described in Note I.D.5., the City does not account for or recognize inventory. Also as described in Note I.D.7., the City has not recorded all infrastructure and separately accounted for all equipment additions. The third departure is described in Note IV.B., the City has not complied with GASB 45 in relation to the actuarial valuation of the Other Employee Benefit Plans.

In our opinion, based on our audit and the report of the other auditors as stated in the first paragraph, except for the omissions referred to above, the financial statements referred to above present fairly, in all material respects, the respective

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financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arkansas City, Kansas, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012 on our consideration of the City of Arkansas City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should not be considered in assessing the results of our audit.

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

Our audit was performed 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 individual nonmajor fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Arkansas City, Kansas. The schedule of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, subject to the exceptions noted in the preceding disclaimer and qualification, are fairly presented in all material respects in relation to the basic financial statements, taken as a whole.

*Edw. B. Stephenson & Co., CPAs Chtd*  
Edw. B. Stephenson & Co., CPAs Chtd.  
April 2, 2012

## Management's Discussion and Analysis

This narrative of the City of Arkansas City's Annual Financial Report is provided for readers of the financial statements for the fiscal year ended December 31, 2010.

The continued down-turn in the economy in the year of 2010 was not felt as harshly in Arkansas City as in other parts of the country. Although some governmental revenue sources decreased, others, including the business-like funds saw some increase in revenues or, at least, held steady.

### Overview of the Financial Statements

The basic financial statements include three components: Government-wide financial statements, Fund financial statements, Funds, Proprietary Funds, and Notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. These statements in summary list the assets owned by the City, the liabilities for which the City is responsible, and the net of the two. They also show direct revenues and expenditures for each activity type and the net changes in the funds' balances.

The most definitive line to determine how a particular Fund performed during the year is the net change in the fund balance line for the Governmental Funds and the change in net assets 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.

### Government-wide Financial Statements

The government-wide financial statements are prepared using the accounting methods similar to those used in private companies. The *statement of net assets presents* the information on the City's assets and liabilities. The difference is referred to as net assets. The net change in net assets will serve as a useful indicator of the financial position of the City.

The *statement of activities* presents information showing some detail on how the City's net assets changed during the year. The change in net assets is the result of the net effects of the current year's revenues and expenses. The current year's revenues and expenses are taken into account regardless of when the cash is actually received or disbursed. This results in the revenues and expenses being reported in the statement of activities for some items which will result in cash flow changes in future fiscal periods (i.e. taxes receivable and earned but unused sick and vacation leave.)

The Statement of Net Assets and the Statement of Activities consist of three types of activities:

Government activities – main revenue sources are taxes and intergovernmental revenues. The main services included in the City's governmental activities such as police, fire, public works, streets cemetery, park and recreation, health and general administration.

Business-type activities – services that are provided which are intended to recover all or some of the related costs through user fees and charges. The main services the City provides are water, sewage, sanitation and storm-sewer.



Component Units – South Central Kansas Regional Medical Center and Arkansas City Public Library are presented as component units of the City. Complete financial statements can be obtained from each entity at the following addresses:

South Central Kansas Regional Medical Center  
6401 Patterson Parkway  
Arkansas City, KS 67005

Arkansas City Public Library  
120 East 5<sup>th</sup> Avenue  
Arkansas City, Kansas 67005

## **Fund Financial Statements**

A fund is a separate accounting of related transactions used to maintain control over resources that have been segregated to account for specific activities or objectives. The City of Arkansas City uses fund accounting to ensure and demonstrate compliance with legal requirements related to federal, state or other financing sources. The fund financial statements provide additional information about the City's most significant funds separately and not the City taken as a whole. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements of the City. Governmental fund financial statements focus on cash flows and other financial assets that can be readily converted to cash and are available in the near future to finance the governmental programs. The primary differences are the accounting of the capital assets and the long-term financing. Reconciliations are provided on page 12 and 14, identifying the main differences in the two forms of reporting.

The City maintains a number of governmental funds. The information presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, Capital Projects Fund and the Public Building Commission Fund which are all considered major funds of the City. Information on the other governmental funds is combined in a single, aggregate presentation. These nonmajor governmental funds are shown separately on the combining statements beginning on page 43.

The City as required by Kansas Statutes adopts an annual budget for the General Fund. A budgetary comparison statement is provided for the General Fund on page 42. Comparison for the other funds begins on page 45.

*Proprietary funds* are used to account for the same functions reported as business-type activities in the government-wide financial statements of the City. Enterprise funds account for water, sewage, sanitation and storm-sewer. Internal service funds are used to account for accumulate allocate costs internally amount the City's other various functions. The internal service fund accounts for the activity of purchasing and financing of the capital assets of the City's governmental funds. Due to the fact that the internal service fund only includes the assets added for the governmental funds, it has been included with the governmental activities in the government-wide financial statement.

Proprietary funds report the same information as the government-wide financial statements providing additional detail. The proprietary fund financial statements provide separate information for the water, sewage and sanitation which are considered to be major funds of the City. The City only has one proprietary fund considered to be a nonmajor fund and it is the storm-sewer which is listed in

separately. The internal service funds are consolidated into an aggregated presentation on the proprietary fund financial statements. Individual fund data for the proprietary funds for budgetary purposes can be found starting on page 61 and the internal service fund can be found on page 66.

*Fiduciary funds* report on the funds which the City is the fiduciary/trustee. These funds are not available to be used in the City's own programs. The fiduciary responsibility for these funds is for the City to ensure the assets are used only for the intended purposes. These funds are excluded from the Government-wide financial statements because the City is prohibited from using these funds in its operations. The fiduciary fund financial statements can be found on page 18 and 67.

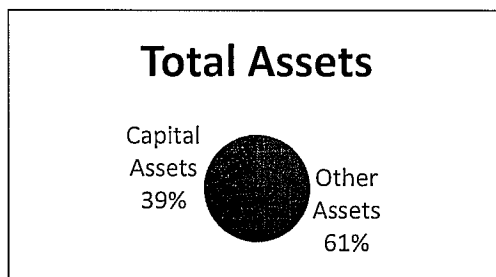
### Government-wide Financial Analysis

**Net assets of the primary government** - The net change in net assets will serve as a useful indicator of the financial position of the City. Table 1 summarizes net assets of the City, the primary government.

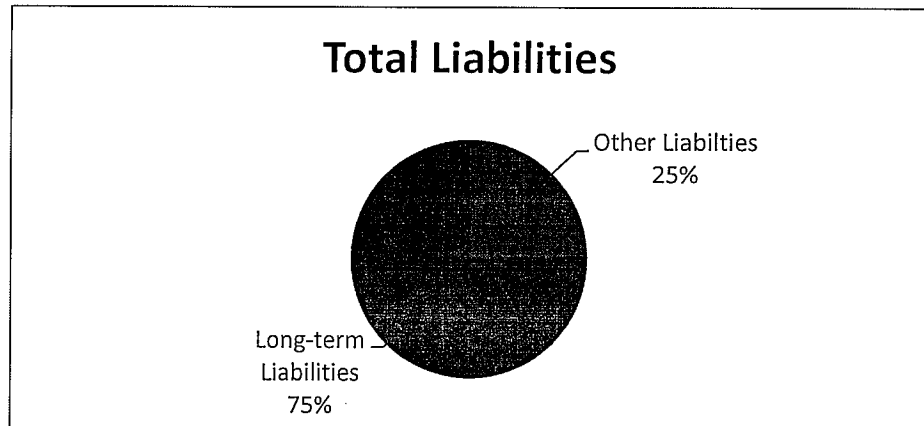
| Table 1                                           |                         |           |                          |          |                          |           |  |
|---------------------------------------------------|-------------------------|-----------|--------------------------|----------|--------------------------|-----------|--|
| City of Arkansas City, Kansas                     |                         |           |                          |          |                          |           |  |
| Net Assets                                        |                         |           |                          |          |                          |           |  |
| As of December 31, 2010                           |                         |           |                          |          |                          |           |  |
| (with comparative totals for Decemebr 31, 2009)   |                         |           |                          |          |                          |           |  |
| (in thousands of dollars)                         |                         |           |                          |          |                          |           |  |
|                                                   | Governmental Activities |           | Business-type Activities |          | Total Primary Government |           |  |
|                                                   | 2010                    | 2009      | 2010                     | 2009     | 2010                     | 2009      |  |
| Current and other assets                          | \$ 39,807               | \$ 52,104 | \$ 4,682                 | \$ 4,457 | \$ 44,489                | \$ 56,561 |  |
| Capital assets                                    | 37,115                  | 31,644    | 5,156                    | 4,406    | 42,271                   | 36,050    |  |
| Total assets                                      | \$ 76,923               | \$ 83,748 | \$ 9,838                 | \$ 8,863 | \$ 86,761                | \$ 92,611 |  |
| Current liabilities                               | \$ 11,525               | \$ 24,933 | \$ 471                   | \$ 487   | \$ 11,996                | \$ 25,420 |  |
| Long-term liabilities                             | 35,932                  | 31,589    | 957                      | 416      | 36,889                   | 32,005    |  |
| Total liabilities                                 | \$ 47,457               | \$ 56,522 | \$ 1,427                 | \$ 903   | \$ 48,884                | \$ 57,425 |  |
| Invested in capital assets<br>net of related debt | \$ 23,320               | \$ 22,555 | \$ 4,220                 | \$ 4,007 | \$ 27,540                | \$ 26,562 |  |
| Restricted                                        | 4,004                   | 4,158     | -                        | 80       | 4,004                    | 4,238     |  |
| Unrestricted                                      | 2,142                   | 513       | 4,191                    | 3,873    | 6,333                    | 4,386     |  |
| Total net assets                                  | \$ 29,466               | \$ 27,226 | \$ 8,411                 | \$ 7,960 | \$ 37,877                | \$ 35,186 |  |

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

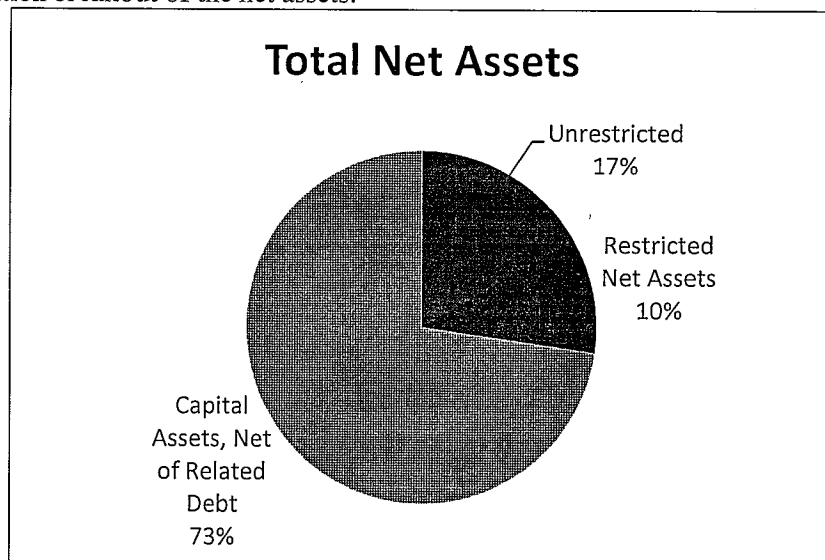
The City ended the 2010 year with positive net assets. Total assets for the City decreased by \$5,850,000 in the current year. The majority of this reduction in assets was related to the Public Building Commission and is offset by a reduction in the accounts payable. Of these total assets, the breakout between capital and other is:



Total liabilities for the City decreased by \$8,541,000 in the current year. The majority of the long-term debt 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 unless there is a clear need or benefit. Of these liabilities, the breakout is as follows:



Total net assets for the City have increased by \$2,691,000 in the current year. The following is the classification breakout of the net assets:



**Statement of Activities**

Table 2 shows the condensed revenue, expenses and the changes in net assets for 2010 and 2009:

| Table 2                                         |                         |                  |                          |                 |
|-------------------------------------------------|-------------------------|------------------|--------------------------|-----------------|
| City of Arkansas City, Kansas                   |                         |                  |                          |                 |
| Statement of Activities                         |                         |                  |                          |                 |
| As of December 31, 2010                         |                         |                  |                          |                 |
| (with comparative totals for Decemebr 31, 2009) |                         |                  |                          |                 |
| (in thousands of dollars)                       |                         |                  |                          |                 |
|                                                 | Governmental Activities |                  | Business-Type Activities |                 |
|                                                 | 2010                    | 2009             | 2010                     | 2009            |
| <b>Revenues</b>                                 |                         |                  |                          |                 |
| Program Revenues                                |                         |                  |                          |                 |
| Charges for Services                            | \$ 1,500                | \$ 1,049         | \$ 6,842                 | \$ 6,456        |
| Operating Grants/Contributions                  | 125                     | 14               | -                        | -               |
| Capital Grants/Contributions                    | 1,121                   | 74               | -                        | -               |
| General Revenues                                |                         |                  |                          |                 |
| Property Taxes                                  | 4,937                   | 6,025            | -                        | -               |
| Other Taxes                                     | 4,168                   | 2,191            | -                        | -               |
| Other                                           | 2,311                   | 1,104            | (296)                    | (209)           |
| <b>Total Revenues</b>                           | <b>\$ 14,162</b>        | <b>\$ 10,457</b> | <b>\$ 6,546</b>          | <b>\$ 6,247</b> |
| <b>Expenses</b>                                 |                         |                  |                          |                 |
| General Government                              | \$ 1,042                | \$ 2,370         | \$ -                     | \$ -            |
| Public Safety                                   | 5,060                   | 4,631            | -                        | -               |
| Public Works                                    | 1,682                   | 932              | -                        | -               |
| Cultural and Recreation                         | 1,393                   | 926              | -                        | -               |
| Health and Welfare                              | 750                     | -                | -                        | -               |
| Personal Services                               | 62                      | 51               | -                        | -               |
| Contractual Services                            | -                       | 359              | -                        | -               |
| Outside Services                                | 305                     | 318              | -                        | -               |
| Commodities                                     | -                       | 296              | -                        | -               |
| Water                                           | -                       | -                | 2,575                    | 2,288           |
| Sewer                                           | -                       | -                | 1,465                    | 1,399           |
| Sanitation                                      | -                       | -                | 1,152                    | 1,167           |
| Storm Water                                     | -                       | -                | 122                      | 204             |
| Miscellaneous                                   | -                       | -                | -                        | -               |
| Depreciation (Governmental Funds)               | 1,305                   | -                | -                        | -               |
| Interest on Long-term Debt                      | 1,969                   | 76               | -                        | -               |
| <b>Total Expenses</b>                           | <b>\$ 13,568</b>        | <b>\$ 9,959</b>  | <b>\$ 5,314</b>          | <b>\$ 5,058</b> |
| <b>Change in Net Assets</b>                     | <b>\$ 594</b>           | <b>\$ 498</b>    | <b>\$ 1,232</b>          | <b>\$ 1,189</b> |
| Transfers                                       | 1,235                   | 670              | (1,235)                  | (670)           |
| Prior Period Adjustment                         | 411                     | -                | 110                      | -               |
| <b>Increase (Decrease) in Net Asstes</b>        | <b>\$ 2,240</b>         | <b>\$ 1,168</b>  | <b>\$ 107</b>            | <b>\$ 519</b>   |
| Net Assets at Beginning of Year                 | 27,226                  | 26,058           | 7,960                    | 7,441           |
| <b>Net Assets at End of Year</b>                | <b>\$ 29,466</b>        | <b>\$ 27,226</b> | <b>\$ 8,067</b>          | <b>\$ 7,960</b> |

#### Governmental Activities

Several of the revenue and expense categories fluctuated between 2010 and 2009, as explained below.

Operating Grants/Contributions – The City received a larger amount of Federal, State and Local Governmental Grants in 2010 which were awarded for the City's general operations.

Capital Grants/Contributions – The City received a substantial Federal payment in the current year to reimburse the capital expenses paid out in a prior year. The other Federal, State and Local Governmental Grants were also up in 2010.

Property Tax and Other Taxes – These two items combine increased. The largest portion is due to the additional sales tax received mostly as a result of the new taxes approved in the current year.

Other – This item increased due to the amount of revenue received from South Central Kansas Regional Medical Center which paid the City for the payments due on the outstanding debt.

Expenses – The City's overall expenses increased by \$3.6 million. The largest increase is in the interests on long-term debt which in the current year includes over \$1.5 million paid for the bonds issued for South Central Regional Medical Center. An additional \$750,000 was disbursed in the current year compared to none in the prior year to the Hospital from the sales tax collected.

#### Business-Type Activities

Several of the revenue and expense categories fluctuated between 2010 and 2009, as explained below.

Charges for Services increased by almost \$400,000.

Total Expenses increased by about \$258,000. The biggest increase was in the Water Fund at \$287,000 and the largest decrease was in the Storm Water at \$82,000.

Transfers out to the governmental funds increased by \$565,000.

#### Analysis of Fund Financial Statements

The City's governmental fund financial statements can be found on pages 12 and 13 of the basic financial statements.

#### Governmental Funds

The fund balance of the governmental funds decreased by about \$1.65 million in 2010. The General Fund decreased by about \$166,000. The largest decrease was in the Public Building Commission fund of about \$2,767,000. The largest increase was in the Capital Projects fund of about \$771,000.

#### Proprietary Funds

Enterprise fund information for Water, Sewer, Sanitation and Storm-Sewer are included in the discussion of the Government-wide financial statements.

The internal service fund is included with the governmental activities information on the Government-wide financial statements. Any asset, revenue, and/or expense fluctuations have been discussed in the Government-wide financial statements.

Capital Assets

The City has not recorded depreciation expense in the past. However after implementing GASB 34 under the transition provision of 2004, the City has made accumulated depreciation adjustments based upon estimated remaining useful life of the fixed assets recorded at December 31, 2004. The governmental funds' infrastructure recorded in 2004 is expected to have useful lives of 10 years. The equipment is estimated to have useful lives of 10 years also. 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 lives 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, 2010         | December 31, 2010 | January 1, 2010          | December 31, 2010 |
| Land, Infrastructure and Buildings | \$ 33,745,900           | \$ 40,021,076     | \$ 5,316,437             | \$ 6,164,531      |
| Equipment                          | 4,444,014               | 4,945,392         | 3,479,542                | 3,537,062         |
| Meter, Mains and Service Lines     | -                       | -                 | 3,627,172                | 4,060,913         |
| Accumulated Depreciation           | (6,546,089)             | (7,851,305)       | (8,016,915)              | (8,606,612)       |
|                                    | \$ 31,643,825           | \$ 37,115,163     | \$ 4,406,236             | \$ 5,155,894      |

Long-term Debt

At December 31, 2010, the City had a number of debt issues outstanding:

|                             | 2010          | 2009          |
|-----------------------------|---------------|---------------|
| General Obligation Bonds    | \$ 7,045,000  | \$ 8,370,000  |
| Revenue Bond (New Hospital) | 23,205,000    | 23,205,000    |
| Temporary Notes             | 6,200,000     | -             |
| Capital Leases              | 427,071       | 539,718       |
| Other Debt                  | 1,059,434     | 578,106       |
| Total Debt                  | \$ 37,938,515 | \$ 32,694,833 |

The City has established the following policy in regards to long-term debt. First, we do not issue general obligation 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 debt. Additional information can be found on page 32-37.

The Temporary Note was partially for infrastructure for the new hospital.

**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 City Manager, 118 West Central Avenue, Arkansas City, KS 67005.

# **FINANCIAL SECTION**

## **Basic Financial Information**

# CITY OF ARKANSAS CITY, KANSAS

## STATEMENT OF NET ASSETS

DECEMBER 31, 2010

|                                                 | Governmental<br>Activities | Business-Type<br>Activities | 2010<br>Total        | 2009<br>Total        | Component<br>Unit<br>2010 Total | Component<br>Unit<br>2009 Total |
|-------------------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|---------------------------------|---------------------------------|
| <b>ASSETS</b>                                   |                            |                             |                      |                      |                                 |                                 |
| <b>Current Assets:</b>                          |                            |                             |                      |                      |                                 |                                 |
| Cash and cash equivalents                       | \$ 12,530,486              | \$ 3,790,316                | \$ 16,320,802        | \$ 28,634,205        | \$ 4,172,604                    | \$ 5,644,187                    |
| Accounts receivable                             | 557,121                    | 829,820                     | 1,386,941            | 1,022,251            | 2,326,114                       | 1,650,291                       |
| Taxes receivable                                | 3,150,157                  | -                           | 3,150,157            | 3,165,761            | 438,639                         | 442,190                         |
| Hospital capital lease                          | 94,385                     | -                           | 94,385               | 333,338              | -                               | -                               |
| Prepaid expenses                                | -                          | 61,959                      | 61,959               | -                    | 1,173,558                       | 1,045,408                       |
| <b>Total current assets</b>                     | <b>\$ 16,332,149</b>       | <b>\$ 4,682,095</b>         | <b>\$ 21,014,244</b> | <b>\$ 33,155,555</b> | <b>\$ 8,110,915</b>             | <b>\$ 8,782,076</b>             |
| <b>Noncurrent Assets:</b>                       |                            |                             |                      |                      |                                 |                                 |
| Hospital capital lease                          | \$ 23,205,000              | \$ -                        | \$ 23,205,000        | \$ 23,118,939        | \$ -                            | \$ -                            |
| Special assessments                             | 270,342                    | -                           | 270,342              | 286,677              | -                               | -                               |
| Other noncurrent assets                         | -                          | -                           | -                    | -                    | 386,707                         | 400,684                         |
| Capital lease interest in                       |                            |                             |                      |                      |                                 |                                 |
| Unexpended bond proceeds                        | -                          | -                           | -                    | -                    | 6,844,306                       | 21,648,266                      |
| Cash held under bond indenture                  | -                          | -                           | -                    | -                    | 100,000                         | 100,000                         |
| Capital assets, net                             | 37,115,163                 | 5,155,893                   | 42,271,056           | 36,050,061           | 23,844,088                      | 4,993,822                       |
| <b>Total noncurrent assets</b>                  | <b>\$ 60,590,505</b>       | <b>\$ 5,155,893</b>         | <b>\$ 65,746,398</b> | <b>\$ 59,455,677</b> | <b>\$ 31,175,101</b>            | <b>\$ 27,142,772</b>            |
| <b>Total assets</b>                             | <b>\$ 76,922,654</b>       | <b>\$ 9,837,988</b>         | <b>\$ 86,760,642</b> | <b>\$ 92,611,232</b> | <b>\$ 39,286,016</b>            | <b>\$ 35,924,848</b>            |
| <b>LIABILITIES</b>                              |                            |                             |                      |                      |                                 |                                 |
| <b>Current Liabilities:</b>                     |                            |                             |                      |                      |                                 |                                 |
| Accounts and contracts payable                  | \$ 5,293,061               | \$ 243,063                  | \$ 5,536,124         | \$ 16,240,381        | \$ 436,218                      | \$ 271,264                      |
| Contracts payable-related party                 | -                          | -                           | -                    | -                    | -                               | -                               |
| Accrued expenses                                | 1,157,639                  | 22,954                      | 1,180,593            | 859,334              | 1,061,522                       | 1,009,533                       |
| Deferred Hospital funds                         | 3,392,100                  | -                           | 3,392,100            | 6,343,611            | -                               | -                               |
| Due to other agencies                           | 86,748                     | -                           | 86,748               | 100,830              | 207,072                         | 177,072                         |
| Current portion of long-term obligations        | 1,542,632                  | 182,012                     | 1,724,644            | 1,757,495            | 703,127                         | 333,338                         |
| Current portion of compensated absences         | 52,703                     | 22,495                      | 75,198               | 118,695              | -                               | -                               |
| <b>Total current liabilities</b>                | <b>\$ 11,524,883</b>       | <b>\$ 470,524</b>           | <b>\$ 11,995,407</b> | <b>\$ 25,420,346</b> | <b>\$ 2,407,939</b>             | <b>\$ 1,791,207</b>             |
| <b>Noncurrent Liabilities:</b>                  |                            |                             |                      |                      |                                 |                                 |
| Long-term debt                                  | \$ 35,457,665              | \$ 754,196                  | \$ 36,211,861        | \$ 30,935,329        | \$ 25,344,919                   | \$ 23,118,939                   |
| Compensated absences                            | 474,331                    | 202,450                     | 676,781              | 1,069,549            | -                               | -                               |
| <b>Total noncurrent liabilities</b>             | <b>\$ 35,931,996</b>       | <b>\$ 956,646</b>           | <b>\$ 36,888,642</b> | <b>\$ 32,004,878</b> | <b>\$ 25,344,919</b>            | <b>\$ 23,118,939</b>            |
| <b>Total liabilities</b>                        | <b>\$ 47,456,879</b>       | <b>\$ 1,427,170</b>         | <b>\$ 48,884,049</b> | <b>\$ 57,425,224</b> | <b>\$ 27,752,858</b>            | <b>\$ 24,910,146</b>            |
| <b>NET ASSETS</b>                               |                            |                             |                      |                      |                                 |                                 |
| Invested in capital assets, net of related debt | \$ 23,319,866              | \$ 4,219,685                | \$ 27,539,551        | \$ 26,562,235        | \$ 4,522,750                    | \$ 3,083,302                    |
| <b>Restricted for:</b>                          |                            |                             |                      |                      |                                 |                                 |
| Unemployment (Note IV.D.1.)                     | 182,737                    | -                           | 182,737              | -                    | -                               | -                               |
| Enabling Legislation                            | 2,086,908                  | -                           | 2,086,908            | -                    | -                               | -                               |
| Debt                                            | 1,463,436                  | -                           | 1,463,436            | 1,514,344            | 504,849                         | 504,849                         |
| General Government                              | -                          | -                           | -                    | 2,425,276            | 100,000                         | 100,000                         |
| Cultural                                        | -                          | -                           | -                    | 30,336               | 103,758                         | 145,623                         |
| Outside organizations                           | 270,848                    | -                           | 270,848              | 267,810              | -                               | -                               |
| <b>Total restricted net assets</b>              | <b>\$ 4,003,929</b>        | <b>\$ -</b>                 | <b>\$ 4,003,929</b>  | <b>\$ 4,237,766</b>  | <b>\$ 708,607</b>               | <b>\$ 750,472</b>               |
| <b>Unrestricted</b>                             | <b>\$ 2,141,980</b>        | <b>\$ 4,191,133</b>         | <b>\$ 6,333,113</b>  | <b>\$ 4,386,007</b>  | <b>\$ 6,301,801</b>             | <b>\$ 7,180,928</b>             |
| <b>Total net assets</b>                         | <b>\$ 29,465,775</b>       | <b>\$ 8,410,818</b>         | <b>\$ 37,876,593</b> | <b>\$ 35,186,008</b> | <b>\$ 11,533,158</b>            | <b>\$ 11,014,702</b>            |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Net (Expense) Revenue and Changes in Net Assets  
 Primary Government

