

CITY OF LACROSSE, KANSAS
LaCrosse, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2006

CITY OF LACROSSE, KANSAS
 Financial Statements with Independent Auditors' Report
 For the Year Ended December 31, 2006

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INDEPENDENT AUDITORS' REPORT

The Mayor and City Commissioners
City of LaCrosse
LaCrosse, Kansas 67548

We have audited the accompanying financial statements of the **City of LaCrosse, Kansas**, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the **City of LaCrosse, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the **City of LaCrosse, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of LaCrosse, Kansas**, as of December 31, 2006, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of LaCrosse, Kansas**, as of December 31, 2006, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of **City of LaCrosse, Kansas**. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Adams, Brown, Beran & Ball
ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

June 4, 2007

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CITY OF LACROSSE, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2006

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Government Type Funds							
General Fund	\$ 92,051	-	704,797	700,307	96,541	24,129	120,670
Special Revenue Funds							
Trafficways	38,634	-	37,981	35,559	41,056	2,129	43,185
Equipment Reserve	79,851	-	25,000	16,300	88,551	-	88,551
Capital Improvement Reserve	165,224	-	-	56,025	109,199	1,342	110,541
Capital Improvement Res.-Streets	309,380	-	115,326	21,216	403,490	-	403,490
Special Parks	299	-	292	-	591	-	591
Total Special Revenue Funds	583,388	-	178,599	129,100	642,887	3,471	646,358
Debt Service Fund							
Bond and Interest	21,455	-	91,740	103,950	9,245	-	9,245
Fiduciary Funds							
Cemetery Trusts	37,028	-	463	185	37,296	50	37,346
Customer Deposits	-	-	9,150	9,150	-	21,415	21,415
Total Fiduciary Funds	37,028	-	9,603	9,335	37,296	21,465	58,761
Enterprise Funds							
Sanitation Utility	85,584	-	252,284	245,193	92,675	15,681	108,356
Sewer Utility Reserve	62,200	-	20,000	-	82,200	-	82,200
Revenue Water Utility	29,284	-	257,618	259,018	27,884	12,659	40,543
Water Depreciation Reserve	224,778	-	16,049	10,842	229,985	-	229,985
Revenue Electric Utility	130,017	-	1,157,836	1,149,513	138,340	69,855	208,195
Electric Depreciation Reserve	788,991	-	-	139,999	654,992	-	654,992
Total Enterprise Funds	1,320,854	-	1,703,787	1,798,565	1,226,076	98,195	1,324,271
Totals	\$ 2,064,776	-	2,688,526	2,741,257	2,012,045	147,260	2,159,305

Composition of Cash

Certificates of Deposits	\$ 900,000
Nekoma State Bank	1,000,000
Landmark National Bank	17,000
Farmers Bank & Trust - Cemetery Trusts	
Savings Accounts	10,539
Farmers Bank & Trust - Cemetery Trusts	
Checking Accounts	
Farmers Bank & Trust	229,266
Farmers Bank & Trust-Party Cash	2,500
Total Composition of Cash	\$ 2,159,305

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

CITY OF LACROSSE, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2006

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance-Favorable (Unfavorable)
Governmental Type Funds					
General Fund	\$ 733,935	-	733,935	700,307	33,628
Special Revenue Funds					
Trafficways	82,884	-	82,884	35,559	47,325
Special Parks	359	-	359	-	359
Debt Service Fund					
Bond and Interest	110,413	-	110,413	103,950	6,463
Proprietary Type Funds					
Enterprise Funds					
Sanitation Utility	263,145	-	263,145	245,193	17,952
Revenue Water Utility	290,695	-	290,695	259,018	31,677
Revenue Electric Utility	1,212,705	-	1,212,705	1,149,513	63,192