| Functions/Programs                                              | Program Revenue |                      |                                  |                                | Primary Government      |                          |                 | Component Units |               |               |
|-----------------------------------------------------------------|-----------------|----------------------|----------------------------------|--------------------------------|-------------------------|--------------------------|-----------------|-----------------|---------------|---------------|
|                                                                 | Expenses        | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-Type Activities | 2010 Total      | 2009 Total      | 2010 Total    | 2009 Total    |
| <b>Primary Government</b>                                       |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| <b>Governmental activities:</b>                                 |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| General government                                              | \$ 1,041,628    | \$ 580,999           | \$ -                             | \$ -                           | \$ (460,629)            | \$ -                     | \$ (460,629)    | \$ (1,860,880)  | \$ -          | \$ -          |
| Public safety                                                   | 5,060,428       | 422,904              | 109,144                          | -                              | (4,528,380)             | -                        | (4,528,380)     | (4,168,135)     | -             | -             |
| Public works                                                    | 1,681,742       | 83,601               | 13,602                           | 1,120,879                      | (463,660)               | -                        | (463,660)       | (773,432)       | -             | -             |
| Cultural and recreation                                         | 1,393,195       | -                    | 1,989                            | -                              | (1,391,206)             | -                        | (1,391,206)     | (918,952)       | -             | -             |
| Health and Welfare                                              | 750,000         | 412,877              | -                                | -                              | (337,123)               | -                        | (337,123)       | -               | -             | -             |
| Personal services                                               | 62,009          | -                    | -                                | -                              | (62,009)                | -                        | (62,009)        | (51,434)        | -             | -             |
| Contractual                                                     | -               | -                    | -                                | -                              | -                       | -                        | -               | (359,057)       | -             | -             |
| Outside services                                                | 305,332         | -                    | -                                | -                              | (305,332)               | -                        | (305,332)       | (317,619)       | -             | -             |
| Depreciation                                                    | 1,305,213       | -                    | -                                | -                              | (1,305,213)             | -                        | (1,305,213)     | (296,214)       | -             | -             |
| Interest on long-term debt                                      | 1,969,191       | -                    | -                                | -                              | (1,969,191)             | -                        | (1,969,191)     | (75,939)        | -             | -             |
| <b>Total governmental activities</b>                            | \$ 13,568,738   | \$ 1,500,381         | \$ 124,735                       | \$ 1,120,879                   | \$ (10,822,744)         | \$ -                     | \$ (10,822,744) | \$ (8,821,662)  | \$ -          | \$ -          |
| <b>Business-type activities:</b>                                |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| Water                                                           | \$ 2,575,474    | \$ 3,438,044         | \$ -                             | \$ -                           | \$ -                    | \$ 862,570               | \$ 862,570      | \$ 825,016      | \$ -          | \$ -          |
| Sewer                                                           | 1,464,800       | 1,819,239            | -                                | -                              | -                       | 354,439                  | 354,439         | 368,215         | -             | -             |
| Sanitation                                                      | 1,151,636       | 1,392,339            | -                                | -                              | -                       | 240,703                  | 240,703         | 213,857         | -             | -             |
| Storm sewer                                                     | 121,507         | 192,415              | -                                | -                              | -                       | 70,906                   | 70,906          | (9,335)         | -             | -             |
| <b>Total business-type activities</b>                           | \$ 5,313,417    | \$ 6,842,035         | \$ -                             | \$ -                           | \$ -                    | \$ 1,528,618             | \$ 1,528,618    | \$ 1,397,753    | \$ -          | \$ -          |
| <b>Total primary government</b>                                 | \$ 18,882,155   | \$ 8,342,416         | \$ 124,735                       | \$ 1,120,879                   | \$ (10,822,744)         | \$ 1,528,618             | \$ (9,294,126)  | \$ (7,423,909)  | \$ -          | \$ -          |
| <b>Component units</b>                                          |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| SCKRMC                                                          | \$ 15,282,128   | \$ 14,788,758        | \$ 35,606                        | \$ -                           | \$ -                    | \$ -                     | \$ -            | \$ -            | \$ (457,764)  | \$ 131,842    |
| Library                                                         | 380,780         | 14,962               | 44,133                           | -                              | -                       | -                        | -               | -               | (321,686)     | (325,866)     |
| <b>Total component units</b>                                    | \$ 15,662,908   | \$ 14,803,720        | \$ 79,739                        | \$ -                           | \$ -                    | \$ -                     | \$ -            | \$ -            | \$ (779,450)  | \$ (194,024)  |
| <b>General Revenues:</b>                                        |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| Taxes:                                                          |                 |                      |                                  |                                |                         |                          |                 |                 |               |               |
| Property taxes and specials levied for general purposes         |                 |                      |                                  |                                | \$ 3,803,809            | \$ -                     | \$ 3,803,809    | \$ 4,924,991    | \$ 307,534    | \$ 317,645    |
| Property taxes and specials levied for debt service             |                 |                      |                                  |                                | 1,132,705               | -                        | 1,132,705       | 1,099,825       | -             | -             |
| Sales tax                                                       |                 |                      |                                  |                                | 1,487,306               | -                        | 1,487,306       | 1,887,293       | -             | -             |
| Franchise taxes                                                 |                 |                      |                                  |                                | 1,118,084               | -                        | 1,118,084       | 232,410         | -             | -             |
| Transient guest taxes                                           |                 |                      |                                  |                                | 1,563,043               | -                        | 1,563,043       | 71,852          | 762,446       | 564,424       |
| Investment earnings                                             |                 |                      |                                  |                                | 30,134                  | 12,845                   | 42,979          | 224,482         | 51,601        | 102,077       |
| Miscellaneous                                                   |                 |                      |                                  |                                | 469,135                 | 330,000                  | 799,135         | 438,029         | 176,325       | 145,522       |
| Payments from component unit for debt payment                   |                 |                      |                                  |                                | 1,514,548               | -                        | 1,514,548       | -               | -             | -             |
| Accrued interest on bond/temp note sale                         |                 |                      |                                  |                                | 1,851                   | -                        | 1,851           | 4,830           | -             | -             |
| Transfers                                                       |                 |                      |                                  |                                | 1,235,000               | (1,235,000)              | -               | -               | -             | -             |
| Reimbursements                                                  |                 |                      |                                  |                                | -                       | -                        | -               | 226,537         | -             | -             |
| Business entries retirement of G.O Bonds                        |                 |                      |                                  |                                | 295,833                 | (295,833)                | -               | -               | -             | -             |
| <b>Total general revenues and transfers</b>                     |                 |                      |                                  |                                | \$ 12,651,448           | \$ (1,187,988)           | \$ 11,463,461   | \$ 9,110,249    | \$ 1,297,905  | \$ 1,129,668  |
| Change in net assets                                            |                 |                      |                                  |                                | \$ 1,828,705            | \$ 340,630               | \$ 2,169,335    | \$ 1,686,340    | \$ 518,456    | \$ 935,644    |
| Net assets at beginning of year                                 |                 |                      |                                  |                                | \$ 27,225,961           | \$ 7,960,047             | \$ 35,186,008   | \$ 33,499,668   | \$ 11,014,702 | \$ 10,079,038 |
| Prior period adjustment                                         |                 |                      |                                  |                                | 411,109                 | 110,141                  | 521,250         | -               | -             | -             |
| Net assets at beginning of year - after prior period adjustment |                 |                      |                                  |                                | \$ 27,637,070           | \$ 8,070,188             | \$ 35,707,258   | \$ 33,499,668   | \$ 11,014,702 | \$ 10,079,038 |
| Net assets at end of year                                       |                 |                      |                                  |                                | \$ 29,465,775           | \$ 8,410,818             | \$ 37,876,593   | \$ 35,186,008   | \$ 11,533,158 | \$ 11,014,702 |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

|                                     | General             | Debt Service        | Capital Projects    | Public Building Commission | Other Governmental Funds | 2010 Total           | 2009 Total           |
|-------------------------------------|---------------------|---------------------|---------------------|----------------------------|--------------------------|----------------------|----------------------|
| <b>ASSETS</b>                       |                     |                     |                     |                            |                          |                      |                      |
| Cash and cash equivalents           | \$ 339,329          | \$ 426,283          | \$ 2,572,730        | \$ 6,853,691               | \$ 2,245,741             | \$ 12,437,774        | \$ 24,812,054        |
| Accounts receivable (net)           | 556,846             | -                   | -                   | -                          | 275                      | 557,121              | 229,333              |
| Taxes receivable                    | 2,206,883           | 672,426             | -                   | -                          | 270,848                  | 3,150,157            | 3,165,761            |
| Deposits with fiscal agent          | -                   | -                   | -                   | -                          | -                        | -                    | -                    |
| Special assessments                 | -                   | 270,342             | -                   | -                          | -                        | 270,342              | 286,677              |
|                                     | <u>\$ 3,103,058</u> | <u>\$ 1,369,051</u> | <u>\$ 2,572,730</u> | <u>\$ 6,853,691</u>        | <u>\$ 2,516,864</u>      | <u>\$ 16,415,394</u> | <u>\$ 28,493,825</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                     |                     |                     |                            |                          |                      |                      |
| <b>Liabilities:</b>                 |                     |                     |                     |                            |                          |                      |                      |
| Accounts payable                    | \$ 328,721          | \$ -                | \$ -                | \$ -                       | \$ 72,085                | \$ 400,806           | \$ 359,383           |
| Contracts payable                   | -                   | -                   | 1,430,664           | 3,461,591                  | -                        | 4,892,255            | 15,638,250           |
| Deferred revenue                    | 2,763,729           | 942,768             | -                   | -                          | 271,123                  | 3,977,620            | 3,681,771            |
| Due to other agencies               | -                   | -                   | -                   | -                          | 86,748                   | 86,748               | 100,829              |
| Total liabilities                   | <u>\$ 3,092,450</u> | <u>\$ 942,768</u>   | <u>\$ 1,430,664</u> | <u>\$ 3,461,591</u>        | <u>\$ 429,956</u>        | <u>\$ 9,357,429</u>  | <u>\$ 19,780,233</u> |
| <b>Fund balance:</b>                |                     |                     |                     |                            |                          |                      |                      |
| <b>Reserved for:</b>                |                     |                     |                     |                            |                          |                      |                      |
| Unemployment (Note IV.D.1.)         | \$ 182,737          | \$ -                | \$ -                | \$ -                       | \$ -                     | \$ 182,737           | \$ 177,064           |
| Encumbrances                        | -                   | -                   | -                   | -                          | 40,000                   | 40,000               | -                    |
| Capital outlay                      | -                   | -                   | -                   | 3,392,100                  | -                        | 3,392,100            | 6,599,424            |
| <b>Unreserved</b>                   |                     |                     |                     |                            |                          |                      |                      |
| General fund                        | (172,129)           | -                   | -                   | -                          | -                        | (172,129)            | -                    |
| Capital projects                    | -                   | -                   | 1,142,066           | -                          | -                        | 1,142,066            | 371,317              |
| Debt service                        | -                   | 426,283             | -                   | -                          | -                        | 426,283              | 308,367              |
| Special revenue funds               | -                   | -                   | -                   | -                          | 2,046,908                | 2,046,908            | 1,257,420            |
| Total fund balance                  | <u>\$ 10,608</u>    | <u>\$ 426,283</u>   | <u>\$ 1,142,066</u> | <u>\$ 3,392,100</u>        | <u>\$ 2,086,908</u>      | <u>\$ 7,057,965</u>  | <u>\$ 8,713,592</u>  |
| Total liabilities and fund balance  | <u>\$ 3,103,058</u> | <u>\$ 1,369,051</u> | <u>\$ 2,572,730</u> | <u>\$ 6,853,691</u>        | <u>\$ 2,516,864</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.                                                                                                                                                         |  | 37,115,163           | 31,643,825           |
| 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. |  | 92,712               | 95,668               |
| Long-term liabilities, including bonds payable and accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds. (Net of related receivables.)                                                                        |  | (40,919,431)         | (39,102,376)         |
| Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.                                                                                                                                                                  |  | 27,277,005           | 27,134,048           |
| 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                                                                                                   |  | (1,157,639)          | (847,687)            |
| Net assets of governmental activities                                                                                                                                                                                                                                           |  | <u>\$ 29,465,775</u> | <u>\$ 27,637,070</u> |

**CITY OF ARKANSAS CITY, KANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                             | General             | Debt Service        | Capital Projects    | Public Building Commission | Other Governmental Funds | 2010 Total            | 2009 Total           |
|---------------------------------------------|---------------------|---------------------|---------------------|----------------------------|--------------------------|-----------------------|----------------------|
| <b>REVENUES</b>                             |                     |                     |                     |                            |                          |                       |                      |
| Property and special assessment taxes       | \$ 2,853,939        | \$ 1,132,705        | \$ -                | \$ -                       | \$ 2,141,327             | \$ 6,127,971          | \$ 7,337,146         |
| Sales taxes                                 | 1,487,306           | -                   | -                   | -                          | -                        | 1,487,306             | -                    |
| Franchise taxes                             | 854,554             | -                   | -                   | -                          | 263,530                  | 1,118,084             | 232,410              |
| Transient guest tax                         | -                   | -                   | -                   | -                          | 75,737                   | 75,737                | 71,852               |
| Intergovernmental                           | 535,622             | -                   | 1,120,879           | -                          | 22,267                   | 1,678,768             | 1,135,656            |
| Licenses, fees, permits                     | 110,821             | -                   | -                   | -                          | -                        | 110,821               | 146,587              |
| Charges for services                        | 470,178             | -                   | -                   | -                          | -                        | 470,178               | 381,054              |
| Fines, forfeitures, penalties               | 400,638             | -                   | -                   | -                          | -                        | 400,638               | 462,514              |
| Use of property                             | 83,453              | -                   | -                   | -                          | 148                      | 83,601                | 6,622                |
| Interest                                    | 16,464              | -                   | 10,840              | 86,583                     | 2,830                    | 116,717               | 172,979              |
| Donations                                   | -                   | -                   | -                   | -                          | 1,989                    | 1,989                 | 7,097                |
| Miscellaneous                               | 150,381             | 255,169             | 15,433              | 1,514,548                  | 19,383                   | 1,954,914             | 953,063              |
| <b>Total revenues</b>                       | <b>\$ 6,963,356</b> | <b>\$ 1,387,874</b> | <b>\$ 1,147,152</b> | <b>\$ 1,601,131</b>        | <b>\$ 2,527,211</b>      | <b>\$ 13,626,724</b>  | <b>\$ 10,906,980</b> |
| <b>EXPENDITURES</b>                         |                     |                     |                     |                            |                          |                       |                      |
| <b>Current:</b>                             |                     |                     |                     |                            |                          |                       |                      |
| General government                          | \$ 1,167,017        | \$ -                | \$ -                | \$ -                       | \$ -                     | \$ 1,167,017          | \$ 953,777           |
| Public safety                               | 5,046,573           | -                   | -                   | -                          | 13,855                   | 5,060,428             | 4,630,649            |
| Public works                                | 838,047             | -                   | -                   | -                          | 843,695                  | 1,681,742             | 932,068              |
| Culture and recreation                      | 893,002             | -                   | 93,848              | -                          | 406,345                  | 1,393,195             | 926,049              |
| Health and welfare                          | -                   | -                   | -                   | -                          | 750,000                  | 750,000               | -                    |
| Personal services                           | -                   | -                   | -                   | -                          | -                        | -                     | 51,434               |
| Contractual                                 | -                   | -                   | -                   | -                          | -                        | -                     | 359,057              |
| Outside organizations                       | -                   | -                   | 305,333             | 2,853,476                  | -                        | 3,158,809             | 16,930,472           |
| Commodities                                 | -                   | -                   | -                   | -                          | -                        | -                     | 296,214              |
| <b>Debt service:</b>                        |                     |                     |                     |                            |                          |                       |                      |
| Principal                                   | 168,444             | 1,029,167           | -                   | -                          | -                        | 1,197,611             | 1,225,321            |
| Interest                                    | -                   | 240,791             | -                   | 1,514,548                  | -                        | 1,755,339             | 294,702              |
| <b>Capital outlay</b>                       | <b>254,474</b>      | <b>-</b>            | <b>6,275,174</b>    | <b>-</b>                   | <b>81,514</b>            | <b>6,611,162</b>      | <b>1,664,392</b>     |
| <b>Total expenditures</b>                   | <b>\$ 8,367,557</b> | <b>\$ 1,269,958</b> | <b>\$ 6,674,355</b> | <b>\$ 4,368,024</b>        | <b>\$ 2,095,409</b>      | <b>\$ 22,775,304</b>  | <b>\$ 28,264,135</b> |
| Revenues over (under) expenditures          | \$ (1,404,201)      | \$ 117,916          | \$ (5,527,203)      | \$ (2,766,893)             | \$ 431,802               | \$ (9,148,580)        | \$ (17,357,155)      |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                     |                     |                            |                          |                       |                      |
| Proceeds of long-term capital related debt  | \$ -                | \$ -                | \$ 6,200,000        | \$ -                       | \$ -                     | \$ 6,200,000          | \$ 23,689,369        |
| Accrued interest on bond/temp note sale     | -                   | -                   | 1,851               | -                          | -                        | 1,851                 | 77,307               |
| Premium on bond/temp note sale              | -                   | -                   | 96,100              | -                          | -                        | 96,100                | -                    |
| Operating transfer in (out)                 | 1,237,745           | -                   | -                   | -                          | (42,745)                 | 1,195,000             | 670,000              |
| Equity transfer in (out)                    | -                   | -                   | -                   | -                          | -                        | -                     | -                    |
| <b>Total other financing sources (uses)</b> | <b>\$ 1,237,745</b> | <b>\$ -</b>         | <b>\$ 6,297,951</b> | <b>\$ -</b>                | <b>\$ (42,745)</b>       | <b>\$ 7,492,951</b>   | <b>\$ 24,436,676</b> |
| <b>Net changes in fund balances</b>         | <b>\$ (166,456)</b> | <b>\$ 117,916</b>   | <b>\$ 770,748</b>   | <b>\$ (2,766,893)</b>      | <b>\$ 389,057</b>        | <b>\$ (1,655,629)</b> | <b>\$ 7,079,521</b>  |
| Fund balances beginning                     | 177,064             | 308,367             | 371,318             | 6,158,993                  | 1,697,851                | 8,713,593             | 1,634,071            |
| <b>Fund balances ending</b>                 | <b>\$ 10,608</b>    | <b>\$ 426,283</b>   | <b>\$ 1,142,066</b> | <b>\$ 3,392,100</b>        | <b>\$ 2,086,908</b>      | <b>\$ 7,057,964</b>   | <b>\$ 8,713,592</b>  |

The Notes to the Financial Statements are an integral part of this statement

**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, 2010

|                                                                                                                                                                                                                                                                                                                                                                                                     | 2010           | 2009         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|
| Net change in fund balances-total governmental funds                                                                                                                                                                                                                                                                                                                                                | \$ (1,655,629) | \$ 7,079,521 |
| 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 net of disposals.                                                                 | 6,813,319      | 1,502,276    |
| 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 net of disposals.                                                                                                 | (1,341,981)    | (1,226,988)  |
| 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. |                |              |
| Bond proceeds                                                                                                                                                                                                                                                                                                                                                                                       | \$ -           |              |
| Temporary Note proceeds                                                                                                                                                                                                                                                                                                                                                                             | (6,200,000)    |              |
| Bond principal retirement                                                                                                                                                                                                                                                                                                                                                                           | 1,325,000      |              |
| Temporary note retirement                                                                                                                                                                                                                                                                                                                                                                           | -              |              |
| Lease purchase and certificates retirement                                                                                                                                                                                                                                                                                                                                                          | 168,444        |              |
|                                                                                                                                                                                                                                                                                                                                                                                                     | (4,706,556)    | (22,688,966) |
| 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 2009 to 2010 was an decrease. This includes the amount identified as a prior period adjustment.                                                                                          | 3,300,611      | (6,394,650)  |
| 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 2009 to 2010 was an decrease                                                                                                                              | (9,547)        | 23,313,076   |
| 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 2009 to 2010 was an increase                                                        | (309,952)      | (286,086)    |
| 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 net of amount allocated to business-type activities and depreciation expense.                                                                          |                |              |
| Change in net assets                                                                                                                                                                                                                                                                                                                                                                                | \$ 24,720      |              |
| Net amount eliminated to governmental funds                                                                                                                                                                                                                                                                                                                                                         | 124,829        |              |
|                                                                                                                                                                                                                                                                                                                                                                                                     | 149,549        | (130,415)    |
| Change in net assets of governmental activities                                                                                                                                                                                                                                                                                                                                                     | \$ 2,239,814   | \$ 1,167,768 |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**