CITY OF LACROSSE, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 216,662	240,260	234,947	5,313
Delinquent Tax	-	-	4,795	(4,795)
Intangible Tax	16,589	16,003	15,408	595
Vehicle Tax	45,190	45,886	43,556	2,330
Local Sales Tax	117,667	114,588	105,000	9,588
Total Taxes	396,108	416,737	403,706	13,031
Intergovernmental				
Alcohol-Liquor Distribution	-	292	434	(142)
Federal Aid	21,241	-	-	-
Total Intergovernmental	21,241	292	434	(142)
Licenses and Permits				
Franchise Fees	44,104	45,811	20,000	25,811
Liquor and Beer Licenses	1,375	775	450	325
Permits and Inspections	2,790	1,100	1,000	100
Dog Tags and Fees	180	207	250	(43)
Total Licenses and Permits	48,449	47,893	21,700	26,193
Charges for Services				
Sale of Cemetery Lots	8,830	8,465	7,000	1,465
Total Charges for Services	8,830	8,465	7,000	1,465
Fines and Forfeitures				
Fines and Fees	8,249	9,943	6,000	3,943
Total Fines and Forfeitures	8,249	9,943	6,000	3,943
Use of Money and Property				
Swimming Pool	5,935	6,144	5,000	1,144
Community Building	4,031	4,291	3,500	791
Interest on Idle Funds	48,032	87,601	15,000	72,601
Miscellaneous	6,150	19,347	7,000	12,347
Insurance Proceeds	226,868	-	-	-
Donations	6,108	-	-	-
Rural Fire Protection	5,396	4,084	4,000	84
Transfers In	75,000	100,000	200,000	(100,000)
Total Use of Money and Property	377,520	221,467	234,500	(13,033)
Total Cash Receipts	\$ 860,397	704,797	673,340	31,457

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

CITY OF LACROSSE, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General Government	\$ 376,460	169,311	146,400	(22,911)
Police Department	159,905	159,119	157,282	(1,837)
Fire Department	14,056	13,334	28,731	15,397
Street Department	50,299	49,207	61,342	12,135
Community Building	14,383	13,898	13,500	(398)
Park Department	6,164	4,780	9,220	4,440
Cemetery Department	4,095	6,154	8,620	2,466
Swimming Pool	21,846	22,118	24,914	2,796
Employee Benefits	116,807	122,060	143,600	21,540
Transfers Out	211,815	140,326	140,326	-
Total Expenditures	<u>975,830</u>	<u>700,307</u>	<u>733,935</u>	<u>33,628</u>
Receipts Over (Under) Expenditures	(115,433)	4,490		
Unencumbered Cash, January 1	<u>207,484</u>	<u>92,051</u>		
Unencumbered Cash, December 31	<u>\$ 92,051</u>	<u>96,541</u>		

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

CITY OF LACROSSE, KANSAS

Trafficways

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
State Aid	\$ 38,551	37,981	39,360	(1,379)
Expenditures				
Supplies	852	2,129	12,000	9,871
Road Oil, Sand and Asphalt	33,879	33,430	70,884	37,454
Total Expenditures	34,731	35,559	82,884	47,325
Receipts Over (Under) Expenditures	3,820	2,422		
Unencumbered Cash, January 1	34,814	38,634		
Unencumbered Cash, December 31	\$ 38,634	41,056		

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

CITY OF LACROSSE, KANSAS
Equipment Reserve
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ 10,000	25,000
Expenditures		
Capital Outlay	-	16,300
Receipts Over (Under) Expenditures	10,000	8,700
Unencumbered Cash, January 1	<u>69,851</u>	<u>79,851</u>
Unencumbered Cash, December 31	<u>\$ 79,851</u>	<u>88,551</u>

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

CITY OF LACROSSE, KANSAS
Capital Improvement Reserve
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ -	-
Expenditures		
Capital Outlay	<u>21,465</u>	<u>56,025</u>
Receipts Over (Under) Expenditures	(21,465)	(56,025)
Unencumbered Cash, January 1	<u>186,689</u>	<u>165,224</u>
Unencumbered Cash, December 31	<u>\$ 165,224</u>	<u>109,199</u>

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

CITY OF LACROSSE, KANSAS
Capital Improvement Reserve - Streets
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ 202,315	115,326
Expenditures		
Transfers Out	<u>500</u>	<u>21,216</u>
Receipts Over (Under) Expenditures	201,815	94,110
Unencumbered Cash, January 1	<u>107,565</u>	<u>309,380</u>
Unencumbered Cash, December 31	<u>\$ 309,380</u>	<u>403,490</u>

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

CITY OF LACROSSE, KANSAS

Special Parks

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Alcoholic Liquor Tax	\$ -	292	30	262
Expenditures				
Commodities	-	-	359	359
Receipts Over (Under) Expenditures	-	292		
Unencumbered Cash, January 1	299	299		
Unencumbered Cash, December 31	\$ 299	591		

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

CITY OF LACROSSE, KANSAS

Bond and Interest

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 85,436	73,702	70,807	2,895
Delinquent Tax	-	-	1,445	(1,445)
Vehicle Tax	18,740	18,038	17,108	930
Total Cash Receipts	<u>104,176</u>	<u>91,740</u>	<u>89,360</u>	<u>2,380</u>
Expenditures				
Principal	90,000	95,000	95,000	-
Interest	14,027	8,942	10,403	1,461
Commission & Fees	14	8	10	2
Cash Basis Reserve	-	-	5,000	5,000
Total Expenditures	<u>104,041</u>	<u>103,950</u>	<u>110,413</u>	<u>6,463</u>
Receipts Over (Under) Expenditures	135	(12,210)		
Unencumbered Cash, January 1	<u>21,320</u>	<u>21,455</u>		
Unencumbered Cash, December 31	<u>\$ 21,455</u>	<u>9,245</u>		

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

CITY OF LACROSSE, KANSAS
Cemetery Trusts
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Interest from Trust Funds	\$ 283	453
Expenditures		
Miscellaneous	<u>185</u>	<u>185</u>
Receipts Over (Under) Expenditures	98	268
Unencumbered Cash, January 1	<u>36,930</u>	<u>37,028</u>
Unencumbered Cash, December 31	<u>\$ 37,028</u>	<u>37,296</u>

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

CITY OF LACROSSE, KANSAS
Customer Deposits
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Utility Deposits	\$ 7,500	9,150
Expenditures		
Utility Deposit Refunds	<u>7,500</u>	<u>9,150</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>

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

CITY OF LACROSSE, KANSAS

Sanitation Utility

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Sewer Service	\$ 100,098	105,828	89,000	16,828
Trash Service	132,914	144,963	128,000	16,963
Landfill	548	538	700	(162)
Miscellaneous	850	955	-	955
Total Cash Receipts	<u>234,410</u>	<u>252,284</u>	<u>217,700</u>	<u>34,584</u>
Expenditures				
Salaries	63,547	66,492	61,800	(4,692)
Medical Insurance	6,417	6,655	12,000	5,345
Disposal Plant Expense	2,892	5,030	3,500	(1,530)
Insurance	575	624	600	(24)
Gas and Oil	136	208	318	110
Office Expense	566	143	500	357
Sewer Repairs and Supplies	1,595	724	6,000	5,276
Trash Service	1,970	1,996	2,200	204
Contracted Service	128,540	141,607	140,000	(1,607)
Miscellaneous	1,045	1,714	2,000	286
Capital Improvements	8,245	-	14,227	14,227
Transfer to Sewer Utility Reserve	20,000	20,000	20,000	-
Total Expenditures	<u>235,528</u>	<u>245,193</u>	<u>263,145</u>	<u>17,952</u>
Receipts Over (Under) Expenditures	(1,118)	7,091		
Unencumbered Cash, January 1	<u>86,702</u>	<u>85,584</u>		
Unencumbered Cash, December 31	<u>\$ 85,584</u>	<u>92,675</u>		

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

CITY OF LACROSSE, KANSAS
Sewer Utility Reserve
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ 20,000	20,000
Expenditures		
Capital Outlay	-	-
Receipts Over (Under) Expenditures	20,000	20,000
Unencumbered Cash, January 1	<u>42,200</u>	<u>62,200</u>
Unencumbered Cash, December 31	<u>\$ 62,200</u>	<u>82,200</u>