STATEMENTS OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2010

|                                                              | Business-type Activities<br>Enterprise Funds |                 |                     |                          | Total<br>Enterprise<br>Funds | Governmental<br>Activities-<br>Internal<br>Service Funds |
|--------------------------------------------------------------|----------------------------------------------|-----------------|---------------------|--------------------------|------------------------------|----------------------------------------------------------|
|                                                              | Major<br>Water                               | Major<br>Sewage | Major<br>Sanitation | Non-Major<br>Storm Sewer |                              |                                                          |
| <b>ASSETS</b>                                                |                                              |                 |                     |                          |                              |                                                          |
| <b>Current Assets:</b>                                       |                                              |                 |                     |                          |                              |                                                          |
| Cash and cash equivalents                                    | \$ 2,133,648                                 | \$ 894,399      | \$ 340,312          | \$ 421,957               | \$ 3,790,316                 | \$ 92,712                                                |
| Accounts Receivable (net of allowance<br>for uncollectibles) | 479,032                                      | 187,702         | 142,333             | 20,753                   | 829,820                      | -                                                        |
| Prepaid items                                                | 28,872                                       | 16,860          | 14,120              | 2,107                    | 61,959                       | -                                                        |
| Total current assets                                         | \$ 2,641,552                                 | \$ 1,098,961    | \$ 496,765          | \$ 444,817               | \$ 4,682,095                 | \$ 92,712                                                |
| <b>Capital assets</b>                                        |                                              |                 |                     |                          |                              |                                                          |
| Land                                                         | \$ 956,279                                   | \$ -            | \$ -                | \$ 32,996                | \$ 989,275                   | \$ -                                                     |
| Buildings and improvements                                   | 94,769                                       | 4,890,327       | 173,983             | 16,178                   | 5,175,257                    | -                                                        |
| Meters, mains & service lines                                | 4,060,913                                    | -               | -                   | -                        | 4,060,913                    | -                                                        |
| Vehicles and equipment                                       | 1,853,002                                    | 437,966         | 1,246,092           | -                        | 3,537,060                    | 1,305,644                                                |
| Less: accumulated depreciation                               | (4,614,586)                                  | (2,779,177)     | (1,199,098)         | (13,751)                 | (8,606,612)                  | (649,638)                                                |
| Total noncurrent assets                                      | \$ 2,350,377                                 | \$ 2,549,116    | \$ 220,977          | \$ 35,423                | \$ 5,155,893                 | \$ 656,006                                               |
| Total assets                                                 | \$ 4,991,929                                 | \$ 3,648,077    | \$ 717,742          | \$ 480,240               | \$ 9,837,988                 | \$ 748,718                                               |
| <b>LIABILITIES</b>                                           |                                              |                 |                     |                          |                              |                                                          |
| <b>Current Liabilities:</b>                                  |                                              |                 |                     |                          |                              |                                                          |
| Accounts payable                                             | \$ 122,927                                   | \$ 66,415       | \$ 51,804           | \$ 1,917                 | \$ 243,063                   | \$ -                                                     |
| Bonds, notes & loans payable                                 | 46,676                                       | 135,336         | -                   | -                        | 182,012                      | -                                                        |
| Accrued interest payable                                     | 20,592                                       | 2,362           | -                   | -                        | 22,954                       | -                                                        |
| Current portion/comp. absences                               | 10,457                                       | 6,683           | 5,355               | -                        | 22,495                       | -                                                        |
| Total current liabilities                                    | \$ 200,652                                   | \$ 210,796      | \$ 57,159           | \$ 1,917                 | \$ 470,524                   | \$ -                                                     |
| <b>Noncurrent Liabilities:</b>                               |                                              |                 |                     |                          |                              |                                                          |
| Bonds, notes & loans payable                                 | \$ 754,196                                   | \$ -            | \$ -                | \$ -                     | \$ 754,196                   | \$ -                                                     |
| Compensated absences                                         | 94,111                                       | 60,148          | 48,191              | -                        | 202,450                      | -                                                        |
| Total noncurrent liabilities                                 | \$ 848,307                                   | \$ 60,148       | \$ 48,191           | \$ -                     | \$ 956,646                   | \$ -                                                     |
| Total liabilities                                            | \$ 1,048,959                                 | \$ 270,944      | \$ 105,350          | \$ 1,917                 | \$ 1,427,170                 | \$ -                                                     |
| <b>NET ASSETS</b>                                            |                                              |                 |                     |                          |                              |                                                          |
| Invested in capital assets,<br>net of related debt           | \$ 1,549,505                                 | \$ 2,413,780    | \$ 220,977          | \$ 35,423                | \$ 4,219,685                 | \$ 656,006                                               |
| Restricted for self insurance                                | -                                            | -               | -                   | -                        | -                            | -                                                        |
| Restricted for improvements                                  | -                                            | -               | -                   | -                        | -                            | -                                                        |
| Unrestricted                                                 | 2,393,465                                    | 963,353         | 391,415             | 442,900                  | 4,191,133                    | 92,712                                                   |
| Total net assets                                             | \$ 3,942,970                                 | \$ 3,377,133    | \$ 612,392          | \$ 478,323               | \$ 8,410,818                 | \$ 748,718                                               |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                 | Business-type Activities<br>Enterprise Funds |                     |                     |                          | Total<br>Enterprise<br>Funds | Governmental<br>Activities<br>Internal<br>Service Funds |
|-----------------------------------------------------------------|----------------------------------------------|---------------------|---------------------|--------------------------|------------------------------|---------------------------------------------------------|
|                                                                 | Major<br>Water                               | Major<br>Sewage     | Major<br>Sanitation | Non-Major<br>Storm Sewer |                              |                                                         |
| Operating revenues:                                             |                                              |                     |                     |                          |                              |                                                         |
| Charges for services and sales                                  | \$ 3,322,492                                 | \$ 1,809,061        | \$ 1,388,199        | \$ 192,266               | \$ 6,712,018                 | \$ -                                                    |
| Other                                                           | 115,552                                      | 10,178              | 4,140               | 147                      | 130,017                      | -                                                       |
| Total operating revenues                                        | <u>\$ 3,438,044</u>                          | <u>\$ 1,819,239</u> | <u>\$ 1,392,339</u> | <u>\$ 192,413</u>        | <u>\$ 6,842,035</u>          | <u>\$ -</u>                                             |
| Operating expenses:                                             |                                              |                     |                     |                          |                              |                                                         |
| Cost of sales and services                                      | \$ 1,961,715                                 | \$ 849,885          | \$ 979,098          | \$ 120,698               | \$ 3,911,396                 | \$ -                                                    |
| Administration                                                  | 306,263                                      | 294,796             | 121,440             | -                        | 722,499                      | -                                                       |
| Depreciation                                                    | 249,300                                      | 288,491             | 51,098              | 809                      | 589,698                      | 137,713                                                 |
| Total operating expenses                                        | <u>\$ 2,517,278</u>                          | <u>\$ 1,433,172</u> | <u>\$ 1,151,636</u> | <u>\$ 121,507</u>        | <u>\$ 5,223,593</u>          | <u>\$ 137,713</u>                                       |
| Operating income (loss)                                         | <u>\$ 920,766</u>                            | <u>\$ 386,067</u>   | <u>\$ 240,703</u>   | <u>\$ 70,906</u>         | <u>\$ 1,618,442</u>          | <u>\$ (137,713)</u>                                     |
| Nonoperating revenues (expenses):                               |                                              |                     |                     |                          |                              |                                                         |
| Proceeds from lease obligations                                 | \$ -                                         | \$ -                | \$ -                | \$ -                     | \$ -                         | \$ 122,115                                              |
| Debt forgiveness - ARRA                                         | 330,000                                      | -                   | -                   | -                        | 330,000                      | -                                                       |
| Investment income                                               | 6,851                                        | 3,848               | 1,004               | 1,142                    | 12,845                       | 318                                                     |
| Interest expense                                                | (58,196)                                     | (31,628)            | -                   | -                        | (89,824)                     | -                                                       |
| Total nonoperating revenues (expenses)                          | <u>\$ 278,655</u>                            | <u>\$ (27,780)</u>  | <u>\$ 1,004</u>     | <u>\$ 1,142</u>          | <u>\$ 253,021</u>            | <u>\$ 122,433</u>                                       |
| Income (loss) before contributions and transfers                | \$ 1,199,421                                 | \$ 358,287          | \$ 241,707          | \$ 72,048                | \$ 1,871,463                 | \$ (15,280)                                             |
| Capital contribution G.O. bonds                                 | (173,991)                                    | (121,842)           | -                   | -                        | (295,833)                    | -                                                       |
| Transfers in(out)                                               | (700,000)                                    | (375,000)           | (160,000)           | -                        | (1,235,000)                  | 40,000                                                  |
| Change in net assets                                            | <u>\$ 325,430</u>                            | <u>\$ (138,555)</u> | <u>\$ 81,707</u>    | <u>\$ 72,048</u>         | <u>\$ 340,630</u>            | <u>\$ 24,720</u>                                        |
| Total net assets - beginning                                    | <u>\$ 3,563,730</u>                          | <u>\$ 3,484,629</u> | <u>\$ 505,413</u>   | <u>\$ 406,275</u>        | <u>\$ 7,960,047</u>          | <u>\$ 723,997</u>                                       |
| Prior period adjustment                                         | 53,810                                       | 31,059              | 25,272              | -                        | 110,141                      | -                                                       |
| Net assets at beginning of year - after prior period adjustment | <u>\$ 3,617,540</u>                          | <u>\$ 3,515,688</u> | <u>\$ 530,685</u>   | <u>\$ 406,275</u>        | <u>\$ 8,070,188</u>          | <u>\$ 723,997</u>                                       |
| Total net assets - ending                                       | <u>\$ 3,942,970</u>                          | <u>\$ 3,377,133</u> | <u>\$ 612,392</u>   | <u>\$ 478,323</u>        | <u>\$ 8,410,818</u>          | <u>\$ 748,717</u>                                       |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                                  | Business-type Activities<br>Enterprise Funds |                 |                     |                          | Total<br>Enterprise<br>Funds | Governmental<br>Activities<br>Internal<br>Service<br>Funds |
|----------------------------------------------------------------------------------|----------------------------------------------|-----------------|---------------------|--------------------------|------------------------------|------------------------------------------------------------|
|                                                                                  | Major<br>Water                               | Major<br>Sewage | Major<br>Sanitation | Non-Major<br>Storm Sewer |                              |                                                            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                                              |                 |                     |                          |                              |                                                            |
| Receipts from customers                                                          | \$ 3,422,517                                 | \$ 1,809,046    | \$ 1,382,006        | \$ 191,564               | \$ 6,805,133                 | \$ -                                                       |
| Payments to suppliers                                                            | (1,405,378)                                  | (612,423)       | (759,812)           | (77,694)                 | (2,855,307)                  | (62,128)                                                   |
| Payments to employees                                                            | (830,347)                                    | (506,696)       | (371,432)           | (46,653)                 | (1,755,128)                  | -                                                          |
| Net cash provided by operating activities                                        | \$ 1,186,792                                 | \$ 689,927      | \$ 250,762          | \$ 67,217                | \$ 2,194,698                 | \$ (62,128)                                                |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                           |                                              |                 |                     |                          |                              |                                                            |
| Operating transfers in (out)                                                     | \$ (700,000)                                 | \$ (375,000)    | \$ (160,000)        | \$ -                     | \$ (1,235,000)               | \$ 122,115                                                 |
| <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>                |                                              |                 |                     |                          |                              |                                                            |
| Purchases of capital assets                                                      | \$ (1,243,858)                               | \$ (84,300)     | \$ (11,197)         | \$ -                     | \$ (1,339,355)               | \$ (165,388)                                               |
| Proceeds from on capital debt                                                    | 1,130,872                                    | -               | -                   | -                        | 1,130,872                    | -                                                          |
| Principal paid on capital debt                                                   | (173,991)                                    | (385,590)       | -                   | -                        | (559,581)                    | -                                                          |
| Interest and fees paid on capital debt                                           | (37,604)                                     | (40,913)        | -                   | -                        | (78,517)                     | -                                                          |
| Net cash used by capital and related financing activities                        | \$ (324,581)                                 | \$ (510,803)    | \$ (11,197)         | \$ -                     | \$ (846,581)                 | \$ (165,388)                                               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                                              |                 |                     |                          |                              |                                                            |
| Investment Income                                                                | \$ 6,851                                     | \$ 3,848        | \$ 1,004            | \$ 1,141                 | \$ 12,844                    | \$ 318                                                     |
| Net increase (decrease) in cash and cash equivalents                             | \$ 169,062                                   | \$ (192,028)    | \$ 80,569           | \$ 68,358                | \$ 125,961                   | \$ (105,083)                                               |
| Cash and cash equivalents at beginning of year                                   | 1,964,586                                    | 1,086,427       | 259,743             | 353,599                  | 3,664,355                    | 157,795                                                    |
| Cash and cash equivalents at end of year                                         | \$ 2,133,648                                 | \$ 894,399      | \$ 340,312          | \$ 421,957               | \$ 3,790,316                 | \$ 52,712                                                  |
| <b>SUPPLEMENTAL SCHEDULE - COMPOSITION OF CASH</b>                               |                                              |                 |                     |                          |                              |                                                            |
| Current cash and cash equivalents                                                | \$ 2,133,648                                 | \$ 894,399      | \$ 340,312          | \$ 421,957               | \$ 3,790,316                 | \$ 92,712                                                  |
| Restricted cash:                                                                 |                                              |                 |                     |                          |                              |                                                            |
| Improvements                                                                     | -                                            | -               | -                   | -                        | -                            | -                                                          |
| Self Insurance                                                                   | -                                            | -               | -                   | -                        | -                            | -                                                          |
| Total cash and cash equivalents                                                  | \$ 2,133,648                                 | \$ 894,399      | \$ 340,312          | \$ 421,957               | \$ 3,790,316                 | \$ 92,712                                                  |
| Reconciliation of operating income to net cash provided by operating activities: |                                              |                 |                     |                          |                              |                                                            |
| Operating income                                                                 | \$ 920,766                                   | \$ 386,067      | \$ 240,703          | \$ 70,906                | \$ 1,618,442                 | \$ (137,713)                                               |
| (Increase) decrease in accounts receivable                                       | (15,527)                                     | (10,193)        | (10,333)            | (849)                    | (36,902)                     | -                                                          |
| (Increase) decrease in prepaid items                                             | (28,872)                                     | (16,860)        | (14,120)            | (2,107)                  | (61,959)                     | -                                                          |
| Increase (decrease) in accounts payable                                          | 42,865                                       | 28,553          | (7,434)             | (1,542)                  | 62,442                       | (62,128)                                                   |
| Increase (decrease) in accrued interest                                          |                                              |                 |                     |                          |                              |                                                            |
| Increase (decrease) in compensated absences payable                              | (35,550)                                     | (17,190)        | (34,424)            | -                        | (87,164)                     | -                                                          |
| Prior period adjustment for compensated absences                                 | 53,810                                       | 31,059          | 25,272              | 809                      | 110,141                      | -                                                          |
| Depreciation                                                                     | 249,300                                      | 288,491         | 51,098              | 809                      | 589,698                      | 137,713                                                    |
|                                                                                  | \$ 1,186,792                                 | \$ 689,927      | \$ 250,762          | \$ 67,217                | \$ 2,194,698                 | \$ (62,128)                                                |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DECEMBER 31, 2010**

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <u>ASSETS</u>             |                         |
| Cash and cash equivalents | \$ 144,425              |
| <u>LIABILITIES</u>        |                         |
| Accounts payable          | \$ 57,677               |
| Due to agencies           | 86,748                  |
| Total liabilities         | \$ 144,425              |
| <u>NET ASSETS</u>         | <u>\$ -</u>             |

The Notes to the Financial Statements are an integral part of this statement



CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

**I. Summary of Significant Accounting Policies**

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.

**A. 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 organization's 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 two discretely presented units. The component units are the City Library and the South Central Kansas Regional Medical Center. The accounting for these organizations is included in the City's basic financial statements.

**1) Blended component units**

*The Arkansas City Public Building Commission* – issued revenue bonds for the benefit of the South Central Kansas Regional Medical Center. All transactions are recorded in the Public Building Commission fund which is considered a major fund.

*The Cherokee Strip Museum* – is a blended component unit of which the transactions are part of the General and the Community Contribution Funds.

**2) Discretely presented component units**

*South Central Kansas Regional Medical Center* – is an acute care hospital located in Arkansas City, Kansas. The Board of City Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in South Central Kansas. The Hospital also operates a home health agency in the same geographic area.

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

*The Arkansas City Public Library* -- was formed to provide a public library. The City of Arkansas City levies taxes on behalf of the Library. The City receives the tax distributions from the county and transfers the tax revenue to the Library.

Copies of component audit reports may be obtained from the City's Administration Division at 118 West Central, Arkansas City, Kansas.

**3) Joint Ventures**

*Strother Field Airport and Industrial Park* -- 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 systems 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.

*Arkansas City/Winfield Recycling Center* -- The Cities of Arkansas City and Winfield, Kansas entered into an interlocal agreement to jointly purchase and operate a recycling center. Records are maintained by the City of Winfield; both cities share equally in the costs and recycling revenues. No financial statements are prepared for this joint venture. Further financial information can be obtained through the City of Winfield, 200 E. 9<sup>th</sup> Ave. Winfield, KS 67156.

**B. Governmental-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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**C. Measurement focus, basis of accounting and financial statement presentation**

The government-side financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 reports the following major governmental funds:

The *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.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

The *public building commission fund* is a blended component unit of the City and has issued revenue bonds for the construction of related City operations.

The City reports the following major proprietary funds:

The *water fund* accounts for the operation and maintenance of the City's wastewater treatment plant and the water distribution system. The City's water source is primarily provided by 10 wells on the west side of the City.

The *sewer fund* accounts for the operation and maintenance of the City's wastewater collection system and wastewater treatment plant.

The *sanitation fund* accounts for the operation and maintenance of the City's sanitation division. This division provides service to approximately 4,400 residential customers and 375 commercial customers.

The *storm water fund* accounts for the operation and maintenance of the City's storm water facilities. This utility generates its revenue through user fees. The fees are used to maintain and upgrade drainage facilities within the City as well as funding state and federal mandates regarding storm water facility reviews, inspections, and the erosion and sediment control program that relates to new construction.

Additionally, the City reports the following fund types:

*Internal service funds* are used to account for equipment and insurance provided to departments of the City.

*Agency funds* are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals and private organization.

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

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As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's enterprise funds and the general fund. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

**D. Assets, liabilities, and net assets or equity**

**1) Pooled cash and temporary investments**

Cash resources of the individual funds are combined to form a pool of cash and temporary investments. In addition to City-owned money-market and checking accounts, investments of the pooled accounts consist primarily of certificates of deposits and repurchase agreements. Interest income is allocated to the appropriate funds, based on the ratio of each individual fund cash balance to the total cash balance.

**2) Property taxes and other receivables**

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 2011. 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

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amount of taxes levied 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.

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.

**3) Revenue recognition for proprietary funds**

The proprietary funds follow the policy of recognizing revenue on sales when services are rendered. All assets and liabilities are included on the statement of net assets. The City has shown all proprietary funds as major.

**4) Special assessments receivable**

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.

The current year change is reflected in the statement of activities. The following schedule shows the changes in receivable from December 31, 2009 to December 31, 2010. Included in the December 31, 2007 was a receivable in the amount of \$374,131 for excess sanitation. The City and the company which owed this amount made an agreement that if the company put their own system in, the City would

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write this receivable off. Although the company had not completed this project, the receivable has not been recognized since December 31, 2007. As of December 31, 2010, this amount has been determined to be uncollectible.

| Government<br>Fund Receivables | Balance<br>December 31, 2009 | Balance<br>December 31, 2010 | Increase<br>(Decrease) |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Taxes Receivable               | \$ 3,165,761                 | \$ 3,150,157                 | \$ (15,604)            |
| Account Receivable             | 229,333                      | 557,121                      | 327,788                |
| Special Assessments            | 286,677                      | 270,342                      | (16,335)               |
| Capital Lease (Hospital)       | 23,452,277                   | 23,299,385                   | (152,892)              |
|                                | <u>\$ 27,134,048</u>         | <u>\$ 27,277,005</u>         | <u>\$ 142,957</u>      |

**5) Inventories**

Inventory and prepaids are not accounted for in the proprietary funds. This is a departure from generally accepted accounting principles.

**6) Restricted Assets**

The City recognizes restricted assets which are required by outside agencies. As of December 31, 2010 the only restricted asset is:

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

**7) Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements 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 been capitalized during any construction period on property, plant and equipment.

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 capital assets recorded at December 31, 2004. The governmental funds' infrastructure assets recorded in 2004 were expected to have a useful life of forty 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 half of their useful life is 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.

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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.

**8) 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 City has estimated that 10% of the total compensated absences will be paid out within the next year.

- a. Vacation** – All employees shall accrue vacation leave each pay period according to their position and years of service with the City.
- Full time employees earn a minimum of 80 hour per year for their continuous employment years 1-7 with a maximum accrual of 160 hours
  - Full time employees earn a minimum of 120 hour per year for their continuous employment years 8-15 with a maximum accrual of 240 hours
  - Full time employees earn a minimum of 160 hour per year for their continuous employment years 16-20 with a maximum accrual of 320 hours
  - Full time employees earn a minimum of 200 hour per year for their continuous employment years 20+ with a maximum accrual of 400 hours
  - Part time employees hired prior to June 5, 2007 accrue paid vacation leave at one-half the above rates.
- b. Sick Leave** – All full time employees shall accrued paid sick leave at a rate of at least one eight hour day per month.
- c. Accumulated Leave Payout** – All employees separating from City employment that have given and satisfactorily completed an appropriate 14-day notice period will receive payment for all accumulated accrued and unused vacation and depending upon the employees length of service with the City a percentage of their accrued unused Sick Leave as follows
- Full time employees with 0-4 full years of continuous service will receive 0% Sick leave payout.
  - Full time employees with 5-9 full years of continuous service will receive 25% Sick leave payout up to 480 hours.



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- Full time employees with 10-14 full years of continuous service will receive 50% Sick leave payout up to 480 hours
- Full time employees with 15-19 full years of continuous service will receive 75% Sick leave payout up to 480 hours
- Full time employees with 20+ full years of continuous service will receive 100% Sick leave payout up to 480 hours

**9) Statement of cash flows**

The City defines cash and cash equivalents used in the statement of cash flows as all cash and temporary investments (both restricted and unrestricted).