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

CITY OF LACROSSE, KANSAS

Revenue Water Utility

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Sales to Consumers	\$ 250,935	252,903	265,000	(12,097)
Water Fee for State Water Project	1,801	1,767	2,000	(233)
Tap Fees	550	900	2,000	(1,100)
Service Charges	1,282	1,142	1,115	27
Bulk Sales	-	-	300	(300)
Miscellaneous	455	906	1,500	(594)
Total Cash Receipts	<u>255,023</u>	<u>257,618</u>	<u>271,915</u>	<u>(14,297)</u>
Expenditures				
Administration				
Salaries	-	-	2,000	2,000
Medical Insurance	-	33	500	467
Office Supplies	1,259	1,270	1,500	230
Water Fee for State Water Project	3,524	3,485	4,500	1,015
Miscellaneous	456	174	500	326
Total Administration	<u>5,239</u>	<u>4,962</u>	<u>9,000</u>	<u>4,038</u>
Production Department				
Salaries	63,353	64,595	62,830	(1,765)
Medical Insurance	7,248	7,517	12,000	4,483
Insurance	2,314	2,103	2,200	97
Gas and oil	2,069	1,333	2,000	667
Repairs	6,497	5,038	7,500	2,462
Supplies	2,079	2,741	2,000	(741)
Chemicals	69,319	56,153	65,000	8,847
Walnut Wells Utilities	7,839	7,935	9,000	1,065
Miscellaneous	1,533	1,671	500	(1,171)
Total Production Department	<u>162,251</u>	<u>149,086</u>	<u>163,030</u>	<u>13,944</u>
Distribution Department				
Salaries	41,638	42,919	50,000	7,081
Medical Insurance	20,711	21,471	25,000	3,529
Insurance	2,164	2,103	2,000	(103)
Gas and Oil	2,489	2,786	4,725	1,939
Truck and Car Maintenance	769	522	1,000	478
Shop Expense	783	916	1,000	84
Supplies	121	368	3,891	3,523
Meters and Supplies	10,771	17,126	13,000	(4,126)
Water Tower	-	-	1,000	1,000
Miscellaneous	1,111	710	1,000	290
Capital Improvements	-	-	-	-
Total Distribution Department	<u>\$ 80,557</u>	<u>88,921</u>	<u>102,616</u>	<u>13,695</u>

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

CITY OF LACROSSE, KANSAS
Revenue Water Utility
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
Transfers Out				
Transfer to Depreciation Reserve	\$ 20,000	16,049	16,049	-
Total Expenditures	268,047	259,018	290,695	31,677
Receipts Over (Under) Expenditures	(13,024)	(1,400)		
Unencumbered Cash, January 1	42,308	29,284		
Unencumbered Cash, December 31	\$ 29,284	27,884		

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

CITY OF LACROSSE, KANSAS
Water Depreciation Reserve
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ 20,000	16,049
Expenditures		
Capital Outlay	<u>3,657</u>	<u>10,842</u>
Receipts Over (Under) Expenditures	16,343	5,207
Unencumbered Cash, January 1	<u>208,435</u>	<u>224,778</u>
Unencumbered Cash, December 31	<u>\$ 224,778</u>	<u>229,985</u>