**10) Estimates**

Preparation of financial statements in conformity with GAAP requires making estimates and assumptions that affect: [1] the reported amounts of assets and liabilities, [2] disclosures such as contingencies, and [3] the reported amounts of revenues and expenditures or expenses included in the financial statements. Actual results could differ from those estimates.

**II. Stewardship, compliance, and accountability**

**A. Budgetary Information**

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 operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5<sup>th</sup>.
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 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the original 2010 budget.

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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.

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.

**B. Compliance with Kansas statutes**

**1) Excess of expenditures over appropriations**

The City did have two funds with expenditures in excess of the published budget which is a violation of K.S.A. 79-2935. The General fund and Water fund had expenditures in excess of the published budget.

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

**III. Detailed notes on all funds**

**A. Pooled cash deposits 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 December 31, 2010, cash and investments included certificates of deposit and interest bearing checking accounts. See Schedule 1. At December 31, 2010, the City's carrying amount of deposits was \$16,321,176 and the bank balance was \$17,027,376. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$571,257 was covered by federal depository insurance, and \$17,110,614 was collateralized with securities held by the pledging financial institution agents in the City's name. These two amounts include the Corp. of Engineers, the Hospital CD, and Arkansas City

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Municipal Bond accounts in the amount of \$645,225, \$3,200, and \$6,070, respectively, which are held under the City's identification number but not recognized as City assets on the financial statements.

Deposits at RCB Bank include certificate of deposit #609487 for \$182,737. This CD is held by the RCB 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 I.D.6.)

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits with securities held by the financial institution's agent and in the City's name. At December 31, 2010, the City's deposits were insured by federal depository insurance and uninsured deposits were fully collateralized in accordance with the City's policy as noted in the below schedule.

|                                                                               |                      |
|-------------------------------------------------------------------------------|----------------------|
| ComerBank                                                                     |                      |
| Market value of securities, held as collateral by banks' third party trustees | \$ 8,389,976         |
| FDIC coverage                                                                 | 250,000              |
| Total coverage                                                                | <u>\$ 8,639,976</u>  |
| Total City cash deposits, per bank                                            | 7,268,053            |
| Excess coverage, December 31, 2010                                            | <u>\$ 1,371,923</u>  |
| RCB Bank                                                                      |                      |
| Market value of securities, held as collateral by banks' third party trustees | \$ 16,405,487        |
| FDIC coverage                                                                 | 256,070              |
| Total coverage                                                                | <u>\$ 16,661,556</u> |
| Total City cash deposits, per bank                                            | 10,348,631           |
| Excess coverage, December 31, 2010                                            | <u>\$ 6,312,926</u>  |
| Union State Bank                                                              |                      |
| Market value of securities, held as collateral by banks' third party trustees | \$ 524,261           |
| FDIC coverage                                                                 | 65,187               |
| Total coverage                                                                | <u>\$ 589,448</u>    |
| Total City cash deposits, per bank                                            | 65,187               |
| Excess coverage, December 31, 2010                                            | <u>\$ 524,261</u>    |

*Credit risk and concentration of credit risk.* The City's investment option types are very limited, which inherently reduces credit risk. State statutes do not address concentration of credit risk. The City invests monies based on highest interest rate bids from local banking institutions.

*Interest rate risk.* As a means of minimizing the risk that the market value of securities in the portfolio will decline due to the changes in general interest rates, the City structures its portfolio so that securities will mature to meet cash requirements for ongoing operations, investing primarily in securities with maturities for one year or less in time deposits.

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**B. Receivables**

**1) Utility receivables**

The City operates four utilities. After accounts are determined to be uncollectible, they are turned over to the Kansas State Set Off Program. Below is a summary of the utility receivables at December 31, 2010:

|                                                                           | Utility<br>Receivables | Less provision<br>for uncollectible<br>accounts | Net Utility<br>Receivables |
|---------------------------------------------------------------------------|------------------------|-------------------------------------------------|----------------------------|
| Water Utility                                                             | \$ 991,942             | \$ (512,753)                                    | \$ 479,189                 |
| Refuse Utility                                                            | 142,333                | -                                               | 142,333                    |
| Wastewater Utility                                                        | 187,702                | -                                               | 187,702                    |
| Stormwater Utility                                                        | 20,753                 | -                                               | 20,753                     |
| Total utility receivables, net of<br>provision for uncollectible accounts | <u>\$ 1,342,730</u>    | <u>\$ (512,753)</u>                             | <u>\$ 829,977</u>          |

**2) Long-term receivables**

In 2009 the Arkansas City Public Building Commission issued revenue bonds in the amount of \$23,205,000 for the purpose of constructing a new hospital facility for South Central Kansas Regional Medical Center. Under the agreement the Public Building Commission will lease the facility to the City of Arkansas City which subleases it to the South Central Kansas Regional Medical Center. It is anticipated that the hospital's lease payments will be in proportion to the annual principal and interest payments ultimately paid by the Public Building Commission. South Central Kansas Regional Medical Center has recorded a capital lease with the City recording a lease receivable for the same transaction. In addition to the above long term receivable mentioned, there is an additional amount due from South Central Kansas Regional Medical Center. This amount is \$94,385 and is included in the below schedule of future minimum lease receivable payments due.

|                                   |                      |
|-----------------------------------|----------------------|
| 2011                              | \$ 1,608,933         |
| 2012                              | 1,884,547            |
| 2013                              | 1,884,747            |
| 2014                              | 1,887,423            |
| 2015                              | 1,888,185            |
| 2016-2020                         | 8,886,095            |
| 2021-2025                         | 9,233,687            |
| 2026-2030                         | 9,131,750            |
| 2031-2035                         | 3,072,888            |
| 2036-2038                         | 13,056,800           |
| Total lease receivable            | <u>\$ 52,535,055</u> |
| Less amount representing interest | <u>29,235,670</u>    |
| Net capital lease receivable      | <u>\$ 23,299,385</u> |

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As part of the revenue bond issue the City approved a half cent sales tax for the benefit of debt retirement. The City has accounted for these funds in the hospital special revenue fund. During 2010, the City collected \$743,653 in sales tax revenue and interest income for \$2,831. This \$746,484 is shown as a receivable by South Central Kansas Regional Medical Center and as a payable on the government-wide financial statements of the City.

**C. Capital Assets**

Capital asset activity for the primary government for the year ended December 31, 2010 was as follows:

|                                              | Balance<br>January 1  | Additions             | Deletions   | Balance<br>December 31 |
|----------------------------------------------|-----------------------|-----------------------|-------------|------------------------|
| Governmental activities:                     |                       |                       |             |                        |
| Capital assets, not being depreciated:       |                       |                       |             |                        |
| Land                                         | \$ 2,253,944          | \$ 500                | \$ -        | \$ 2,254,444           |
| Construction in progress                     | -                     | 6,180,927             | -           | 6,180,927              |
| Total capital assets, not being depreciated  | <u>\$ 2,253,944</u>   | <u>\$ 6,181,426</u>   | <u>\$ -</u> | <u>\$ 8,435,371</u>    |
| Capital assets, being depreciated:           |                       |                       |             |                        |
| Infrastructure and buildings                 | \$ 31,491,959         | \$ 93,746             | \$ -        | \$ 31,585,705          |
| Machinery and equipment                      | 4,444,014             | 501,378               | -           | 4,945,392              |
| Total capital assets, being depreciated      | <u>\$ 35,935,973</u>  | <u>\$ 595,124</u>     | <u>\$ -</u> | <u>\$ 36,531,097</u>   |
| Less accumulated depreciation for:           |                       |                       |             |                        |
| Infrastructure and buildings                 | \$ (4,871,957)        | \$ (843,044)          | \$ -        | \$ (5,715,001)         |
| Machinery and equipment                      | (1,674,132)           | (462,172)             | -           | \$ (2,136,304)         |
| Less accumulated depreciation                | <u>\$ (6,546,089)</u> | <u>\$ (1,305,216)</u> | <u>\$ -</u> | <u>\$ (7,851,305)</u>  |
| Total capital assets, being depreciated, net | <u>\$ 29,389,884</u>  | <u>\$ (710,092)</u>   | <u>\$ -</u> | <u>\$ 28,679,792</u>   |
|                                              |                       |                       |             |                        |
|                                              | Balance<br>January 1  | Additions             | Deletions   | Balance<br>December 31 |
| Business activities:                         |                       |                       |             |                        |
| Capital assets, not being depreciated:       |                       |                       |             |                        |
| Land                                         | \$ 193,371            | \$ 12,159             | \$ -        | \$ 205,530             |
| Construction in progress                     | -                     | 783,744               | -           | 783,744                |
| Total capital assets, not being depreciated  | <u>\$ 193,371</u>     | <u>\$ 795,904</u>     | <u>\$ -</u> | <u>\$ 989,275</u>      |
| Capital assets, being depreciated:           |                       |                       |             |                        |
| Buildings and improvements                   | \$ 5,123,066          | \$ 52,191             | \$ -        | \$ 5,175,257           |
| Meters, mains and service lines              | 3,627,172             | 433,741               | -           | 4,060,913              |
| Vehicles and equipment                       | 3,479,542             | 57,520                | -           | 3,537,062              |
| Total capital assets, being depreciated      | <u>\$ 12,229,780</u>  | <u>\$ 543,451</u>     | <u>\$ -</u> | <u>\$ 12,773,231</u>   |
| Less accumulated depreciation for:           |                       |                       |             |                        |
| Buildings and improvements                   | \$ (2,603,303)        | \$ (258,375)          | \$ -        | \$ (2,861,678)         |
| Meters, mains and service lines              | (2,587,107)           | (219,961)             | -           | (2,807,067)            |
| Vehicles and equipment                       | (2,826,505)           | (111,362)             | -           | (2,937,867)            |
| Less accumulated depreciation                | <u>\$ (8,016,915)</u> | <u>\$ (589,698)</u>   | <u>\$ -</u> | <u>\$ (8,606,612)</u>  |
| Total capital assets, being depreciated, net | <u>\$ 4,212,865</u>   | <u>\$ (46,247)</u>    | <u>\$ -</u> | <u>\$ 4,166,619</u>    |

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**D. Depreciation allocations**

Depreciation expense in 2010 was charged to function/programs of the primary government, as follows:

|                                                       |                     |
|-------------------------------------------------------|---------------------|
| Governmental activities:                              |                     |
| General government                                    | \$ 327,498          |
| Special recreation                                    | 978                 |
| Special street                                        | 53,954              |
| Street improvement                                    | 1,313               |
| Construction                                          | <u>921,470</u>      |
| Total depreciation expense - governmental activities  | <u>\$ 1,305,213</u> |
|                                                       |                     |
| Business-type activities:                             |                     |
| Storm sewer                                           | \$ 809              |
| Water                                                 | 249,300             |
| Sewer                                                 | 288,491             |
| Sanitation                                            | <u>51,098</u>       |
| Total depreciation expense - business-type activities | <u>\$ 589,698</u>   |

**E. Temporary Notes**

Kansas law permits the issuance of temporary notes to finance certain capital improvement projects which will be refinanced with general obligation bonds. Prior to the issuance of the temporary notes, the City must take the necessary legal steps to authorize the issuance of general obligation bonds. 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. At December 31, 2010, the City has the following temporary notes:

|                               | <u>Interest<br/>Rate</u> | <u>Balance<br/>December 31</u> |
|-------------------------------|--------------------------|--------------------------------|
| Governmental Activities       |                          |                                |
| Series 2010 GO Temporary Note | 2.15%                    | \$ 6,200,000                   |

The Temporary Note Series 2010-1 totaling \$6,200,000 was used for the following items:

- Flood Control Improvements
- Patterson Park – Road Improvements
- Patterson Park – Street Improvements
- Main Traffic Improvements – Fifth Street over “C” Street Canal
- Main Traffic Improvements – Madison Avenue (U.S. Highway 166) from the Arkansas City River Bridge to Summit Street
- Patterson Park – Sanitary Sewer Improvements

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NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

Interceptor Sewer Reconstruction – Fourth Street  
Sanitary Sewer Reconstruction – Frances Willard Elementary School  
Public Building Improvements – Wastewater Treatment Facility Roof  
Patterson Park – Water System Improvements  
Public Building Improvements – Paris Park Pool Recreational Complex  
Public Building Improvements – Arkansas City High School (leasehold interest)

The annual debt service requirements to maturity for temporary notes are as follows:

| Year Ending<br>Dec 31 | Governmental activities |                     |                   |
|-----------------------|-------------------------|---------------------|-------------------|
|                       | Total                   | Principal           | Interest          |
| 2011                  | \$ 133,300              | \$ -                | \$ 133,300        |
| 2012                  | 133,300                 | -                   | 133,300           |
| 2013                  | 6,266,500               | 6,200,000           | 66,500            |
|                       | <u>\$ 6,533,100</u>     | <u>\$ 6,200,000</u> | <u>\$ 333,100</u> |

**F. Long-Term Debt**

**1) Capitalized lease obligations**

The City has entered into lease agreements as lessee for financing the purchase of two assets. Such leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum payments at the date of lease inception. The capital lease for the ambulance has been paid in full in the current year. The total cost of those governmental activities assets being purchased through capital leases amount to \$427,071. Below is a listing of the capital leases payable at December 31, 2010:

| Governmental activities | Interest Rate | Balance December 31 |
|-------------------------|---------------|---------------------|
| Fire Truck              | 4.89%         | \$ 427,071          |
| Ambulance               | 4.43%         | -                   |

The annual debt service requirements to maturity for capital lease obligations are as follows:

| Year Ending<br>Dec 31 | Governmental activities |                   |                  |
|-----------------------|-------------------------|-------------------|------------------|
|                       | Total                   | Principal         | Interest         |
| 2011                  | \$ 84,216               | \$ 62,996         | \$ 21,220        |
| 2012                  | 84,216                  | 66,120            | 18,096           |
| 2013                  | 84,216                  | 69,357            | 14,859           |
| 2014                  | 84,215                  | 72,836            | 11,379           |
| 2015                  | 84,216                  | 76,448            | 7,768            |
| 2016-2020             | 84,216                  | 79,314            | 4,902            |
|                       | <u>\$ 505,296</u>       | <u>\$ 427,071</u> | <u>\$ 78,224</u> |

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

**2) Certificates of Participation**

The City issued \$350,000 in certificates of participation on December 1, 2002. Below is a summary of the certificates outstanding at December 31, 2010.

|                          | Interest<br>Rate | Balance<br>December 31 |
|--------------------------|------------------|------------------------|
| Governmental activities: |                  |                        |
| Humane Society           | 4.59%            | \$ 123,226             |

The annual debt service requirements to maturity for the refunding certificates of participation are as follows:

| Year Ending<br>December 31 | Governmental Activities |            |          |
|----------------------------|-------------------------|------------|----------|
|                            | Total                   | Principal  | Interest |
| 2011                       | \$ 65,315               | \$ 59,636  | \$ 5,679 |
| 2012                       | 65,315                  | 63,590     | 1,725    |
|                            | \$ 130,630              | \$ 123,226 | \$ 7,404 |

**3) General obligation bonds payable**

General obligation bonds outstanding at December 31, 2010 are as follows:

|                | Interest<br>Rate | Final<br>Maturity<br>Date | Total<br>12/31/2010 |
|----------------|------------------|---------------------------|---------------------|
| Series 2001 GO | 3.15%-4.25%      | 2011                      | \$ 145,000          |
| Series 2002 GO | 3.50%-5.30%      | 2012                      | 520,000             |
| Series 2003 GO | 2.50%-3.75%      | 2013                      | 1,265,000           |
| Series 2005 GO | 3.60%-5.50%      | 2015                      | 1,155,000           |
| Series 2008 GO | 2.10%-4.00%      | 2018                      | 2,140,000           |
| Series 2009 GO | 2.50%-3.70%      | 2019                      | 1,820,000           |
|                |                  |                           | \$ 7,045,000        |

All of the above general obligation bonds are capital-related debt of the governmental activities.

Total annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending<br>Dec 31 | Total        | Principal    | Interest   |
|-----------------------|--------------|--------------|------------|
| 2011                  | \$ 1,660,166 | \$ 1,420,000 | \$ 240,166 |
| 2012                  | 1,511,350    | 1,320,000    | 191,350    |
| 2013                  | 1,256,148    | 1,105,000    | 151,148    |
| 2014                  | 807,608      | 695,000      | 112,608    |
| 2015                  | 809,690      | 720,000      | 89,690     |
| 2016-2020             | 1,936,483    | 1,785,000    | 151,483    |
|                       | \$ 7,981,445 | \$ 7,045,000 | \$ 936,445 |



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**3) Revenue bonds issued by Public Building Commission**

The Arkansas City Public Building Commission has issued Revenue bonds for the benefit of South Central Kansas Regional Medical Center. Series 2009 Revenue bonds outstanding at December 31, 2010 are as follows:

|                           | Interest<br>Rate | Final<br>Maturity<br>Date | Balance<br>December 31 |
|---------------------------|------------------|---------------------------|------------------------|
| Governmental activities:  |                  |                           |                        |
| Series 2009 Revenue bonds | 4.00% - 7.00%    | 2038                      | <u>\$ 23,205,000</u>   |

Annual debt service requirements to maturity for the Revenue bonds are as follows:

| Year Ending<br>Dec 31 | Total                | Principal            | Interest             |
|-----------------------|----------------------|----------------------|----------------------|
| 2011                  | \$ 1,514,548         | \$ -                 | \$ 1,514,548         |
| 2012                  | 1,884,547            | 370,000              | 1,514,547            |
| 2013                  | 1,884,747            | 385,000              | 1,499,747            |
| 2014                  | 1,887,422            | 405,000              | 1,482,422            |
| 2015                  | 1,888,185            | 425,000              | 1,463,185            |
| 2016-2020             | 8,886,095            | 1,920,000            | 6,966,095            |
| 2021-2025             | 9,233,688            | 3,090,000            | 6,143,688            |
| 2026-2030             | 9,131,750            | 4,250,000            | 4,881,750            |
| 2031-2035             | 3,072,888            | -                    | 3,072,888            |
| 2036-2038             | 13,056,800           | 12,360,000           | 696,800              |
|                       | <u>\$ 17,945,544</u> | <u>\$ 23,205,000</u> | <u>\$ 29,235,670</u> |

**4) Kansas Department of Health and Environment loans payable**

At December 31, 2010, the City has the following loans outstanding with the Kansas Department of Health and Environment (KDHE):

|                                        | Interest<br>Rate | Final<br>Maturity<br>Date | Business-Type<br>Activities |
|----------------------------------------|------------------|---------------------------|-----------------------------|
| Water pollution control revolving loan | 3.49%            | 2021                      | \$ 135,336                  |
| Water supply loan                      | 3.12%            | 2030                      | <u>1,320,000</u>            |
|                                        |                  |                           | <u>\$ 1,455,336</u>         |

The Water supply loan with KDHE was used for additional work needed to expand the water system to the new hospital. The project was identified as the Bryant Standpipe Hospital Extensions. The original debt was issued for \$1,650,000 and \$330,000 was forgiven under the ARRA Project Principal Forgiveness, leaving an actual balance of \$1,320,000 to be repaid.

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

The annual debt service requirements to maturity for KDHE loans are as follows:

| Year Ending<br>December 31 | Total               | Principal         | Interest          |
|----------------------------|---------------------|-------------------|-------------------|
| 2011                       | \$ 229,776          | \$ 182,012        | \$ 47,764         |
| 2012                       | 92,078              | 48,310            | 43,768            |
| 2013                       | 92,079              | 50,001            | 42,078            |
| 2014                       | 92,078              | 51,751            | 40,327            |
| 2015                       | 92,079              | 53,562            | 38,517            |
| 2016-2020                  | 460,394             | 297,279           | 163,115           |
| 2021-2025                  | 339,578             | 253,293           | 86,285            |
|                            | <u>\$ 1,398,064</u> | <u>\$ 936,208</u> | <u>\$ 461,854</u> |

**5) Changes in Long-Term Debt**

Long-term debt activity for the year ended December 31, 2010 is as follows:

|                                                       | Balance<br>January 1 | Additions           | Payments            | Balance<br>December 31 | Due within<br>one year |
|-------------------------------------------------------|----------------------|---------------------|---------------------|------------------------|------------------------|
| <b>Governmental Activities</b>                        |                      |                     |                     |                        |                        |
| General obligation bonds                              | \$ 8,370,000         | \$ -                | \$ 1,325,000        | \$ 7,045,000           | \$ 1,420,000           |
| Temporary notes                                       | -                    | 6,200,000           | -                   | 6,200,000              | -                      |
| Capital leases                                        | 539,718              | -                   | 112,647             | 427,071                | 62,996                 |
| Revenue bonds                                         | 23,205,000           | -                   | -                   | 23,205,000             | -                      |
| Certificates of participation                         | 179,023              | -                   | 55,797              | 123,226                | 59,636                 |
| Employee compensated absences                         | 465,025              | 62,009              | -                   | 527,034                | 52,703                 |
| Total long-term liabilities - governmental activities | <u>\$ 32,758,766</u> | <u>\$ 6,262,009</u> | <u>\$ 1,493,444</u> | <u>\$ 37,527,331</u>   | <u>\$ 1,595,335</u>    |

|                                                        | Balance<br>January 1 | Additions           | Payments          | Balance<br>December 31 | Due within<br>one year |
|--------------------------------------------------------|----------------------|---------------------|-------------------|------------------------|------------------------|
| <b>Business-type Activities</b>                        |                      |                     |                   |                        |                        |
| KDHE loans                                             | \$ 399,083           | \$ 1,650,000        | \$ 593,748        | \$ 1,455,335           | \$ 182,012             |
| Employee compensated absences                          | 201,970              | 22,974              | -                 | 224,944                | 22,494                 |
| Total long-term liabilities - business-type activities | <u>\$ 601,053</u>    | <u>\$ 1,672,974</u> | <u>\$ 593,748</u> | <u>\$ 1,680,279</u>    | <u>\$ 204,506</u>      |

**6) 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.

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

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, 2011, there were seven series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4,330,404.

**G. Interest expense**

Below is a summary of the interest expense related to debt for the fiscal year 2010:

|                               | Total Interest<br>Expense | Governmental<br>Activities | Business<br>Activities |
|-------------------------------|---------------------------|----------------------------|------------------------|
| General obligation bonds      | \$ 307,989                | \$ 307,989                 | \$ -                   |
| Temporary notes               | 66,650                    | 66,650                     | -                      |
| Capital leases                | 25,269                    | 25,269                     | -                      |
| Revenue bonds                 | 1,514,548                 | 1,514,548                  | -                      |
| Certificates of participation | 9,519                     | 9,519                      | -                      |
| KDHE loans                    | 10,812                    | -                          | 10,812                 |
|                               | <u>\$ 1,934,787</u>       | <u>\$ 1,923,975</u>        | <u>\$ 10,812</u>       |

**H. Inter-fund Transfers**

| Transfers from         | Transfers to        |                      |
|------------------------|---------------------|----------------------|
|                        | General             | Equipment<br>Reserve |
| Primary Government:    |                     |                      |
| Water                  | \$ 700,000          | \$ -                 |
| Sewer                  | 375,000             | -                    |
| Sanitation             | 160,000             | -                    |
| Community Contribution | 2,745               | -                    |
| General                | 21,639              | -                    |
| Special Street         | -                   | 40,000               |
|                        | <u>\$ 1,259,384</u> | <u>\$ 40,000</u>     |

**I. Restatement of Beginning Balances**

**1) Prior Period Adjustment – Correction of Compensated Absences**

The City's 2009 compensated absences were overstated by a total of \$521,250. The City recalculated the amount due for the fiscal year end 2009 based on the policies as described in Note I.D.8. The largest difference was due to the prior year amount of sick pay not being capped based on the % allowable to be paid upon termination as described in that note.