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

CITY OF LACROSSE, KANSAS

Revenue Electric Utility

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Sales to Customers	\$ 1,077,925	1,142,378	1,050,000	92,378
Service Charges	1,689	1,510	590	920
Transfer from Electric Dep. Res.	-	-	100,000	(100,000)
Miscellaneous	10,014	13,948	3,000	10,948
Total Cash Receipts	<u>1,089,628</u>	<u>1,157,836</u>	<u>1,153,590</u>	<u>4,246</u>
Expenditures				
Administration				
Salaries	26,825	24,084	30,900	6,816
Medical Insurance	6,766	10,560	10,000	(560)
Office Supplies	4,201	4,767	5,000	233
Sales Tax	27,349	25,062	30,000	4,938
Miscellaneous	7,374	10,544	10,000	(544)
Total Administration	<u>72,515</u>	<u>75,017</u>	<u>85,900</u>	<u>10,883</u>
Production Department				
Salaries	32,137	33,583	38,861	5,278
Medical Insurance	6,564	7,417	9,250	1,833
Insurance	22,183	23,583	25,000	1,417
Gas and Oil	13,306	7,641	15,000	7,359
Repairs	22,351	28,034	25,000	(3,034)
Supplies	35,812	27,368	35,000	7,632
Purchase of Energy	671,880	691,927	600,000	(91,927)
Chemical	2,089	655	1,500	845
Fixed Energy Charge	-	-	3,500	3,500
Miscellaneous	1,193	-	2,000	2,000
Total Production Department	<u>807,515</u>	<u>820,208</u>	<u>755,111</u>	<u>(65,097)</u>
Distribution Department				
Salaries	65,130	68,375	69,010	635
Medical Insurance	12,287	11,264	20,000	8,736
Insurance	2,583	2,444	2,500	56
Gas and Oil	2,246	3,200	2,500	(700)
Repair & Maintenance	837	520	1,000	480
Vehicle Expense	2,457	2,941	4,000	1,059
Wire-Poles-Transformers-Meters	33,082	47,389	40,000	(7,389)
Shop	3,077	1,272	2,200	928
Miscellaneous	1,202	888	1,500	612
Capital Improvements	-	15,995	28,984	12,989
Total Distribution Department	<u>\$ 122,901</u>	<u>154,288</u>	<u>171,694</u>	<u>17,406</u>

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

CITY OF LACROSSE, KANSAS

Revenue Electric Utility

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
Transfers Out				
Transfer to General	\$ 75,000	100,000	200,000	100,000
Transfer to Depreciation Reserve	-	-	-	-
Total Transfers Out	75,000	100,000	200,000	100,000
Total Expenditures	1,077,931	1,149,513	1,212,705	63,192
Receipts Over (Under) Expenditures	11,697	8,323		
Unencumbered Cash, January 1	118,320	130,017		
Unencumbered Cash, December 31	\$ 130,017	138,340		

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

CITY OF LACROSSE, KANSAS
Electric Depreciation Reserve
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>2005</u>	<u>2006</u>
Cash Receipts		
Transfers In	\$ -	-
Expenditures		
Purchase of Energy	<u>102,061</u>	<u>133,999</u>
Receipts Over (Under) Expenditures	(102,061)	(133,999)
Unencumbered Cash, January 1	<u>891,052</u>	<u>788,991</u>
Unencumbered Cash, December 31	<u>\$ 788,991</u>	<u>654,992</u>

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

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

1. Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

A. Financial Reporting Entity

The **City of LaCrosse, Kansas**, was incorporated in October, 1886, under the provisions of the State of Kansas. The City operates under the Commission - City Manager form of government and provides the following services: public safety (police and fire), streets, culture and recreation, public improvements and general administrative services. Other services include sanitation, water, and electric utilities.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City has no separately administered organizations that are controlled or dependent on the City.

B. Basis of Presentation – Fund Accounting

The accounts of the government are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2006:

Governmental Funds

General Fund – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Fiduciary Funds

Private Purpose Trust Funds - to account for assets held by a governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

B. Basis of Presentation – Fund Accounting (cont.)

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

D. Departure from Accounting Principles Generally Accepted in the United States

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservation of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

E. Accounting for Capital Assets and Depreciation

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

F. Accounting for Long-Term Liabilities

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

F. Accounting for Long-Term Liabilities (cont.)

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

G. Budgets

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds, and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for Capital Project Funds, Fiduciary Funds, and the following Special Revenue Funds:

Equipment Reserve, Capital Improvement Reserve, Capital Improvement Reserve – Streets.

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

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

I. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2006, the City had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining County if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2006. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the City's carrying amount of deposits was \$2,159,305 and the bank balance was \$2,160,076. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$201,547 was covered by federal depository insurance, \$1,958,529 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

J. Property Tax Calendar

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half on May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

K. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes.

L. Restricted Assets

These assets consist of cash and short-term investments restricted for Agency Funds.

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

M. Compensated Absences

Accrued vacation time is paid to the employee at the current regular rate in the event of termination. Maximum accrued vacation time is fifteen days. The accrued vacation expense liability as of December 31, 2006 is approximately \$18,521.