**J. Net assets and fund balances**

**1) Net assets**

Net assets are the excess of all the City's assets over its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which are determined only at the Government-wide level, and are described below:

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets whose use is not subject solely to the City's own discretion. This includes \$182,737 which is externally restricted for unemployment (see Note IV.D.1). This also includes resources subject to externally imposed restrictions, such as creditors, grantors, contributors, other governments' regulators, and other enabling legislation. Included in governmental-type restricted assets is \$2,011,397 of net assets restricted by legally enforceable enabling legislation. The final restriction in the current year is \$1,463,436, related to tax revenue received or included in taxes receivable, for future debt service payments and \$270,848 required to be disbursed to outside organizations.

*Unrestricted* describes the portion of Net Assets that is not restricted as to use.

It is the City's policy to apply restricted resources prior to the use of unrestricted resources, when the option is available.

**2) Reserves and designations of Fund Balances**

Reserved fund balance is reported to denote portions of fund balance that are either legally restricted to a specific future use or not available for appropriation or expenditures. The following reservations of fund balance are used by the City: [1] reserved for unemployment (see note IV.D.1) [2] reserved for encumbrances – used to segregate a portion of fund balance for expenditures upon vendor performance; and [3] reserved for capital outlay – used to segregate the portion of fund balance attributable to the remaining funds generated from the issuance of the Revenue bonds earmarked for the continued improvements and expansion for South Central Kansas Regional Medical Center. Designations of fund balances are not legally required segregations, but segregate unreserved fund balance for a specific purpose.

**IV. Other information**

**A. 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 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, 2010

*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% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2009 is 7.14%. The City of Arkansas City contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$238,826, \$181,971 and \$174,068 respectively, equal to the statutory required contributions for each year. The KP&F employer rate established for fiscal years beginning 2010 is 12.86%. 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, 2010, 2009 and 2008 were \$319,135, \$327,746 and \$328,264, respectively, equal to the statutory required contributions for each year.

**B. Other Post Employee Benefits.**

*Plan description*

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. Each retiree pays the full amount of the applicable premium so there is no obligation to the City.

The City requires retirees to pay the same premiums charged to COBRA participants with a 2% additional charge for administrative expenses. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other post employment benefits (OPEB) under Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45).

*Funding Policy*

GASB Statement 45 does not require funding of the OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

*Annual OPEB Cost and Net OPEB Obligation*

The City is not in compliance with GASB Statement 45 which requires an actuarial study to be performed at a minimum biannually.

**C. 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, 2010 is \$13,614,773. Total expenditures to date equal \$10,286,992. Several projects have reimbursements coming back to the city for amounts in excess of amounts authorized.

CITY OF ARKANSAS CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2010

**D. Contingencies and commitments**

**1) Contingent Liability – Self-insurance**

Effective January 1, 1993, the City switched from a governmental employer to the reimbursable employer plan for state unemployment purposes. The City has established an escrow fund to insure coverage for claims filed. The City has reserved \$182,737 in the General Fund. The City has since received correspondence from the Kansas Department of Labor on February 13<sup>th</sup>, 2012 releasing these funds from restriction.

**E. 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.

**F. Related Party**

The City paid Kuhn Mechanical \$19,730 in the year 2010. Kuhn Mechanical is owned by Mell Kuhn who served as a City Commissioner in 2010. The transactions were arm's length.

**G. Subsequent Events**

Due to the resignation of the prior City manager, the City had subsequently hired an interim city manager, Dick Chesney. Mr. Chesney left the City in June. The City then hired Nick Hernandez as the City Manager and he officially started June 15, 2011.

# **FINANCIAL SECTION**

**Required Supplementary Information**

# CITY OF ARKANSAS CITY, KANSAS

## GENERAL FUND BALANCE SHEET DECEMBER 31, 2010

| <u>ASSETS</u>                                      | <u>2010</u>         | <u>2009</u>         |
|----------------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                          | \$ 156,592          | \$ 307,842          |
| Receivables (net of allowance for uncollectibles): |                     |                     |
| Taxes                                              | 2,206,883           | 2,168,584           |
| Accounts receivable - other                        | 556,846             | 229,333             |
| Due from other funds                               | -                   | -                   |
| Restricted assets:                                 |                     |                     |
| Restricted cash (Note 7)                           | 182,737             | 177,064             |
| Total assets                                       | <u>\$ 3,103,058</u> | <u>\$ 2,882,823</u> |
| <br><u>LIABILITIES</u>                             |                     |                     |
| Accounts payable                                   | \$ 328,721          | \$ 307,842          |
| Deferred revenue                                   | 2,763,729           | 2,397,917           |
| Total liabilities                                  | <u>\$ 3,092,450</u> | <u>\$ 2,705,759</u> |
| <br><u>FUND BALANCE</u>                            |                     |                     |
| Unreserved                                         |                     |                     |
| Undesignated                                       | \$ (172,129)        | \$ -                |
| Reserved                                           | 182,737             | 177,064             |
| Total fund balance                                 | <u>\$ 10,608</u>    | <u>\$ 177,064</u>   |
| Total liabilities and fund balance                 | <u>\$ 3,103,058</u> | <u>\$ 2,882,823</u> |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

|                                                                        | 2010<br>Actual      | 2010<br>Budget      | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual      |
|------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------------|---------------------|
| <b>Revenues and other sources</b>                                      |                     |                     |                                         |                     |
| Taxes                                                                  | \$ 5,195,799        | \$ 5,162,276        | \$ 33,523                               | \$ 4,871,481        |
| Intergovernmental revenue                                              | 535,622             | 429,100             | 106,522                                 | 771,510             |
| Licenses, fees and permits                                             | 110,821             | 35,975              | 74,846                                  | 146,587             |
| Charges for services                                                   | 470,178             | 379,125             | 91,053                                  | 381,054             |
| Fines, forfeitures and penalties                                       | 400,638             | 470,000             | (69,362)                                | 462,514             |
| Use of money and property                                              | 99,917              | 90,000              | 9,917                                   | 151,584             |
| Miscellaneous                                                          | 150,381             | 225,100             | (74,719)                                | 323,794             |
| Transfers from other funds                                             | 1,237,745           | 735,000             | 502,745                                 | 670,000             |
| <b>Total revenues and other sources</b>                                | <b>\$ 8,201,101</b> | <b>\$ 7,526,576</b> | <b>\$ 674,525</b>                       | <b>\$ 7,778,524</b> |
| <b>Expenditures and other uses</b>                                     |                     |                     |                                         |                     |
| <b>General government:</b>                                             |                     |                     |                                         |                     |
| City commission                                                        | \$ 190,919          | \$ 41,100           | \$ (149,819)                            | \$ 34,105           |
| City manager                                                           | 93,820              | 92,080              | (1,740)                                 | 60,017              |
| Community support                                                      | 24,616              | 25,150              | 534                                     | 27,318              |
| Legal council                                                          | 148,335             | 123,115             | (25,220)                                | 144,016             |
| Administration                                                         | 269,214             | 285,745             | 16,531                                  | 291,050             |
| Code enforcement                                                       | 395,286             | 371,468             | (23,818)                                | 308,000             |
| Non-departmental                                                       | 97,279              | 143,849             | 46,570                                  | 102,138             |
| Court                                                                  | 3,208               | -                   | (3,208)                                 | -                   |
| Transfer to Equipment Reserve - Internal Service Fund                  | 7,719               | -                   | (7,719)                                 | -                   |
| <b>Total general government</b>                                        | <b>\$ 1,230,396</b> | <b>\$ 1,082,507</b> | <b>\$ (147,889)</b>                     | <b>\$ 966,644</b>   |
| <b>Public safety:</b>                                                  |                     |                     |                                         |                     |
| Law enforcement                                                        | \$ 3,046,019        | \$ 2,849,640        | \$ (196,379)                            | \$ 2,772,215        |
| Fire fighting                                                          | 2,267,201           | 1,995,065           | (272,136)                               | 1,981,104           |
| Civil defense                                                          | 40,031              | -                   | (40,031)                                | 39,846              |
| Transfer to Equipment Reserve - Internal Service Fund                  | 13,920              | -                   | (13,920)                                | -                   |
| <b>Total public safety</b>                                             | <b>\$ 5,367,171</b> | <b>\$ 4,844,705</b> | <b>\$ (522,466)</b>                     | <b>\$ 4,793,165</b> |
| <b>Public works:</b>                                                   |                     |                     |                                         |                     |
| Supervision                                                            | \$ 70,165           | \$ 114,765          | \$ 44,600                               | \$ 105,050          |
| Street repair                                                          | 327,903             | 310,085             | (17,818)                                | 342,261             |
| Street lighting                                                        | 158,463             | 145,000             | (13,463)                                | 149,475             |
| Cemetery                                                               | 181,118             | 174,325             | (6,793)                                 | 152,140             |
| Public buildings                                                       | 115,398             | 156,355             | 40,957                                  | 165,941             |
| <b>Total public works</b>                                              | <b>\$ 853,047</b>   | <b>\$ 900,530</b>   | <b>\$ 47,483</b>                        | <b>\$ 914,867</b>   |
| <b>Culture and recreation:</b>                                         |                     |                     |                                         |                     |
| Park                                                                   | \$ 491,894          | \$ 545,050          | \$ 53,156                               | \$ 500,618          |
| Baseball park                                                          | 4,063               | 3,400               | (663)                                   | 4,772               |
| Swimming pool                                                          | 71,188              | 90,800              | 19,612                                  | 75,059              |
| NW Community Center                                                    | 56,344              | 66,975              | 10,631                                  | 54,096              |
| Senior Citizen                                                         | 161,771             | 173,800             | 12,029                                  | 171,160             |
| Museum                                                                 | 113,898             | 90,390              | (23,508)                                | 110,298             |
| Teen Center                                                            | 16,850              | 29,750              | 12,900                                  | 21,781              |
| Human Relations Council                                                | -                   | -                   | -                                       | -                   |
| Other                                                                  | 935                 | -                   | (935)                                   | -                   |
| <b>Total culture and recreation</b>                                    | <b>\$ 916,943</b>   | <b>\$ 1,000,165</b> | <b>\$ 83,222</b>                        | <b>\$ 937,784</b>   |
| <b>Legal general fund budget</b>                                       | <b>\$ 8,367,557</b> | <b>\$ 7,827,907</b> | <b>\$ (539,650)</b>                     | <b>\$ 7,612,460</b> |
| Adjustment for qualified budget credits                                | -                   | -                   | 232,789                                 | -                   |
| <b>Total expenditures and other uses</b>                               | <b>\$ 8,367,557</b> | <b>\$ 7,827,907</b> | <b>\$ (306,862)</b>                     | <b>\$ 7,612,460</b> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (166,456)        | \$ (301,331)        |                                         | \$ 166,064          |
| Unencumbered fund balance - January 1                                  | 177,064             | 301,331             |                                         | 11,000              |
| Unencumbered fund balance - December 31                                | <b>\$ 10,608</b>    | <b>\$ -</b>         |                                         | <b>\$ 177,064</b>   |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
 COMBINING BALANCE SHEET  
 ALL SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2010

|                                                    | Employee Benefits Library Fund | Convention Center Fund | Public Library Fund | Special Street and Highway Fund | Street Maintenance Fund | Alcohol Program Fund | Street Improvement Fund | Special Recreation and Park Fund | Memorial Hospital Fund | Tourism Fund | Project Independence Fund | DARE Program Fund | Economic Development Fund | Grant Fund | Total December 31, 2010 | Total December 31, 2009 |
|----------------------------------------------------|--------------------------------|------------------------|---------------------|---------------------------------|-------------------------|----------------------|-------------------------|----------------------------------|------------------------|--------------|---------------------------|-------------------|---------------------------|------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                      |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| Cash and investments                               | \$ -                           | \$ 53,314              | \$ -                | \$ 227,005                      | \$ 178,611              | \$ 25,613            | \$ 748,537              | \$ 16,369                        | \$ 577,466             | \$ 71,063    | \$ -                      | \$ 6,519          | \$ 196,819                | \$ -       | \$ 2,101,316            | \$ 1,234,603            |
| Receivables (net of allowance for uncollectibles): |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| Taxes                                              | -                              | -                      | 270,848             | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | -                 | -                         | -          | 270,848                 | 267,810                 |
| Other                                              | -                              | -                      | -                   | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | 275               | -                         | -          | 275                     | -                       |
| Federal grant                                      | -                              | -                      | -                   | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | -                 | -                         | -          | -                       | -                       |
| Total assets                                       | \$ -                           | \$ 53,314              | \$ 270,848          | \$ 227,005                      | \$ 178,611              | \$ 25,613            | \$ 748,537              | \$ 16,369                        | \$ 577,466             | \$ 71,063    | \$ -                      | \$ 6,794          | \$ 196,819                | \$ -       | \$ 2,372,439            | \$ 1,502,413            |
| <b>LIABILITIES &amp; FUND BALANCE</b>              |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| <b>Liabilities</b>                                 |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| Accounts payable                                   | \$ -                           | \$ -                   | \$ -                | \$ 12,620                       | \$ 942                  | \$ -                 | \$ -                    | \$ -                             | \$ -                   | \$ -         | \$ -                      | \$ 846            | \$ -                      | \$ -       | \$ 14,408               | \$ 7,519                |
| Due to other fund                                  | -                              | -                      | -                   | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | -                 | -                         | -          | -                       | -                       |
| Contracts payable                                  | -                              | -                      | -                   | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | -                 | -                         | -          | -                       | -                       |
| Deferred revenue                                   | -                              | -                      | 270,848             | -                               | -                       | -                    | -                       | -                                | -                      | -            | -                         | 275               | -                         | -          | 271,123                 | 267,810                 |
| Total liabilities                                  | \$ -                           | \$ -                   | \$ 270,848          | \$ 12,620                       | \$ 942                  | \$ -                 | \$ -                    | \$ -                             | \$ -                   | \$ -         | \$ -                      | \$ 1,121          | \$ -                      | \$ -       | \$ 285,531              | \$ 275,329              |
| <b>Fund balances</b>                               |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| Reserved for encumbrances                          | \$ -                           | \$ -                   | \$ -                | \$ 40,000                       | \$ -                    | \$ -                 | \$ -                    | \$ -                             | \$ -                   | \$ -         | \$ -                      | \$ -              | \$ -                      | \$ -       | \$ 40,000               | \$ -                    |
| Unreserved:                                        |                                |                        |                     |                                 |                         |                      |                         |                                  |                        |              |                           |                   |                           |            |                         |                         |
| Undesignated - special revenue funds               | -                              | 53,314                 | -                   | 174,385                         | 177,669                 | 25,613               | 748,537                 | 16,369                           | 577,466                | 71,063       | -                         | 5,673             | 196,819                   | -          | 2,046,908               | 1,227,084               |
| Total fund balances                                | \$ -                           | \$ 53,314              | \$ -                | \$ 214,385                      | \$ 177,669              | \$ 25,613            | \$ 748,537              | \$ 16,369                        | \$ 577,466             | \$ 71,063    | \$ -                      | \$ 5,673          | \$ 196,819                | \$ -       | \$ 2,086,908            | \$ 1,227,084            |
| Total liabilities and fund balances                | \$ -                           | \$ 53,314              | \$ 270,848          | \$ 227,005                      | \$ 178,611              | \$ 25,613            | \$ 748,537              | \$ 16,369                        | \$ 577,466             | \$ 71,063    | \$ -                      | \$ 6,794          | \$ 196,819                | \$ -       | \$ 2,372,439            | \$ 1,502,413            |

**CITY OF ARKANSAS CITY, KANSAS**  
 NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

|                                             | Employee Benefits Library Fund | Convention Center Fund | Public Library Fund | Street and Highway Fund | Street Maintenance Fund | Alcohol Program Fund | Street Improvement Fund | Special Recreation and Park Fund | Memorial Hospital Fund | Tourism Fund | Project Independence Fund | DAIRE Program Fund | Economic Development Fund | Grant Fund | Total December 31, |
|---------------------------------------------|--------------------------------|------------------------|---------------------|-------------------------|-------------------------|----------------------|-------------------------|----------------------------------|------------------------|--------------|---------------------------|--------------------|---------------------------|------------|--------------------|
| <b>Revenues:</b>                            |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Taxes                                       |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Intergovernmental revenue                   |                                |                        | 307,534             |                         | 131,765                 |                      |                         |                                  |                        |              |                           |                    |                           |            | 439,299            |
| Charges for services                        |                                |                        |                     | 346,487                 |                         | 11,133               | 743,653                 | 11,134                           | 743,653                | 75,797       |                           |                    | 131,765                   |            | 2,063,562          |
| Interest                                    |                                | 148                    |                     |                         |                         |                      |                         |                                  | 2,530                  |              |                           |                    |                           |            | 148                |
| Miscellaneous                               |                                | 7,925                  |                     | 60                      |                         |                      | 1,498                   | 9,900                            |                        |              |                           | 1,989              |                           |            | 2,830              |
|                                             |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            | 204,841            |
| <b>Total revenues</b>                       |                                | 8,073                  | 307,534             | 346,547                 | 131,765                 | 11,133               | 745,151                 | 21,034                           | 746,183                | 75,797       |                           | 1,989              | 131,765                   |            | 2,527,211          |
| <b>Expenditures:</b>                        |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Current:                                    |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| General government                          |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Public Safety                               |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Public Works                                |                                |                        |                     | 251,110                 | 98,290                  | 6,000                | 407,045                 |                                  |                        |              |                           | 5,855              | 53,250                    |            | 13,855             |
| Culture and Recreation                      |                                | 7,300                  | 307,534             |                         |                         |                      | 23,300                  |                                  | 750,000                | 68,211       |                           |                    |                           |            | 843,695            |
| Health and Welfare                          |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            | 664,183            |
| Debt Service-Principal & Interest           |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            | 403,570            |
| Capital outlay                              |                                |                        |                     | 81,514                  |                         |                      |                         |                                  |                        |              |                           |                    |                           |            | 750,000            |
| <b>Total expenditures</b>                   |                                | 7,300                  | 307,534             | 336,624                 | 98,290                  | 6,000                | 437,045                 | 23,300                           | 750,000                | 68,211       |                           | 5,855              | 53,250                    |            | 2,095,409          |
| <b>Revenues over (under) expenditures</b>   |                                | 773                    |                     | 9,923                   | 33,475                  | 3,133                | 308,106                 | (2,266)                          | (5,817)                | 7,586        |                           | (3,866)            | 78,515                    |            | 431,802            |
| <b>Other financing sources (uses)</b>       |                                |                        |                     |                         |                         |                      |                         |                                  |                        |              |                           |                    |                           |            |                    |
| Transfers in (out)                          |                                |                        |                     | (40,000)                |                         |                      |                         |                                  |                        |              |                           |                    |                           | (2,745)    | (42,745)           |
| <b>Total other financing sources (uses)</b> |                                |                        |                     | (40,000)                |                         |                      |                         |                                  |                        |              |                           |                    |                           | (2,745)    | (42,745)           |
| <b>Net changes in fund balances</b>         |                                | 773                    |                     | (30,077)                | 33,475                  | 3,133                | 308,106                 | (2,266)                          | (5,817)                | 7,526        |                           | (3,866)            | 78,515                    | (2,745)    | 389,057            |
| <b>Fund balance, January 1</b>              |                                | 52,941                 |                     | 244,462                 | 144,194                 | 22,480               | 440,431                 | 18,635                           | 580,983                | 63,537       |                           | 9,539              | 115,204                   | 2,745      | 1,697,851          |
| <b>Fund balance, December 31</b>            |                                | 53,314                 |                     | 214,385                 | 177,669                 | 25,613               | 748,537                 | 16,369                           | 577,166                | 71,063       |                           | 5,673              | 196,819                   |            | 2,086,908          |