Accrued sick leave is not paid to the employee in the event of termination. Maximum accrued sick leave is ninety days. The potential accrued sick leave expense liability as of December 31, 2006 is approximately \$87,558.

N. Defined Benefit Pension Plan

Plan Description – The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% 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 rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2006 is 4.61% from January 1, 2006 through June 30, 2006 and 4.81% from July 1, 2006 through December 31, 2006. The City employer contribution to KPERS for the year ending December 31, 2006 was \$19,895, equal to the statutory required contributions for the year. Contributions for the last three years are \$19,895, \$16,401, and \$16,586 respectively.

O. Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

P. Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

2. Long-Term Debt

The City has the following types of Long-Term Debt:

General Obligation Bonds

The City issued General Obligation Bonds (G.O. Bonds) to provide funds for the acquisition and construction or improvement of major capital assets. Changes in long-term liabilities for the City for the year ended December 31, 2006 are as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds Series 1994	5.0% to 7.5%	10/01/94	\$ 860,000	10/01/07	\$ 155,000	-	(95,000)	(95,000)	60,000	8,942
Amount to be Provided for Compensated Absences	N/A	N/A	N/A	N/A	105,303	776	-	776	106,079	-
Total Long Term Debt					\$ 260,303	776	(95,000)	(94,224)	166,079	8,942

Current maturities of long-term debt and interest for the next year are as follows:

	2007
Principal	
General Obligation Bonds	\$ 60,000
Interest	
General Obligation Bonds	3,480
Total Principal and Interest	\$ 63,480

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2006 were as follows:

From	To	Authority	Amount
General	Equipment Reserve	KSA 12-1,117	\$ 25,000
Electric Utility	General	KSA 12-825d	100,000
Water Utility	Water Depreciation Reserve	KSA 12-825d	16,049
Sanitation	Sewer Utility Reserve	KSA 12-825d	20,000
General	Capital Improvement Reserve/Street	KSA 12-1,118	115,326
Total			\$ 286,701

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

4. Related Party Transactions

In accordance with Financial Accounting Standards Board Statement No. 57 (the Statement), the following related party transactions were identified for 2006. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

	<u>2006</u>
ASM Woodworks - Alan Miller is owner of the company and was a Commissioner in 2006: Materials and Labor	<u>\$ 2,769</u>

5. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Risk Management-Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for other risks of loss, including property, general liability, inland marine, workmen's compensation, umbrella, automobile, linebacker and surety bond coverage.

The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2006 the financial statements do not include liabilities for anticipated costs.

7. Litigation

The City is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

8. Grants and Shared Revenues

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

CITY OF LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2006

9. Comparative Data

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

CITY OF LACROSSE, KANSAS
LaCrosse, Kansas

Supplemental Information

For the Year Ended December 31, 2006

CITY OF LACROSSE, KANSAS

General Fund

Detailed Schedule of Expenditures and Transfers - Budget and Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General Government				
Salaries	\$ 92,924	95,508	97,800	2,292
Office Supplies	1,852	865	2,000	1,135
Telephone	2,200	2,433	2,500	67
Insurance	15,351	16,416	14,500	(1,916)
Bonds	100	100	300	200
Legal Publication	699	518	800	282
Dogs	840	568	700	132
Auto	1,678	1,404	900	(504)
Repairs	1,858	2,158	700	(1,458)
Miscellaneous	244,641	16,403	7,700	(8,703)
Accounting and Legal	12,900	11,802	13,500	1,698
Debt Service	-	-	-	-
Risk Management	417	1,429	-	(1,429)
Industrial Development	1,000	-	-	-
Demolition	-	19,707	5,000	(14,707)
Total General Government	376,460	169,311	146,400	(22,911)
Police Department				
Salaries	112,697	114,572	113,426	(1,146)
Telephone	3,351	3,045	4,500	1,455
Insurance	2,553	2,279	3,500	1,221
Jail Keep	160	-	3,000	3,000
Gas and Oil	5,933	7,439	4,000	(3,439)
Auto Expense	5,634	3,035	2,000	(1,035)
Dispatcher	19,856	20,890	19,856	(1,034)
Miscellaneous	9,721	7,859	7,000	(859)
Total Police Department	159,905	159,119	157,282	(1,837)
Fire Department				
Salaries	3,009	3,592	3,915	323
Insurance	3,669	2,323	3,600	1,277
Gas and Oil	690	837	400	(437)
Telephone and Utilities	3,873	1,680	4,500	2,820
Miscellaneous	2,815	4,902	7,000	2,098
Capital Outlay	-	-	9,316	9,316
Total Fire Department	\$ 14,056	13,334	28,731	15,397

See Accountants' Report

CITY OF LACROSSE, KANSAS

General Fund

Detailed Schedule of Expenditures and Transfers - Budget and Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Street Department				
Salaries	\$ 31,872	33,532	37,842	4,310
Insurance	2,710	2,252	2,500	248
Gas and Oil	4,494	5,077	5,000	(77)
Truck and Car Maintenance	3,576	874	4,000	3,126
Tractor Maintenance	490	1,410	2,500	1,090
Sweeper Maintenance	1,868	1,363	2,000	637
Shop Expense	2,109	1,321	2,500	1,179
Supplies	2,607	2,910	4,000	1,090
Miscellaneous	573	468	1,000	532
Total Street Department	<u>50,299</u>	<u>49,207</u>	<u>61,342</u>	<u>12,135</u>
Community Building				
Insurance	2,975	4,000	2,000	(2,000)
Supplies	2,841	1,121	3,500	2,379
Telephone and Utilities	8,567	8,777	8,000	(777)
Total Community Building	<u>14,383</u>	<u>13,898</u>	<u>13,500</u>	<u>(398)</u>
Park Department				
Salaries	2,396	516	4,120	3,604
Gas and Oil	645	569	600	31
Supplies	1,351	1,519	1,900	381
Mower Maintenance	1,221	1,793	1,850	57
Miscellaneous	551	383	750	367
Total Park Department	<u>6,164</u>	<u>4,780</u>	<u>9,220</u>	<u>4,440</u>
Cemetery Department				
Salaries	2,198	2,649	4,120	1,471
Gas and Oil	976	2,091	2,500	409
Supplies	921	1,414	2,000	586
Total Cemetery Department	<u>4,095</u>	<u>6,154</u>	<u>8,620</u>	<u>2,466</u>
Swimming Pool				
Salaries	15,580	15,142	15,914	772
Insurance	2,017	2,218	2,000	(218)
Repairs	126	642	3,000	2,358
Supplies	3,839	3,814	3,500	(314)
Telephone and Utilities	284	302	500	198
Total Swimming Pool	<u>\$ 21,846</u>	<u>22,118</u>	<u>24,914</u>	<u>2,796</u>

See Accountants' Report

CITY OF LACROSSE, KANSAS

General Fund

Detailed Schedule of Expenditures and Transfers - Budget and Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Employees Benefits				
Health Insurance	\$ 38,355	37,325	60,000	22,675
Social Security	42,078	43,300	46,000	2,700
KPERS	19,772	24,580	20,000	(4,580)
Unemployment Insurance	557	567	600	33
Workmen's Compensation	16,045	16,288	17,000	712
Total Employees Benefits	<u>116,807</u>	<u>122,060</u>	<u>143,600</u>	<u>21,540</u>
Transfers Out				
Equipment Reserve	10,000	25,000	25,000	-
Capital Improvement Reserve	-	-	-	-
Cap Imp Res/Swimming Pool	-	-	-	-
Cap Imp Res/ST	201,815	115,326	115,326	-
Total Transfers Out	<u>211,815</u>	<u>140,326</u>	<u>140,326</u>	<u>-</u>
Total Expenditures	<u>\$ 975,830</u>	<u>700,307</u>	<u>733,935</u>	<u>33,628</u>

See Accountants' Report



Certified
Public
Accountants

Terrance W. Brown
Kenneth L. Beran
Galen M. Pfeiffer
Rex D. Ball
Nancy A. Francis
Kim H. Hullman
William D. Glazner
Sheryl K. Schamaun
Steven R. Baumrucker
Brian C. Staats
Tyler W. Miller
John E. Cross
Vaughn A. Goerl
Melissa A. Romme
Michelle Schneider

James F. Adams

The Mayor and City Commissioners
City of LaCrosse
LaCrosse, Kansas 67548

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the **City of LaCrosse, Kansas** as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the **City of LaCrosse, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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

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

- There is an absence of appropriate segregation of duties consistent with the appropriate control objectives of the City. The size of City's accounting and administrative staff precludes to certain internal controls that would be preferred if the office staff was large enough to provide optimum segregation of duties. This situation dictates that the Council remains involved in the financial affairs of the City to provide oversight and independent review functions.