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**LIBRARY EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual | 2010<br>Budget | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual  |
|------------------------------------------------------------------------|----------------|----------------|-----------------------------------------|-----------------|
| <u>Revenues and other sources</u>                                      |                |                |                                         |                 |
| Taxes                                                                  | \$ -           | \$ -           | \$ -                                    | \$ -            |
| Refund of expenditures                                                 | -              | -              | -                                       | 1,618           |
| Total revenues and other sources                                       | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                             | <u>\$ 1,618</u> |
| <u>Expenditures and other uses</u>                                     |                |                |                                         |                 |
| Personal services                                                      | \$ -           | \$ -           | \$ -                                    | \$ 1,618        |
| Total expenditures and other uses                                      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                             | <u>\$ 1,618</u> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ -           | \$ -           |                                         | \$ -            |
| Unencumbered fund balance - January 1                                  | -              | -              |                                         | -               |
| Unencumbered fund balance - December 31                                | <u>\$ -</u>    | <u>\$ -</u>    |                                         | <u>\$ -</u>     |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**CONVENTION CENTER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                         | <u>2010</u><br>Actual   | <u>2010</u><br>Budget | Variance-<br>Favorable<br>(Unfavorable) | <u>2009</u><br>Actual   |
|---------------------------------------------------------|-------------------------|-----------------------|-----------------------------------------|-------------------------|
| <u>Revenues and other sources</u>                       |                         |                       |                                         |                         |
| Sales                                                   | \$ 7,925                |                       |                                         | \$ 6,883                |
| Use of money and property                               | <u>148</u>              |                       |                                         | <u>650</u>              |
| Total revenues and other sources                        | <u>\$ 8,073</u>         |                       | NO                                      | <u>\$ 7,533</u>         |
| <u>Expenditures and other uses</u>                      |                         |                       |                                         |                         |
| Contractual services                                    | \$ 7,300                |                       | CERTIFIED                               | \$ -                    |
| Capital outlay                                          | <u>-</u>                |                       |                                         | <u>-</u>                |
| Total expenditures and other uses                       | <u>\$ 7,300</u>         |                       | BUDGET                                  | <u>\$ -</u>             |
| Revenues and other sources over<br>(under) expenditures | \$ 773                  |                       |                                         | \$ 7,533                |
| Unencumbered fund balance - January 1                   | <u>52,541</u>           |                       |                                         | <u>45,009</u>           |
| Unencumbered fund balance - December 31                 | <u><u>\$ 53,314</u></u> |                       |                                         | <u><u>\$ 52,542</u></u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**PUBLIC LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual    | 2010<br>Budget    | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual    |
|------------------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-------------------|
| <u>Revenues and other sources</u>                                      |                   |                   |                                         |                   |
| Taxes                                                                  | \$ 307,534        | \$ 311,761        | \$ (4,227)                              | \$ 316,001        |
| Use of money and property                                              | -                 | -                 | -                                       | -                 |
| Reimbursements                                                         | -                 | -                 | -                                       | -                 |
| Total revenues and other sources                                       | <u>\$ 307,534</u> | <u>\$ 311,761</u> | <u>\$ (4,227)</u>                       | <u>\$ 316,001</u> |
| <u>Expenditures and other uses</u>                                     |                   |                   |                                         |                   |
| Outside organizations                                                  | \$ 307,534        | \$ 317,658        | \$ 10,124                               | \$ 316,001        |
| Total expenditures and other uses                                      | <u>\$ 307,534</u> | <u>\$ 317,658</u> | <u>\$ 10,124</u>                        | <u>\$ 316,001</u> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ -              | \$ (5,897)        |                                         | \$ -              |
| Unencumbered fund balance - January 1                                  | -                 | 5,897             |                                         | -                 |
| Unencumbered fund balance - December 31                                | <u>\$ -</u>       | <u>\$ -</u>       |                                         | <u>\$ -</u>       |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**SPECIAL STREET AND HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual    | 2010<br>Budget    | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual    |
|------------------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-------------------|
| <u>Revenues and other sources</u>                                      |                   |                   |                                         |                   |
| Intergovernmental:                                                     |                   |                   |                                         |                   |
| County gas tax                                                         | \$ 50,447         | \$ -              | \$ 50,447                               | \$ -              |
| State gas tax                                                          | 296,040           | 374,570           | (78,530)                                | 335,147           |
| Refund of expenditure                                                  | 60                | -                 | 60                                      | 45,679            |
|                                                                        | <u>\$ 346,547</u> | <u>\$ 374,570</u> | <u>\$ (28,023)</u>                      | <u>\$ 380,826</u> |
| <u>Expenditures and other uses</u>                                     |                   |                   |                                         |                   |
| Personal services                                                      | \$ 60,641         | \$ 79,934         | \$ 19,293                               | \$ 41,152         |
| Contractual services                                                   | 75,368            | 76,200            | 832                                     | 92,975            |
| Commodities                                                            | 119,101           | 193,300           | 74,199                                  | 159,064           |
| Capital outlay                                                         | 121,514           | 94,000            | (27,514)                                | 4,182             |
| Transfer Out                                                           | 40,000            | -                 | (40,000)                                | -                 |
|                                                                        | <u>\$ 416,624</u> | <u>\$ 443,434</u> | <u>\$ 26,810</u>                        | <u>\$ 297,373</u> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (70,077)       | \$ (68,864)       |                                         | \$ 83,453         |
| Unencumbered fund balance - January 1                                  | <u>244,462</u>    | <u>182,558</u>    |                                         | <u>161,009</u>    |
| Unencumbered fund balance - December 31                                | <u>\$ 174,385</u> | <u>\$ 113,694</u> |                                         | <u>\$ 244,462</u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**STREET MAINTENANCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br><u>Actual</u> | 2010<br><u>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | 2009<br><u>Actual</u> |
|------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------------------------|-----------------------|
| <u>Revenues and other sources</u>                                      |                       |                       |                                         |                       |
| Taxes:                                                                 |                       |                       |                                         |                       |
| Franchise tax                                                          | \$ 131,765            | \$ 90,000             | \$ 41,765                               | \$ 116,205            |
| Refund of expenditure                                                  | -                     | -                     | -                                       | 3,320                 |
|                                                                        | <u>\$ 131,765</u>     | <u>\$ 90,000</u>      | <u>\$ 41,765</u>                        | <u>\$ 119,525</u>     |
| <u>Expenditures and other uses</u>                                     |                       |                       |                                         |                       |
| Commodities                                                            | \$ 98,290             | \$ 120,000            | \$ 21,710                               | \$ 120,271            |
| Capital outlay                                                         | -                     | -                     | -                                       | -                     |
|                                                                        | <u>\$ 98,290</u>      | <u>\$ 120,000</u>     | <u>\$ 21,710</u>                        | <u>\$ 120,271</u>     |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 33,475             | \$ (30,000)           |                                         | \$ (746)              |
| Unencumbered fund balance - January 1                                  | <u>144,194</u>        | <u>127,940</u>        |                                         | <u>144,940</u>        |
| Unencumbered fund balance - December 31                                | <u>\$ 177,669</u>     | <u>\$ 97,940</u>      |                                         | <u>\$ 144,194</u>     |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**ALCOHOL PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br><u>Actual</u> | 2010<br><u>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | 2009<br><u>Actual</u> |
|------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------------------------|-----------------------|
| <u>Revenues and other sources</u>                                      |                       |                       |                                         |                       |
| Intergovernmental:                                                     |                       |                       |                                         |                       |
| State                                                                  | \$ 11,133             | \$ 13,257             | \$ (2,124)                              | \$ 14,500             |
| Charges for services                                                   | -                     | -                     | -                                       | -                     |
| Miscellaneous                                                          | -                     | -                     | -                                       | -                     |
|                                                                        | <u>\$ 11,133</u>      | <u>\$ 13,257</u>      | <u>\$ (2,124)</u>                       | <u>\$ 14,500</u>      |
| <u>Expenditures and other uses</u>                                     |                       |                       |                                         |                       |
| Contractual services                                                   | \$ 8,000              | \$ 8,000              | \$ -                                    | \$ 8,000              |
| Commodities                                                            | -                     | -                     | -                                       | -                     |
|                                                                        | <u>\$ 8,000</u>       | <u>\$ 8,000</u>       | <u>\$ -</u>                             | <u>\$ 8,000</u>       |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 3,133              | \$ 5,257              |                                         | \$ 6,500              |
| Unencumbered fund balance - January 1                                  | <u>22,480</u>         | <u>21,237</u>         |                                         | <u>15,980</u>         |
| Unencumbered fund balance - December 31                                | <u>\$ 25,613</u>      | <u>\$ 26,494</u>      |                                         | <u>\$ 22,480</u>      |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**STREET IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual           | 2010<br>Budget     | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual           |
|------------------------------------------------------------------------|--------------------------|--------------------|-----------------------------------------|--------------------------|
| <u>Revenues and other sources</u>                                      |                          |                    |                                         |                          |
| Intergovernmental:                                                     |                          |                    |                                         |                          |
| Sales tax revenue                                                      | \$ 743,653               | \$ 750,000         | \$ (6,347)                              | \$ 440,431               |
| Charges for services                                                   | -                        | -                  | -                                       | -                        |
| Miscellaneous                                                          | 1,498                    | 700                | 798                                     | -                        |
| Total revenues and other sources                                       | <u>\$ 745,151</u>        | <u>\$ 750,700</u>  | <u>\$ (5,549)</u>                       | <u>\$ 440,431</u>        |
| <u>Expenditures and other uses</u>                                     |                          |                    |                                         |                          |
| Contractual services                                                   | <u>\$ 437,045</u>        | <u>\$ 750,700</u>  | <u>\$ 313,655</u>                       | <u>\$ -</u>              |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 308,106               | \$ -               |                                         | \$ 440,431               |
| Unencumbered fund balance - January 1                                  | <u>440,431</u>           | <u>-</u>           |                                         | <u>-</u>                 |
| Unencumbered fund balance - December 31                                | <u><u>\$ 748,537</u></u> | <u><u>\$ -</u></u> |                                         | <u><u>\$ 440,431</u></u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**SPECIAL RECREATION AND PARK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual   | 2010<br>Budget   | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual   |
|------------------------------------------------------------------------|------------------|------------------|-----------------------------------------|------------------|
| <u>Revenues and other sources</u>                                      |                  |                  |                                         |                  |
| Intergovernmental:                                                     |                  |                  |                                         |                  |
| State                                                                  | \$ 11,134        | \$ 13,257        | \$ (2,123)                              | \$ 14,499        |
| Refund of expenditure                                                  | 9,900            | -                | 9,900                                   | 5,030            |
| Total revenues and other sources                                       | <u>\$ 21,034</u> | <u>\$ 13,257</u> | <u>\$ 7,777</u>                         | <u>\$ 19,529</u> |
| <u>Expenditures and other uses</u>                                     |                  |                  |                                         |                  |
| Contractual services                                                   | \$ 10,000        | \$ 10,000        | -                                       | \$ 10,000        |
| Commodities                                                            | 13,300           | 4,000            | (9,300)                                 | 7,930            |
| Legal adopted budget                                                   | \$ 23,300        | \$ 14,000        | \$ (9,300)                              | \$ 17,930        |
| Adjustment for qualified budget credits                                | -                | -                | 9,900                                   | -                |
| Total expenditures and other uses                                      | <u>\$ 23,300</u> | <u>\$ 14,000</u> | <u>\$ 600</u>                           | <u>\$ 17,930</u> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (2,266)       | \$ (743)         |                                         | \$ 1,599         |
| Unencumbered fund balance - January 1                                  | 18,635           | 16,793           |                                         | 17,036           |
| Unencumbered fund balance - December 31                                | <u>\$ 16,369</u> | <u>\$ 16,050</u> |                                         | <u>\$ 18,635</u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**MEMORIAL HOSPITAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual    | 2010<br>Budget    | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual    |
|------------------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-------------------|
| <u>Revenues and other sources</u>                                      |                   |                   |                                         |                   |
| Intergovernmental:                                                     |                   |                   |                                         |                   |
| Sales tax revenue                                                      | \$ 743,653        | \$ 750,000        | \$ (6,347)                              | \$ 440,431        |
| Use of money and property                                              | 2,830             | 4,000             | (1,170)                                 | 1,759             |
| Sale of property                                                       | -                 | -                 | -                                       | 124,387           |
| Total revenues and other sources                                       | <u>\$ 746,483</u> | <u>\$ 754,000</u> | <u>\$ (7,517)</u>                       | <u>\$ 566,577</u> |
| <u>Expenditures and other uses</u>                                     |                   |                   |                                         |                   |
| Contractual services                                                   | \$ -              | \$ -              | \$ -                                    | \$ -              |
| Transfer to other fund                                                 | 750,000           | 750,000           | -                                       | -                 |
| Total expenditures and other uses                                      | <u>\$ 750,000</u> | <u>\$ 750,000</u> | <u>\$ -</u>                             | <u>\$ -</u>       |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (3,517)        | \$ 4,000          |                                         | \$ 566,577        |
| Unencumbered fund balance - January 1                                  | <u>580,983</u>    | <u>445,552</u>    |                                         | <u>14,406</u>     |
| Unencumbered fund balance - December 31                                | <u>\$ 577,466</u> | <u>\$ 449,552</u> |                                         | <u>\$ 580,983</u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**

**BUDGETED NONMAJOR SPECIAL REVENUE FUND**

**TOURISM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL - BUDGETARY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | <u>2010<br/>Actual</u> | <u>2010<br/>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | <u>2009<br/>Actual</u> |
|------------------------------------------------------------------------|------------------------|------------------------|-----------------------------------------|------------------------|
| <u>Revenues and other sources</u>                                      |                        |                        |                                         |                        |
| Transient guest tax                                                    | \$ 75,737              | \$ 70,000              | \$ 5,737                                | \$ 71,852              |
| Reimbursements and donations                                           | -                      | -                      | -                                       | -                      |
| Total revenues and other sources                                       | <u>\$ 75,737</u>       | <u>\$ 70,000</u>       | <u>\$ 5,737</u>                         | <u>\$ 71,852</u>       |
| <u>Expenditures and other uses</u>                                     |                        |                        |                                         |                        |
| Contractual services                                                   | \$ 64,919              | \$ 70,000              | \$ 5,081                                | \$ 65,830              |
| Commodities                                                            | 3,292                  | -                      | (3,292)                                 | 2,391                  |
| Total expenditures and other uses                                      | <u>\$ 68,211</u>       | <u>\$ 70,000</u>       | <u>\$ 1,789</u>                         | <u>\$ 68,221</u>       |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 7,526               | \$ -                   |                                         | \$ 3,631               |
| Unencumbered fund balance - January 1                                  | <u>63,537</u>          | <u>59,906</u>          |                                         | <u>59,906</u>          |
| Unencumbered fund balance - December 31                                | <u>\$ 71,063</u>       | <u>\$ 59,906</u>       |                                         | <u>\$ 63,537</u>       |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**PROJECT INDEPENDENCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                                | 2010<br>Actual | 2010<br>Budget | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|--------------------------------------------------------------------------------|----------------|----------------|-----------------------------------------|----------------|
| <u>Revenues and other sources</u>                                              |                |                |                                         |                |
| Rent                                                                           | \$ -           | \$ -           | \$ -                                    | \$ 6,622       |
| Deposits and service charges                                                   | -              | -              | -                                       | -              |
| H.U.D voucher payments                                                         | -              | -              | -                                       | -              |
| Reimbursed expense                                                             | -              | -              | -                                       | 4,196          |
| Miscellaneous                                                                  | -              | -              | -                                       | 10             |
|                                                                                | <hr/>          | <hr/>          | <hr/>                                   | <hr/>          |
| Total revenues and other sources                                               | \$ -           | \$ -           | \$ -                                    | \$ 10,828      |
| <u>Expenditures and other uses</u>                                             |                |                |                                         |                |
| Personnel                                                                      | \$ -           | \$ -           | \$ -                                    | \$ 10,282      |
| Contractual services                                                           | -              | -              | -                                       | 47,447         |
| Commodities                                                                    | -              | -              | -                                       | 2,638          |
| Capital Outlay                                                                 | -              | -              | -                                       | 38,268         |
| G.O. principal                                                                 | -              | -              | -                                       | 12,025         |
| Interest                                                                       | -              | -              | -                                       | 1,079          |
|                                                                                | <hr/>          | <hr/>          | <hr/>                                   | <hr/>          |
| Total expenditures and other uses                                              | \$ -           | \$ -           | \$ -                                    | \$ 111,739     |
| <u>Other financing sources</u>                                                 |                |                |                                         |                |
| Equity transfer in (out)                                                       | \$ -           | \$ -           |                                         | \$ (43,609)    |
| <u>Revenues and other sources over<br/>(under) expenditures and other uses</u> |                |                |                                         |                |
|                                                                                | \$ -           | \$ -           |                                         | \$ (144,520)   |
| Unencumbered fund balance - January 1                                          | <hr/>          | <hr/>          |                                         | <hr/>          |
|                                                                                | -              | -              |                                         | 144,520        |
| Unencumbered fund balance - December 31                                        | <hr/>          | <hr/>          |                                         | <hr/>          |
|                                                                                | \$ -           | \$ -           |                                         | \$ -           |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**DARE PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | <u>2010<br/>Actual</u> | <u>2010<br/>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | <u>2009<br/>Actual</u> |
|------------------------------------------------------------------------|------------------------|------------------------|-----------------------------------------|------------------------|
| <u>Revenues and other sources</u>                                      |                        |                        |                                         |                        |
| Donations                                                              | \$ 1,989               |                        |                                         | \$ 4,352               |
| Other                                                                  | -                      |                        |                                         | -                      |
|                                                                        |                        |                        | NO                                      |                        |
| Total revenues and other sources                                       | <u>\$ 1,989</u>        |                        |                                         | <u>\$ 4,352</u>        |
| <u>Expenditures and other uses</u>                                     |                        |                        |                                         |                        |
| Contractual services                                                   | \$ 2,086               |                        | CERTIFIED                               | \$ -                   |
| Commodities                                                            | <u>3,769</u>           |                        |                                         | <u>3,920</u>           |
|                                                                        |                        |                        | BUDGET                                  |                        |
| Total expenditures and other uses                                      | <u>\$ 5,855</u>        |                        |                                         | <u>\$ 3,920</u>        |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (3,866)             |                        |                                         | \$ 432                 |
| Unencumbered fund balance - January 1                                  | <u>9,539</u>           |                        |                                         | <u>9,107</u>           |
| Unencumbered fund balance - December 31                                | <u><u>\$ 5,673</u></u> |                        |                                         | <u><u>\$ 9,539</u></u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**ECONOMIC DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | <u>2010</u><br><u>Actual</u> | <u>2010</u><br><u>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | <u>2009</u><br><u>Actual</u> |
|------------------------------------------------------------------------|------------------------------|------------------------------|-----------------------------------------|------------------------------|
| <u>Revenues and other sources</u>                                      |                              |                              |                                         |                              |
| Taxes:                                                                 |                              |                              |                                         |                              |
| Franchise tax                                                          | \$ 131,765                   | \$ 90,000                    | \$ 41,765                               | \$ 116,205                   |
| Reimbursements                                                         | -                            | -                            | -                                       | -                            |
| Total revenues and other sources                                       | <u>\$ 131,765</u>            | <u>\$ 90,000</u>             | <u>\$ 41,765</u>                        | <u>\$ 116,205</u>            |
| <u>Expenditures and other uses</u>                                     |                              |                              |                                         |                              |
| Contractual services                                                   | \$ 53,250                    | \$ 85,000                    | \$ 31,750                               | \$ 134,800                   |
| Capital outlay                                                         | -                            | -                            | -                                       | -                            |
| Total expenditures and other uses                                      | <u>\$ 53,250</u>             | <u>\$ 85,000</u>             | <u>\$ 31,750</u>                        | <u>\$ 134,800</u>            |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 78,515                    | \$ 5,000                     |                                         | \$ (18,595)                  |
| Unencumbered fund balance - January 1                                  | <u>118,304</u>               | <u>66,899</u>                |                                         | <u>136,899</u>               |
| Unencumbered fund balance - December 31                                | <u>\$ 196,819</u>            | <u>\$ 71,899</u>             |                                         | <u>\$ 118,304</u>            |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED NONMAJOR SPECIAL REVENUE FUND**  
**COMMUNITY DEVELOPMENT GRANTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | <u>2010</u><br>Actual | <u>2010</u><br>Budget | Variance-<br>Favorable<br>(Unfavorable) | <u>2009</u><br>Actual  |
|------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------------------------|------------------------|
| <u>Revenues and other sources</u>                                      |                       |                       |                                         |                        |
| Federal grants                                                         | \$ -                  |                       |                                         | \$ -                   |
| State grants                                                           | -                     |                       |                                         | 2,745                  |
|                                                                        |                       |                       | NO                                      |                        |
| Total revenues and other sources                                       | <u>\$ -</u>           |                       |                                         | <u>\$ 2,745</u>        |
| <u>Expenditures and other uses</u>                                     |                       |                       |                                         |                        |
| Contractual services                                                   | \$ -                  |                       | CERTIFIED                               | \$ -                   |
| Capital outlay                                                         | -                     |                       |                                         | -                      |
| Transfer to other fund                                                 | 2,745                 |                       |                                         | -                      |
| Total expenditures and other uses                                      | <u>\$ 2,745</u>       |                       | BUDGET                                  | <u>\$ -</u>            |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ (2,745)            |                       |                                         | \$ 2,745               |
| Unencumbered fund balance - January 1                                  | <u>2,745</u>          |                       |                                         | <u>-</u>               |
| Unencumbered fund balance - December 31                                | <u><u>\$ -</u></u>    |                       |                                         | <u><u>\$ 2,745</u></u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**DEBT SERVICE FUND**  
**BOND AND INTEREST FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                        | 2010<br>Actual      | 2010<br>Budget      | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual      |
|------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------------|---------------------|
| <u>Revenues and other sources</u>                                      |                     |                     |                                         |                     |
| Ad valorem taxes                                                       | \$ 692,152          | \$ 698,763          | \$ (6,611)                              | \$ 792,880          |
| Special assessments                                                    | 41,447              | 40,462              | 985                                     | 66,215              |
| Motor vehicle tax                                                      | 133,956             | 140,838             | (6,882)                                 | 142,042             |
| Reimbursements                                                         | 255,169             | 257,116             | (1,947)                                 | 264,267             |
| Delinquent taxes                                                       | 25,150              | 20,000              | 5,150                                   | 26,047              |
| In lieu of taxes                                                       | 240,000             | 240,000             | -                                       | 240,000             |
| Payments from other governmental entities                              | -                   | -                   | -                                       | 48,438              |
|                                                                        | <u>\$ 1,387,874</u> | <u>\$ 1,397,179</u> | <u>\$ (9,305)</u>                       | <u>\$ 1,579,889</u> |
| <u>Expenditures and other uses</u>                                     |                     |                     |                                         |                     |
| Debt service:                                                          |                     |                     |                                         |                     |
| Principal                                                              | \$ 1,029,167        | \$ 1,330,000        | \$ 300,833                              | \$ 1,163,827        |
| Interest                                                               | 240,787             | 307,990             | 67,203                                  | 257,579             |
| Commission and postage                                                 | 4                   | -                   | (4)                                     | 5                   |
|                                                                        | <u>\$ 1,269,958</u> | <u>\$ 1,637,990</u> | <u>\$ 368,032</u>                       | <u>\$ 1,421,411</u> |
| Revenues and other sources over<br>(under) expenditures and other uses | \$ 117,916          | \$ (240,811)        |                                         | \$ 158,478          |
| Unencumbered fund balance - January 1                                  | <u>308,367</u>      | <u>240,811</u>      |                                         | <u>149,888</u>      |
| Unencumbered fund balance - December 31                                | <u>\$ 426,283</u>   | <u>\$ -</u>         |                                         | <u>\$ 308,366</u>   |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**CAPITAL PROJECT FUND**  
**CONSTRUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                | <u>2010</u>         | <u>2010<br/>Budget</u> | Variance-<br>Favorable<br>(Unfavorable) | <u>2009<br/>Actual</u> |
|----------------------------------------------------------------|---------------------|------------------------|-----------------------------------------|------------------------|
| <u>Revenues and other sources</u>                              |                     |                        |                                         |                        |
| Interest on investments                                        | \$ 10,840           |                        |                                         | \$ 18,986              |
| State revenue                                                  | 252,555             |                        |                                         | 74,498                 |
| Federal grant                                                  | 868,324             |                        |                                         | -                      |
| Federal grant-ARRA                                             | -                   |                        | NO                                      | -                      |
| Reimbursements                                                 | -                   |                        |                                         | 101,000                |
| Sale of temporary notes                                        | 6,297,951           |                        |                                         | 1,950,000              |
| Other                                                          | 15,433              |                        |                                         | -                      |
|                                                                | <u>\$ 7,445,103</u> |                        | CERTIFIED                               | <u>\$ 2,144,484</u>    |
| <u>Expenditures and other uses</u>                             |                     |                        |                                         |                        |
| Payments to contractors                                        | \$ 3,573,915        |                        |                                         | \$ 1,030,914           |
| Engineering                                                    | 20,336              |                        |                                         | 366,877                |
| Interest                                                       | 66,650              |                        | BUDGET                                  | 31,488                 |
| Other construction costs and repair                            | 2,900,432           |                        |                                         | 63,962                 |
| Equipment & land                                               | 113,021             |                        |                                         | 5,993                  |
| Retirement of temporary notes                                  | -                   |                        |                                         | 960,000                |
| Other entity contributions                                     | -                   |                        |                                         | 38,304                 |
|                                                                | <u>\$ 6,674,354</u> |                        |                                         | <u>\$ 2,497,538</u>    |
| Revenues over (under) expenditures and<br>other sources (uses) | \$ 770,749          |                        |                                         | \$ (353,054)           |
| Unencumbered fund balance - January 1                          | <u>371,317</u>      |                        |                                         | <u>724,371</u>         |
| Unencumbered fund balance - December 31                        | <u>\$ 1,142,066</u> |                        |                                         | <u>\$ 371,317</u>      |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**MAJOR GOVERNMENTAL FUND**  
**PUBLIC BUILDING COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                | <u>2010</u>         | <u>2010<br/>Budget</u> | <u>Variance-<br/>Favorable<br/>(Unfavorable)</u> | <u>2009<br/>Actual</u> |
|----------------------------------------------------------------|---------------------|------------------------|--------------------------------------------------|------------------------|
| <u>Revenues and other sources</u>                              |                     |                        |                                                  |                        |
| Interest on investments                                        | \$ -                |                        |                                                  | \$ -                   |
| State revenue                                                  | -                   |                        |                                                  | -                      |
| Sale of bonds                                                  | -                   |                        | NO                                               | 22,699,369             |
| Bond premium                                                   | 86,583              |                        |                                                  | 72,477                 |
| Lease purchase of funds                                        | 1,514,548           |                        |                                                  | -                      |
| Reimbursements                                                 | -                   |                        |                                                  | -                      |
| Federal grant                                                  | -                   |                        | CERTIFIED                                        | -                      |
| Other                                                          | -                   |                        |                                                  | -                      |
|                                                                | <u>\$ 1,601,131</u> |                        |                                                  | <u>\$ 22,771,846</u>   |
|                                                                |                     |                        | BUDGET                                           |                        |
| <u>Expenditures and other uses</u>                             |                     |                        |                                                  |                        |
| Payments to contractors                                        | \$ 819,021          |                        |                                                  | \$ 16,485,000          |
| Engineering                                                    | -                   |                        |                                                  | -                      |
| Interest                                                       | 1,514,548           |                        |                                                  | -                      |
| Cost of issuance                                               | -                   |                        |                                                  | 103,678                |
| Other construction costs and repair                            | 2,034,455           |                        |                                                  | 24,175                 |
| Equipment & land                                               | -                   |                        |                                                  | -                      |
| Other entity contributions                                     | -                   |                        |                                                  | -                      |
|                                                                | <u>\$ 4,368,024</u> |                        |                                                  | <u>\$ 16,612,853</u>   |
| Revenues over (under) expenditures and<br>other sources (uses) | \$ (2,766,893)      |                        |                                                  | \$ 6,158,993           |
| Unencumbered fund balance - January 1                          | <u>6,158,993</u>    |                        |                                                  | <u>-</u>               |
| Unencumbered fund balance - December 31                        | <u>\$ 3,392,100</u> |                        |                                                  | <u>\$ 6,158,993</u>    |