Other Items

During our audit we also noted other items that are not significant deficiencies or material weaknesses, but instead are items we wish to communicate to management as recommendations for operational or administrative efficiency and for improving internal control.

- The City currently does not have a formal investment policy in place. While the City is bound by State Statutes on types of investments, we suggest the City provide formal directive on investment parameters. The risk for deposits and investments include credit risk, custodial risk, and interest rate risk. We had provided a sample investment policy for the City's review last year.

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- The Commission passed rate increases on October 25, 2006 for the Sewer Utility, Water Utility and the Electric Utility. The Commission still needs to monitor the profitability of the Electric Utility. In the past three years this utility has not been able to transfer funds to the Electric Utility Reserve Fund and has decreased the transfer to the General Fund. The Electric Utility Reserve Fund has had to absorb the November and December electric bills for the past two years. Fortunately for the City, no major purchases have been incurred in the past five years. This fund has unencumbered cash of \$654,992 at December 31, 2006 that is for unexpected emergencies for the Electric Utility. We suggest that current reserve levels be maintained for this fund.
- With the change in office personnel, management needs to strive to ensure that cross training is being completed and five days of consecutive vacations are being taken.
- We recommend that the City review its equipment needs and capital projects. The City needs to have a five year plan. This plan would evaluate the items that need to be replaced and ensure the City has a funding plan in place. This is an opportune time as the 2008 budget is being completed and the City is retiring its General Obligation Bond in 2007.
- The City needs to complete the 2005 Sales Tax Transfer for \$12,666.88 and \$9,587.40 for 2006. We have prepared a journal entry for the City Clerk to post. After this is completed, the City will need to transfer the actual sales tax collected during 2007 to the Capital Improvement Reserve – Streets Fund by December 31, 2007.
- The City should pursue the state set off program to offset delinquent accounts receivable.
- The City was able to increase Interest on Idle Fund from \$48,032 up to \$87,601. This is due to interest income rate increases and the City's available funds to invest.
- After the final Bond and Interest payment is completed, the City will transfer remaining funds to the General Fund.
- The City should review its employee manual and disaster recovery plan at least every five years to make sure it is updated.
- Beginning in 2007, auditors will be required to perform additional procedures specifically meant to better assess audit risk and obtain an understanding of the entity and its internal control. This requires that internal controls be effectively documented. This could include things such as formal job descriptions, procedure documentation and fraud policies. We believe the City has made much progress in this area and will continue to direct as changes are required.

To be in compliance with SAS No. 99, Auditor Responsibility for Fraud, we were required to perform additional procedures incorporating an element of unpredictability. We performed these procedures as well as inquired with management and other individuals. Our procedures identified no instances requiring attention or communication.

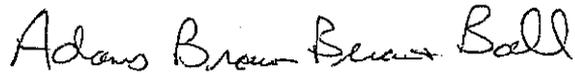
Review was made of the recommendations made in the previous year's management letter. All recommendations have been resolved to our satisfaction.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the appropriate personnel and we will be pleased to discuss them in further detail at your convenience. We are also available to perform additional studies of these matters or to assist you in implementing the recommendations.

The Mayor and City Commissioners
City of LaCrosse
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We wish to thank the City Clerk and staff for their assistance during our audit.

This report is intended solely for the information use of the City Commissioners, management, the **City of LaCrosse, Kansas**, and others within the Organization and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Adams Brown Beran Ball".

ADAMS, BROWN, BERAN & BALL, Chtd.
Certified Public Accountants

June 4, 2007