The Notes to the Financial Statements are an integral part of this statement

# CITY OF ARKANSAS CITY, KANSAS

## BUDGETED ENTERPRISE FUNDS

### WATER FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL - BUDGETARY BASIS

#### FOR THE YEAR ENDED DECEMBER 31, 2010

|                                                             | 2010<br>Actual | 2010<br>Budget | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual |
|-------------------------------------------------------------|----------------|----------------|-----------------------------------------|----------------|
| <u>Revenues and other sources</u>                           |                |                |                                         |                |
| Water sales                                                 | \$ 3,151,114   | \$ 2,740,000   | \$ 411,114                              | \$ 2,801,270   |
| Connect and disconnect                                      | 102,993        | 46,100         | 56,893                                  | 98,923         |
| Non-metered sales                                           | 456            | -              | 456                                     | 1,441          |
| Plumbing permits                                            | 1,124          | 1,800          | (676)                                   | 1,573          |
| Penalties                                                   | 29,550         | 25,000         | 4,550                                   | 28,241         |
| Interest income                                             | 6,851          | 20,000         | (13,149)                                | 23,346         |
| Sales tax                                                   | 47,344         | 25,000         | 22,344                                  | 35,564         |
| State fee                                                   | 21,639         | 19,000         | 2,639                                   | 20,687         |
| Miscellaneous                                               | 67,127         | 41,100         | 26,027                                  | 65,856         |
| KDHE loan proceeds                                          | 1,130,872      | -              | 1,130,872                               | -              |
| Reimbursements                                              | 1,013          | -              | 1,013                                   | 7,203          |
| Total revenues and other sources                            | \$ 4,560,083   | \$ 2,918,000   | \$ 1,642,083                            | \$ 3,084,104   |
| <u>Expenditures and other uses</u>                          |                |                |                                         |                |
| General government                                          | \$ 514,176     | \$ 503,225     | \$ (10,951)                             | \$ 438,205     |
| Supervision                                                 | 213,255        | 206,768        | (6,487)                                 | 195,817        |
| Pumping and supply                                          | 959,838        | 957,439        | (2,399)                                 | 833,253        |
| Meter reading                                               | 138,296        | 149,939        | 11,643                                  | 113,216        |
| Distribution                                                | 417,862        | 543,064        | 125,202                                 | 438,026        |
| Capital outlay                                              | 1,279,023      | 194,911        | (1,084,112)                             | 87,237         |
| Principal                                                   | 173,991        | 173,971        | (20)                                    | 165,357        |
| Interest                                                    | 37,601         | 38,194         | 593                                     | 50,369         |
| Transfer out                                                | 700,000        | -              | (700,000)                               | 300,000        |
| Legal water fund budget                                     | \$ 4,434,043   | \$ 2,767,511   | \$ (1,666,532)                          | \$ 2,621,480   |
| Adjustment for qualified budget credits                     | -              | -              | 1,131,885                               | -              |
| Total expenditures and other uses                           | \$ 4,434,043   | \$ 2,767,511   | \$ (534,647)                            | \$ 2,621,480   |
| Revenues over (under) expenditures and other sources (uses) | \$ 126,040     | \$ 150,489     |                                         | \$ 462,625     |
| Unencumbered fund balance - January 1                       | 1,884,524      | 1,201,575      |                                         | 1,421,899      |
| Unencumbered fund balance - December 31                     | \$ 2,010,564   | \$ 1,352,064   |                                         | \$ 1,884,524   |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED ENTERPRISE FUNDS**  
**SEWAGE DISPOSAL AND TREATMENT PLANTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                             | 2010<br>Actual      | 2010<br>Budget      | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual      |
|-------------------------------------------------------------|---------------------|---------------------|-----------------------------------------|---------------------|
| <u>Revenues and other sources</u>                           |                     |                     |                                         |                     |
| Sewer service                                               | \$ 1,799,108        | \$ 1,800,000        | \$ (892)                                | \$ 1,777,633        |
| Sewer taps                                                  | -                   | -                   | -                                       | -                   |
| Interest                                                    | 3,848               | 18,300              | (14,452)                                | 21,791              |
| ARRA Debt Foregiven                                         | -                   | -                   | -                                       | -                   |
| Reimbursements                                              | 9,938               | 1,000               | 8,938                                   | 2,364               |
| Total revenues and other sources                            | <u>\$ 1,812,894</u> | <u>\$ 1,819,300</u> | <u>\$ (6,406)</u>                       | <u>\$ 1,801,788</u> |
| <u>Expenditures and other uses</u>                          |                     |                     |                                         |                     |
| General government                                          | \$ 448,093          | \$ 466,985          | \$ 18,892                               | \$ 404,003          |
| Supervision                                                 | 85,034              | 86,764              | 1,730                                   | 93,081              |
| Disposal and treatment                                      | 379,511             | 522,563             | 143,052                                 | 377,132             |
| Collection                                                  | 202,892             | 248,831             | 45,939                                  | 199,828             |
| Capital outlay                                              | 116,109             | 141,770             | 25,661                                  | 124,446             |
| Principal                                                   | 121,842             | 121,842             | -                                       | 115,356             |
| Interest                                                    | 29,601              | 40,298              | 10,697                                  | 24,970              |
| State revolving loan principal                              | 263,748             | 263,748             | -                                       | 254,778             |
| State revolving loan interest                               | 10,812              | 10,813              | 1                                       | 19,139              |
| Fiscal agency fees                                          | 836                 | 835                 | (1)                                     | 1,476               |
| Transfer out                                                | 375,000             | 250,000             | (125,000)                               | 275,000             |
| Total expenditures and other uses                           | <u>\$ 2,033,478</u> | <u>\$ 2,154,449</u> | <u>\$ 120,971</u>                       | <u>\$ 1,889,210</u> |
| Revenues over (under) expenditures and other sources (uses) | \$ (220,584)        | \$ (335,149)        |                                         | \$ (87,422)         |
| Unencumbered fund balance - January 1                       | <u>1,048,567</u>    | <u>777,165</u>      |                                         | <u>1,135,989</u>    |
| Unencumbered fund balance - December 31                     | <u>\$ 827,984</u>   | <u>\$ 442,016</u>   |                                         | <u>\$ 1,048,567</u> |

The Notes to the Financial Statements are an integral part of this statement

# CITY OF ARKANSAS CITY, KANSAS

## BUDGETED ENTERPRISE FUNDS

### SANITATION FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL - BUDGETARY BASIS

#### FOR THE YEAR ENDED DECEMBER 31, 2010

|                                                             | 2010<br>Actual      | 2010<br>Budget      | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual      |
|-------------------------------------------------------------|---------------------|---------------------|-----------------------------------------|---------------------|
| <u>Revenues and other sources</u>                           |                     |                     |                                         |                     |
| Collections                                                 | \$ 1,378,016        | \$ 1,372,300        | \$ 5,716                                | \$ 1,383,089        |
| Interest                                                    | 1,004               | 2,300               | (1,296)                                 | 2,853               |
| Reimbursements                                              | 47                  | -                   | 47                                      | 843                 |
| Other                                                       | 3,943               | 1,000               | 2,943                                   | 3,420               |
| Total revenues and other sources                            | <u>\$ 1,383,010</u> | <u>\$ 1,375,600</u> | <u>\$ 7,410</u>                         | <u>\$ 1,390,205</u> |
| <u>Expenditures and other uses</u>                          |                     |                     |                                         |                     |
| General government                                          | \$ 185,414          | \$ 198,545          | \$ 13,131                               | \$ 176,702          |
| Supervision                                                 | 26,159              | 43,780              | 17,621                                  | 84,246              |
| Sanitation                                                  | 878,736             | 906,230             | 27,494                                  | 871,586             |
| Capital outlay                                              | 44,698              | 59,400              | 14,702                                  | 39,381              |
| Principal                                                   | -                   | -                   | -                                       | -                   |
| Interest and fees                                           | -                   | -                   | -                                       | -                   |
| Transfer out                                                | 160,000             | 110,000             | (50,000)                                | 95,000              |
| Total expenditures and other uses                           | <u>\$ 1,295,007</u> | <u>\$ 1,317,955</u> | <u>\$ 22,948</u>                        | <u>\$ 1,266,915</u> |
| Revenues over (under) expenditures and other sources (uses) | \$ 88,003           | \$ 57,645           |                                         | \$ 123,290          |
| Unencumbered fund balance - January 1                       | <u>200,505</u>      | <u>221,813</u>      |                                         | <u>77,215</u>       |
| Unencumbered fund balance - December 31                     | <u>\$ 288,508</u>   | <u>\$ 279,458</u>   |                                         | <u>\$ 200,505</u>   |

The Notes to the Financial Statements are an integral part of this statement

# CITY OF ARKANSAS CITY, KANSAS

## BUDGETED ENTERPRISE FUNDS

### STORM SEWER FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL - BUDGETARY BASIS

#### FOR THE YEAR ENDED DECEMBER 31, 2010

|                                                             | 2010<br>Actual    | 2010<br>Budget    | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Actual    |
|-------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|-------------------|
| <u>Revenues and other sources</u>                           |                   |                   |                                         |                   |
| Service charges                                             | \$ 191,562        | \$ 200,000        | \$ (8,438)                              | \$ 196,812        |
| Interest                                                    | 1,142             | 5,000             | (3,858)                                 | 5,272             |
| Reimbursements                                              | -                 | -                 | -                                       | 7,860             |
| Total revenues and other sources                            | <u>\$ 192,705</u> | <u>\$ 205,000</u> | <u>\$ (12,295)</u>                      | <u>\$ 209,944</u> |
| <u>Expenditures and other uses</u>                          |                   |                   |                                         |                   |
| Public works                                                | \$ 122,805        | \$ 191,150        | \$ 68,345                               | \$ 203,479        |
| Capital outlay                                              | -                 | -                 | -                                       | 32,996            |
| Total expenditures and other uses                           | <u>\$ 122,805</u> | <u>\$ 191,150</u> | <u>\$ 68,345</u>                        | <u>\$ 236,475</u> |
| Revenues over (under) expenditures and other sources (uses) | \$ 69,900         | \$ 13,850         |                                         | \$ (26,531)       |
| Unencumbered fund balance - January 1                       | <u>350,140</u>    | <u>377,021</u>    |                                         | <u>376,671</u>    |
| Unencumbered fund balance - December 31                     | <u>\$ 420,040</u> | <u>\$ 390,871</u> |                                         | <u>\$ 350,140</u> |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**  
**BUDGETED INTERNAL SERVICE FUNDS**  
**EQUIPMENT RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                                                | 2010<br>Actual | 2010<br>Budget | Variance-<br>Favorable<br>(Unfavorable) | 2009<br>Total |
|----------------------------------------------------------------|----------------|----------------|-----------------------------------------|---------------|
| <u>Revenues and other sources</u>                              |                |                |                                         |               |
| Charge for service                                             | \$ -           |                |                                         | \$ -          |
| Insurance                                                      | -              |                |                                         | -             |
| Interest                                                       | 318            |                | NO                                      | 2,115         |
| Proceeds from lease obligations                                | -              |                |                                         | -             |
| Repayments from other funds                                    | 122,115        |                |                                         | -             |
| Transfer in                                                    | -              |                |                                         | 63,539        |
| Total revenues and other sources                               | \$ 122,433     |                |                                         | \$ 65,654     |
|                                                                |                |                | CERTIFIED                               |               |
| <u>Expenditures and other uses</u>                             |                |                |                                         |               |
| Contractual services                                           | \$ -           |                |                                         | \$ -          |
| Reimbursed expenses                                            | -              |                |                                         | -             |
| Capital Outlay                                                 | 252,305        |                | BUDGET                                  | 133,615       |
| Total expenditures and other uses                              | \$ 252,305     |                |                                         | \$ 133,615    |
| Revenues over (under) expenditures and<br>other sources (uses) | \$ (129,872)   |                |                                         | \$ (67,961)   |
| Unencumbered fund balance - January 1                          | 95,668         |                |                                         | 163,629       |
| Unencumbered fund balance - December 31                        | \$ (34,204)    |                |                                         | \$ 95,668     |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**TRUST AND AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                             | Balance<br>1/1/2010 | Additions  | Deductions | Balance<br>12/31/2010 |
|-----------------------------|---------------------|------------|------------|-----------------------|
| Municipal Court             |                     |            |            |                       |
| <u>ASSETS</u>               |                     |            |            |                       |
| Cash                        | \$ 65,224           | \$ 607,177 | \$ 601,753 | \$ 70,648             |
| <u>LIABILITIES</u>          |                     |            |            |                       |
| Accounts payable            | \$ 42,672           | \$ 52,667  | \$ 42,672  | \$ 52,667             |
| Due to agency               | 22,552              | 554,510    | 559,081    | 17,981                |
| Total liabilities           | \$ 65,224           | \$ 607,177 | \$ 601,753 | \$ 70,648             |
| Community Contribution      |                     |            |            |                       |
| <u>ASSETS</u>               |                     |            |            |                       |
| Cash                        | \$ 79,627           | \$ 115,484 | \$ 121,334 | \$ 73,777             |
| Federal grant cash          | -                   | -          | -          | -                     |
| Total assets                | \$ 79,627           | \$ 115,484 | \$ 121,334 | \$ 73,777             |
| <u>LIABILITIES</u>          |                     |            |            |                       |
| Accounts payable            | \$ 1,350            | \$ 5,010   | \$ 1,350   | \$ 5,010              |
| Due to agency               | 78,277              | 110,474    | 119,984    | 68,767                |
| Total liabilities           | \$ 79,627           | \$ 115,484 | \$ 121,334 | \$ 73,777             |
| Total Trust and Agency Fund |                     |            |            |                       |
| <u>ASSETS</u>               |                     |            |            |                       |
| Cash                        | \$ 144,851          | \$ 722,661 | \$ 723,087 | \$ 144,425            |
| Federal grant cash          | -                   | -          | -          | -                     |
| Total assets                | \$ 144,851          | \$ 722,661 | \$ 723,087 | \$ 144,425            |
| <u>LIABILITIES</u>          |                     |            |            |                       |
| Accounts payable            | \$ 44,022           | \$ 57,677  | \$ 44,022  | \$ 57,677             |
| Due to agency               | 100,829             | 664,984    | 679,065    | 86,748                |
| Total liabilities           | \$ 144,851          | \$ 722,661 | \$ 723,087 | \$ 144,425            |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**NONMAJOR COMPONENT UNIT**  
**SOUTH CENTRAL KANSAS REGIONAL MEDICAL CENTER**  
**COMBINING STATEMENT OF NET ASSETS - BUSINESS TYPE ACTIVITY**  
**DECEMBER 31, 2010**

|                                                       | <u>2010</u>          | <u>2009</u>          |
|-------------------------------------------------------|----------------------|----------------------|
|                                                       | Total                | Total                |
| <u>ASSETS</u>                                         |                      |                      |
| Current Assets:                                       |                      |                      |
| Cash and cash equivalents                             | \$ 4,021,243         | \$ 5,483,930         |
| Patient receivables (net of allowance \$1,610,000):   | 2,326,114            | 1,650,291            |
| Sales tax receivables                                 | 438,639              | 442,190              |
| Prepaid expenses                                      | 1,173,558            | 1,045,408            |
| Total current assets                                  | <u>\$ 7,959,554</u>  | <u>\$ 8,621,819</u>  |
| Noncurrent assets:                                    |                      |                      |
| Other noncurrent assets                               | \$ 386,707           | \$ 400,684           |
| Capital lease interest in<br>unexpended bond proceeds | 6,844,306            | 21,648,266           |
| Cash held under bond indenture                        | 100,000              | 100,000              |
| Capital assets, net                                   | 23,844,088           | 4,993,822            |
| Total noncurrent assets                               | <u>\$ 31,175,101</u> | <u>\$ 27,142,772</u> |
| Total assets                                          | <u>\$ 39,134,655</u> | <u>\$ 35,764,591</u> |
| <u>LIABILITIES</u>                                    |                      |                      |
| Current Liabilities:                                  |                      |                      |
| Accounts payable                                      | \$ 431,362           | \$ 264,547           |
| Accrued expenses                                      | 1,061,522            | 1,009,533            |
| Estimated amt due to 3rd parties                      | 120,000              | 90,000               |
| Deferred revenues                                     | 87,072               | 87,072               |
| Current portion of long term debt                     | 703,127              | 333,338              |
| Total current liabilities                             | <u>\$ 2,403,083</u>  | <u>\$ 1,784,490</u>  |
| Long-term debt                                        | <u>\$ 25,344,919</u> | <u>\$ 23,118,939</u> |
| Total liabilities                                     | <u>\$ 27,748,002</u> | <u>\$ 24,903,429</u> |
| <u>NET ASSETS</u>                                     |                      |                      |
| Invested in capital assets, net of related debt       | \$ 4,522,750         | \$ 3,083,302         |
| Debt service                                          | 504,849              | 504,849              |
| Restricted for capital acquisitions                   | 100,000              | 100,000              |
| Unrestricted                                          | 6,259,054            | 7,173,011            |
| Total net assets                                      | <u>\$ 11,386,653</u> | <u>\$ 10,861,162</u> |
| Total liabilities and net assets                      | <u>\$ 39,134,655</u> | <u>\$ 35,764,591</u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**NONMAJOR COMPONENT UNIT - BUSINESS-TYPE**  
**SOUTH CENTRAL KANSAS REGIONAL MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                          | <u>2010</u>                 | <u>2009</u>                 |
|------------------------------------------|-----------------------------|-----------------------------|
|                                          | Total                       | Total                       |
| Operating revenues:                      |                             |                             |
| Net patient service revenue              | \$ 14,788,758               | \$ 14,204,010               |
| Other                                    | 171,819                     | 144,749                     |
| Total operating revenues                 | <u>\$ 14,960,577</u>        | <u>\$ 14,348,759</u>        |
| Operating expenses:                      |                             |                             |
| Salaries and wages                       | \$ 7,213,683                | \$ 6,864,272                |
| Employee benefits                        | 1,440,272                   | 1,347,843                   |
| Purchased services and professional fees | 2,250,524                   | 1,724,782                   |
| Supplies and other                       | 3,647,328                   | 3,381,221                   |
| Depreciation and amortization            | 714,736                     | 739,774                     |
| Total operating expenses                 | <u>\$ 15,266,543</u>        | <u>\$ 14,057,892</u>        |
| Operating income (loss)                  | <u>\$ (305,966)</u>         | <u>\$ 290,867</u>           |
| Nonoperating revenues (expenses):        |                             |                             |
| Investment income                        | \$ 48,990                   | \$ 97,162                   |
| Interest expense                         | (15,585)                    | (27,233)                    |
| Sales tax revenue                        | 762,446                     | 564,424                     |
| Noncapital grants and gifts              | 35,606                      | 12,957                      |
| Total nonoperating revenues (expenses)   | <u>\$ 831,457</u>           | <u>\$ 647,310</u>           |
| Change in net assets                     | \$ 525,491                  | \$ 938,177                  |
| Net assets at beginning of year          | <u>10,861,162</u>           | <u>9,922,985</u>            |
| Net assets at end of year                | <u><u>\$ 11,386,653</u></u> | <u><u>\$ 10,861,162</u></u> |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**NONMAJOR COMPONENT UNIT**  
**ARKANSAS CITY PUBLIC LIBRARY**  
**COMBINING STATEMENT OF NET ASSETS - BUSINESS TYPE ACTIVITY**  
**DECEMBER 31, 2010**

|                                     | <u>2010</u><br><u>Total</u> | <u>2009</u><br><u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| <u>ASSETS</u>                       |                             |                             |
| Current Assets:                     |                             |                             |
| Cash and cash equivalents           | \$ 151,361                  | \$ 160,257                  |
| <u>LIABILITIES</u>                  |                             |                             |
| Current Liabilities:                |                             |                             |
| Accounts payable                    | \$ 4,856                    | \$ 6,717                    |
| <u>NET ASSETS</u>                   |                             |                             |
| Restricted for employee benefits    | \$ -                        | \$ -                        |
| Restricted for capital improvements | 103,758                     | 145,623                     |
| Unrestricted                        | 42,747                      | 7,917                       |
| Total net assets                    | \$ 146,505                  | \$ 153,540                  |
| Total liabilities and net assets    | \$ 151,361                  | \$ 160,257                  |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**NONMAJOR COMPONENT UNIT - BUSINESS-TYPE**  
**ARKANSAS CITY PUBLIC LIBRARY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                          | 2010<br>Total | 2009<br>Total |
|------------------------------------------|---------------|---------------|
| Operating revenues:                      |               |               |
| Taxes                                    | \$ 307,534    | \$ 317,645    |
| Grants                                   | 40,483        | 33,464        |
| Fines                                    | 14,962        | 8,886         |
| Miscellaneous                            | 4,506         | 773           |
| Total operating revenues                 | \$ 367,484    | \$ 360,768    |
| Operating expenses:                      |               |               |
| Salaries and wages                       | \$ 182,795    | \$ 193,684    |
| Employee benefits                        | 44,698        | 46,321        |
| Purchased services and professional fees | 46,695        | 46,808        |
| Supplies and other                       | 77,593        | 92,063        |
| Total operating expenses                 | \$ 351,780    | \$ 378,876    |
| Operating income (loss)                  | \$ 15,704     | \$ (18,108)   |
| Nonoperating revenues (expenses):        |               |               |
| Operating transfer in                    | \$ -          | \$ -          |
| Investment income                        | 2,611         | 4,915         |
| Capital Outlay                           | (29,000)      | -             |
| Noncapital gifts                         | 3,650         | 10,660        |
| Total nonoperating revenues (expenses)   | \$ (22,739)   | \$ 15,575     |
| Change in net assets                     | \$ (7,035)    | \$ (2,533)    |
| Net assets at beginning of year          | 153,540       | 156,073       |
| Net assets at end of year                | \$ 146,505    | \$ 153,540    |

The Notes to the Financial Statements are an integral part of this statement

# **FINANCIAL SECTION**

**Other Supplementary Information**

# CITY OF ARKANSAS CITY, KANSAS

## COMPOSITION OF CASH BALANCES

DECEMBER 31, 2010

Cash Balances Per Statement of Net Assets

|                                                       |               |
|-------------------------------------------------------|---------------|
| Total unrestricted cash and investments               | \$ 16,138,065 |
|                                                       |               |
| General fund - Restricted cash unemployment insurance | \$ 182,737    |
|                                                       |               |
| Total cash and investments                            | \$ 16,320,802 |

|                                                       | Cash Per<br>Bank<br>12/31/2010 | Plus<br>Deposit<br>In Transit | Less<br>Outstanding<br>Warrants | Cash<br>Balances<br>12/31/2010 |
|-------------------------------------------------------|--------------------------------|-------------------------------|---------------------------------|--------------------------------|
| RCB Bank:                                             |                                |                               |                                 |                                |
| #7332869                                              | \$ 7,925,206                   | \$ 19,453                     | \$ 631,552                      | \$ 7,313,107                   |
| #101813929                                            | 86,193                         | -                             | -                               | 86,193                         |
| Union State Bank                                      |                                |                               |                                 |                                |
| #121010                                               | 65,187                         | 1,607                         | 97,307                          | (30,513)                       |
| CornerBank                                            |                                |                               |                                 |                                |
| #315281                                               | 4,868,053                      | -                             | -                               | 4,868,053                      |
| Certificates of deposit -                             |                                |                               |                                 |                                |
| RCB Bank #608471                                      | 500,000                        | -                             | -                               | 500,000                        |
| #604889                                               | 500,000                        | -                             | -                               | 500,000                        |
| #609487                                               | 182,737                        | -                             | -                               | 182,737                        |
| #618793                                               | 500,000                        | -                             | -                               | 500,000                        |
| CornerBank #4014371                                   | 1,900,000                      | -                             | -                               | 1,900,000                      |
| #4014971                                              | 500,000                        | -                             | -                               | 500,000                        |
| Immaterial passed adjustments to be corrected in 2012 |                                |                               |                                 | (375)                          |
| Change funds and undeposited cash on hand             |                                |                               |                                 | 1,600                          |
| Total cash and investments                            |                                |                               |                                 | \$ 16,320,802                  |

The Notes to the Financial Statements are an integral part of this statement



**CITY OF ARKANSAS CITY, KANSAS**  
**INSURANCE COVERAGE**  
**DECEMBER 31, 2010**

Property

|                                              |                                                  |               |
|----------------------------------------------|--------------------------------------------------|---------------|
| Various municipal buildings and contents     | Fire and extended coverage                       | \$ 28,389,755 |
| Automobile fleet coverage                    | Bodily injury:                                   |               |
|                                              | Each occurrence                                  | 500,000       |
|                                              | Uninsured motorist:                              |               |
|                                              | Each occurrence                                  | 500,000       |
| Automobile - specific vehicles               | Comprehensive, collision<br>and specified perils | Various       |
| 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                              | 32,500        |
| Contractors equipment                        | General - Aggregate                              | 921,694       |
| Radio ,TV, broadcast equipment<br>and towers |                                                  | 68,000        |

The Notes to the Financial Statements are an integral part of this statement

# CITY OF ARKANSAS CITY, KANSAS

## FIDELITY BONDS DECEMBER 31, 2010

|                                               | <u>Expiration<br/>Date</u> | <u>Bond<br/>Amount</u> |
|-----------------------------------------------|----------------------------|------------------------|
| Public Employee's Blanket                     | 1/1/2011                   | \$ 100,000             |
| City Commission:                              |                            |                        |
| Dotty Smith                                   | 4/25/2011                  | 5,000                  |
| Patrick McDonald                              | 4/25/2011                  | 5,000                  |
| Mell Kuhn                                     | 4/25/2011                  | 5,000                  |
| Jean Snell                                    | 4/25/2011                  | 5,000                  |
| Jay Warren                                    | 4/25/2011                  | 5,000                  |
| Judge of Municipal Court - N. M. Iverson, Jr. | 4/25/2011                  | 5,000                  |
| City Manager - Steve Archer                   | 9/1/2011                   | 50,000                 |
| City Treasurer - Kathy Braungardt             | 9/1/2011                   | 50,000                 |
| City Clerk - Leslie Shook                     | 9/1/2011                   | 50,000                 |
| Director of Administration - Lane Massey      | 9/1/2011                   | 50,000                 |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**SCHEDULE OF INDEBTEDNESS**  
**DECEMBER 31, 2010**

|                                       | Series Number | Date of Issue | Interest Rate  | Original Amount | Date of Maturity | Outstanding 12/31/2009 | Issued       | Retired      | Outstanding 12/31/2010 |
|---------------------------------------|---------------|---------------|----------------|-----------------|------------------|------------------------|--------------|--------------|------------------------|
| <b>General obligation bonds</b>       |               |               |                |                 |                  |                        |              |              |                        |
| Internal improvements                 | 2001          | 10/1/2001     | 3.15% to 4.25% | \$ 1,175,000    | 12/1/2011        | \$ 280,000             | -            | \$ 135,000   | \$ 145,000             |
| Internal improvements                 | 2002          | 4/1/2002      | 3.50% to 5.30% | 2,200,000       | 4/1/2012         | 765,000                | -            | 245,000      | 520,000                |
| Internal improvements                 | 2003          | 8/1/2003      | 2.50% to 3.75% | 3,685,000       | 12/1/2013        | 1,655,000              | -            | 390,000      | 1,265,000              |
| Internal improvements                 | 2005          | 12/1/2005     | 3.60% to 5.50% | 2,095,000       | 12/1/2015        | 1,360,000              | -            | 205,000      | 1,155,000              |
| Internal improvements                 | 2008          | 9/1/2008      | 2.10% to 4.00% | 2,545,000       | 12/1/2018        | 2,360,000              | -            | 220,000      | 2,140,000              |
| Internal improvements                 | 2009          | 7/1/2009      | 2.50% to 3.70% | 1,950,000       | 7/1/2019         | 1,950,000              | -            | 130,000      | 1,820,000              |
| <b>Total general obligation bonds</b> |               |               |                |                 |                  |                        |              |              |                        |
|                                       |               |               |                | \$ 8,370,000    |                  | \$ 8,370,000           | \$ -         | \$ 1,325,000 | \$ 7,045,000           |
| <b>Capital Leases</b>                 |               |               |                |                 |                  |                        |              |              |                        |
| Fire Truck                            | 2006          | 8/18/2006     | 4.89%          | \$ 668,665      | 2/1/2016         | \$ 488,015             | \$ -         | \$ 60,944    | \$ 427,071             |
| Ambulance                             | 2007          | 10/30/2007    | 4.43%          | 153,422         | 2/1/2010         | 51,703                 | -            | 51,703       | -                      |
| <b>Total capital leases</b>           |               |               |                |                 |                  |                        |              |              |                        |
|                                       |               |               |                | \$ 822,087      |                  | \$ 539,718             | \$ -         | \$ 112,647   | \$ 427,071             |
| <b>Temporary Notes</b>                |               |               |                |                 |                  |                        |              |              |                        |
| Internal improvements                 | 2010          | 5/1/2010      | 2.15%          | \$ 6,200,000    | 5/1/2013         | \$ -                   | \$ 6,200,000 | \$ -         | \$ 6,200,000           |
| <b>KDHE &amp; CDBG loans</b>          |               |               |                |                 |                  |                        |              |              |                        |
| KDHE revolving loan                   | 2000          | 1/10/2000     | 3.49%          | \$ 2,990,300    | 9/1/2021         | \$ 399,083             | \$ -         | \$ 263,747   | \$ 135,336             |
| KDHE revolving loan                   | 2009          | 11/18/2009    | 3.12%          | 1,320,000       | 8/1/2030         | -                      | 1,130,872    | 330,000      | 800,872                |
| <b>Total KDHE &amp; CDBG loans</b>    |               |               |                |                 |                  |                        |              |              |                        |
|                                       |               |               |                | \$ 4,310,300    |                  | \$ 399,083             | \$ 1,130,872 | \$ 593,747   | \$ 936,208             |
| <b>Certificates of participation</b>  |               |               |                |                 |                  |                        |              |              |                        |
| Humane Society                        | 2002          | 12/1/2002     | 4.59%          | \$ 350,000      | 12/1/2012        | \$ 179,023             | \$ -         | \$ 55,797    | \$ 123,226             |
| <b>Revenue bonds</b>                  |               |               |                |                 |                  |                        |              |              |                        |
| Public building commission            | 2009          | 7/1/2009      | 4.00% to 5.60% | \$ 23,205,000   | 7/1/2039         | \$ 23,205,000          | \$ -         | \$ -         | \$ 23,205,000          |
| <b>Total indebtedness</b>             |               |               |                |                 |                  |                        |              |              |                        |
|                                       |               |               |                | \$ 32,692,824   |                  | \$ 32,692,824          | \$ 7,330,872 | \$ 2,087,191 | \$ 37,936,505          |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**SUPPLEMENT TO SCHEDULE OF INDEBTEDNESS**  
**DECEMBER 31, 2010**

|                                     | Issued           | Retired          |
|-------------------------------------|------------------|------------------|
| Totals per Schedule of Indebtedness | \$ 7,330,872     | \$ 2,087,191     |
| Per individual fund statements:     |                  |                  |
| Bond and interest                   | -                | 1,029,167        |
| Capital projects                    | 6,200,000        | -                |
| Water                               | 1,130,872        | 503,991          |
| Sewage disposal and treatment       | -                | 385,588          |
| Project independence                | -                | -                |
| General                             | -                | 168,445          |
| Public building commission          | -                | -                |
|                                     | \$ 7,330,872     | \$ 2,087,191     |
| Sub-total                           | \$ 7,330,872     | \$ 2,087,191     |
| <br>Total                           | <br>\$ 7,330,872 | <br>\$ 2,087,191 |

The Notes to the Financial Statements are an integral part of this statement

**CITY OF ARKANSAS CITY, KANSAS**  
**SCHEDULE OF MATURITY OF LONG-TERM DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                     | 2011                | 2012                | 2013                | 2014                | 2015                | 2016-2020            | 2021-2025           | 2026-2030           | 2031-2035           | 2036-2040            | Total                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Principal</b>                    |                     |                     |                     |                     |                     |                      |                     |                     |                     |                      |                      |
| General obligation bond             | \$ 1,420,000        | \$ 1,320,000        | \$ 1,105,000        | \$ 695,000          | \$ 720,000          | \$ 1,785,000         | \$ -                | \$ -                | \$ -                | \$ -                 | \$ 7,045,000         |
| Temporary notes                     | -                   | -                   | 6,200,000           | -                   | -                   | -                    | -                   | -                   | -                   | -                    | 6,200,000            |
| Certificates of participation       | 59,636              | 63,590              | -                   | -                   | -                   | -                    | -                   | -                   | -                   | -                    | 123,226              |
| Lease purchase                      | 62,996              | 66,120              | 69,357              | 72,836              | 76,448              | 79,314               | -                   | -                   | -                   | -                    | 427,071              |
| KDHE & CDBG loans                   | 182,012             | 48,310              | 50,001              | 51,751              | 53,562              | 297,279              | 253,293             | -                   | -                   | -                    | 936,208              |
| Revenue Bonds PBC                   | -                   | 370,000             | 383,000             | 405,000             | 423,000             | 1,920,000            | 3,090,000           | 4,250,000           | -                   | 12,360,000           | 23,205,000           |
| <b>Total principal</b>              | <b>\$ 1,724,644</b> | <b>\$ 1,868,020</b> | <b>\$ 7,809,358</b> | <b>\$ 1,224,587</b> | <b>\$ 1,275,010</b> | <b>\$ 4,081,593</b>  | <b>\$ 3,343,293</b> | <b>\$ 4,250,000</b> | <b>\$ -</b>         | <b>\$ 12,360,000</b> | <b>\$ 37,936,505</b> |
| <b>Interest and Fees</b>            |                     |                     |                     |                     |                     |                      |                     |                     |                     |                      |                      |
| General obligation bond             | \$ 240,166          | \$ 191,350          | \$ 151,148          | \$ 112,608          | \$ 89,690           | \$ 151,483           | \$ -                | \$ -                | \$ -                | \$ -                 | \$ 936,445           |
| Temporary notes                     | 133,300             | 133,300             | 66,500              | -                   | -                   | -                    | -                   | -                   | -                   | -                    | 333,100              |
| Certificates of participation       | 5,679               | 1,725               | -                   | -                   | -                   | -                    | -                   | -                   | -                   | -                    | 7,404                |
| Lease purchase                      | 21,220              | 18,096              | 14,859              | 11,379              | 7,768               | 4,902                | -                   | -                   | -                   | -                    | 78,224               |
| KDHE & CDBG loans                   | 47,764              | 43,768              | 42,078              | 40,327              | 38,517              | 163,115              | 86,285              | -                   | -                   | -                    | 461,854              |
| Revenue Bonds PBC                   | 1,514,548           | 1,514,547           | 1,499,747           | 1,482,422           | 1,463,185           | 6,966,095            | 6,143,688           | 4,881,750           | 3,072,888           | 696,800              | 29,235,670           |
| <b>Total interest</b>               | <b>\$ 1,962,677</b> | <b>\$ 1,902,786</b> | <b>\$ 1,774,332</b> | <b>\$ 1,646,736</b> | <b>\$ 1,599,160</b> | <b>\$ 7,285,595</b>  | <b>\$ 6,229,973</b> | <b>\$ 4,881,750</b> | <b>\$ 3,072,888</b> | <b>\$ 696,800</b>    | <b>\$ 31,052,697</b> |
| <b>Total principal and interest</b> | <b>\$ 3,687,321</b> | <b>\$ 3,770,806</b> | <b>\$ 9,583,690</b> | <b>\$ 2,871,323</b> | <b>\$ 2,874,170</b> | <b>\$ 11,367,188</b> | <b>\$ 9,573,266</b> | <b>\$ 9,131,750</b> | <b>\$ 3,072,888</b> | <b>\$ 13,056,800</b> | <b>\$ 68,989,202</b> |

**GOVERNMENTAL AUDIT SECTION**

**EDW. B  
STEPHENSON  
& CO., CPAs  
CHARTERED**

~~~~~

EDW. B. STEPHENSON
(1905-1985)

JAMES R. DOBBS
(1927-1997)

HARRY L. SHETLAR, JR.
(1931-2000)

MORRIS W. JARVIS
(1935-1999)

N. DEAN BRADBURY
(1936-2005)

LOREN L. PONTIOUS
(Retired)

SHAREHOLDERS

MAURICE P. ROBERTS, CPA

AARON R. IVERSON, CPA

MICHAEL B. NORTON, CPA

ACCOUNTANTS

SARAH M. KINDT

MELISSA J. SCHOOLEY

CHET D. BEERS

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

To the Board of City Commissioners
City of Arkansas City
Arkansas City, Kansas

We have audited the statutory basis financial statements of the City of Arkansas City, Kansas, as of and for the year ended December 31, 2010, and have issued our report thereon dated April 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of South Central Kansas Regional Medical Center. That audit was performed by other auditors whose report was furnished to us, and consideration over internal control over financial reporting as it relates to South Central Kansas Regional Medical Center, is based solely on the report of other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

1002 Main Street
Winfield, Kansas 67156
620-221-9320
FAX 620-221-9325

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses - (2011-2).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance. We consider the deficiencies described in the accompany schedule of findings and question costs to be significant deficiencies - (2011-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Arkansas City, Kansas, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We did not audit the financial statements of South Central Kansas Regional Medical Center. Those statements were audited by other auditors whose report has been furnished to us, and obtaining reasonable assurance about whether South Central Kansas Regional Medical Center's financial statements are free from material misstatements as it relates to the test of compliance with certain provisions of laws, regulations, contracts, and grants is based solely on the report of the other auditors.

We noted certain immaterial instances of noncompliance that we have reported to management of the City of Arkansas City, Kansas, in a separate letter dated April 2, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Arkansas City's response, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, the management of the City of Arkansas City, Kansas and federal awarding agencies and should not be used for any other purpose.

Edw. B. Stephenson II C., CPA, CMAA
Winfield, Kansas
April 2, 2012

**EDW. B
STEPHENSON
& CO., CPAs
CHARTERED**

~~~~~

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Winfield, Kansas 67156  
620-221-9320  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of City Commissioners  
City of Arkansas City  
Arkansas City, Kansas

Compliance

We have audited the compliance of the City of Arkansas City, Kansas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City of Arkansas City, Kansas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's

internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Arkansas City, Kansas, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal (state) program on a timely basis. A material weakness in internal control over compliance deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City Commission and the administration of the City of Arkansas City, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the Kansas Department of Health and Environment, the U. S. Environmental Protection Agency and is not intended to be and should not be used for anyone other than these specified parties.

*Edw. B. Stephenson & Co., CPAs CHTD*

Winfield, Kansas  
April 2, 2012

**CITY OF ARKANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED DECEMBER 31, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a unqualified opinion on the financial statements of City of Arkansas City, Kansas.
2. One significant deficiency and one material weakness relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instance of noncompliance material to the financial statements of City of Arkansas City, Kansas, was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for City of Arkansas City, Kansas, expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for City of Arkansas City, Kansas, are to be reported in Part C of this schedule.
7. The programs tested as major programs include:

FEDERAL FUNDS PAID THROUGH STATE

U. S. Environmental Protection Agency

ARRA-Capitalization Grants for Drinking Water State Revolving Funds      66.468

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Arkansas City, Kansas was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

FINDING 2011-1 Significant Deficiency in Internal Control

*Condition:* During our consideration of internal control over the elements comprising the information for the preparation of financial statements for the purpose of planning our audit, management was unable to provide a complete documentation of the components of internal control. Thus, we believe that the City has not adequately documented the internal control components, and this inadequacy is a deficiency.

**CITY OF ARKANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED DECEMBER 31, 2010**

*Criteria:* An adequately designed and effectively implemented internal control system being necessary to provide assurance of the prevention and detection of potential material misstatements of financial statements, therefore, adequate documentation of the components of internal control is essential for management to effect identification and operation of the internal control system.

*Effect:* The City was not able to adequately identify the design and implementation of all the components of the City's internal control system over financial statement reporting in order to effectively prevent or detect material misstatements.

*Recommendation:* The City should perform a comprehensive formal written risk assessment for financial statement reporting in order to effectively undertake a program to produce a complete written document identifying the design and components of the City's present internal control process.

*Response:* The City has begun to address this issue and is continuing to work on documentation of the internal controls necessary to adequately safeguard the City. Upon completion of the document a plan will be implemented to verify the controls are being followed.

**FINDING 2011-2 Material Weakness in Internal Control**

*Condition:* During the performance of our audit engagement procedures, we noted management had not adjusted account balances to reflect appropriate year-end balances. This is a necessary step to ensure the financial statements are fairly stated. The misclassified amounts were, in our judgment, material to the financial statements. Management subsequently reclassified the amounts. Since the City's control policies and procedures did not prevent or detect a material misstatement of the financial statements, we concluded that there is a material weakness in the District's control policies and procedures.

*Criteria:* In an entity that prepares financial statements in accordance with the accounting principles generally accepted in the United States and the budgetary basis of accounting, the internal control systems should prevent or detect material misstatements and any necessary adjusting journal entries should be identified by the entity prior to the preparation of its financial statements and related note disclosures.

*Effect:* The financial statements, prior to auditor's adjustment, were not materially correct.

*Recommendation:* The City should implement a program to review the financial statement elements and significant items for the proper recording, classification, and treatment prior to the financial statement audit as an element of their internal control over the preparation of the financial statements.

**CITY OF ARKANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED DECEMBER 31, 2010**

*Response:* The City begin to conduct a self-review of financial statement elements for proper recording.

C. FINDINGS AND QUESTIONED COST - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

None

**CITY OF ARKANSAS CITY, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

There are no prior audit findings relative to federal awards.

## CITY OF ARKANSAS CITY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title                                                                                                                       | Federal<br>CFDA<br>Number | Disbursements/<br>Expenditures |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------|
| <b>Federal Funds Paid Through State:</b>                                                                                                                                            |                           |                                |
| U.S. Department of Housing and Urban Development<br>Passed Through State of Kansas Department of Commerce<br>Neighborhood Stabilization Program Grant                               | 14.228                    | \$ 93,802                      |
| <b>Total Department of Housing and Urban Development</b>                                                                                                                            |                           | <u>\$ 93,802</u>               |
| U.S. Department of Transportation<br>Passed Through State of Kansas Department of Transportation<br>Department of Transportation Direct Programs State and Community Highway Safety | 20.600                    | \$ 17,242                      |
| <b>Total Department of Transportation</b>                                                                                                                                           |                           | <u>\$ 17,242</u>               |
| U.S. Environmental Protection Agency<br>Passed Through State of Kansas Department of Health and Environment<br>ARRA-Capitalization Grants for Drinking Water State Revolving Funds  | 66.468                    | \$ 533,672                     |
| <b>Total U.S. Environmental Protection Agency</b>                                                                                                                                   |                           | <u>\$ 533,672</u>              |
| <b>Total Federal Funds Paid Through State</b>                                                                                                                                       |                           | <u>\$ 644,716</u>              |
| <b>Federal Funds Paid Direct to the City</b>                                                                                                                                        |                           |                                |
| United States Department of Justice<br>Recovery Act - Edward Byrne Memorial Justice Assistance Grant                                                                                | 16.804                    | 74,314                         |
| Edward Byrne Memorial Justice Assistance Grant                                                                                                                                      | 16.738                    | 12,744                         |
| Bulletproof Vest Partnership Program                                                                                                                                                | 16.607                    | 2,516                          |
| <b>Total of United States Department of Justice</b>                                                                                                                                 |                           | <u>89,574</u>                  |
| <b>Total Funds Paid Direct to City</b>                                                                                                                                              |                           | <u>\$ 89,574</u>               |
| <b>Total Expenditures of Federal Awards</b>                                                                                                                                         |                           | <u>\$ 734,290</u>              |

## Notes

- 1 The above Schedule is prepared on the same basis of accounting as used for the City's financial statements.
- 2 Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

| CFDA Number | Program Name                      | Amount provided to Subrecipients |
|-------------|-----------------------------------|----------------------------------|
| 16.580      | Cowley County Sherrifs Department | 41,486                           |

See Auditors' Report