

CITY OF EMPORIA

522 Mechanic
Emporia, Kansas 66801

Comprehensive Annual Financial Report
For the fiscal year ended December 31, 2003

**Prepared by the Finance Department
of the City of Emporia, Kansas**

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CITY OF EMPORIA, KANSAS

Comprehensive Annual Financial Report
For the fiscal year ended December 31, 2003

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INTRODUCTORY SECTION



City Manager's Office/522 Mechanic/P.O. Box 928/Emporia, KS 66801-0928/620-343-4251 Dale K. Davis, Mayor
Raymond A. Toso, Vice-Mayor
Julia Johnson, Commissioner
Tom Myers, Commissioner
Francis G. Walters, Jr., Commissioner
Steve Commons, City Manager

Honorable Mayor and
City Commissioners
City of Emporia
Emporia, Kansas

Honorable Mayor and City Commissioners:

I hereby transmit the Comprehensive Annual Financial Report of the City of Emporia, Kansas as of December 31, 2003 and for the year then ended. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are discussed by the Director of Administrative Services in his accompanying letter of transmittal, and within that framework, I believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Emporia for its comprehensive annual financial report for the year ended December 31, 2002. This was the eighteenth consecutive year the City has received this award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized, comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The accompanying report consists of three parts:

1. Introductory section, including the Director of Administrative Services' letter of transmittal.
2. Financial section, including the financial statements and supplemental data of the City accompanied by our independent auditors' opinion and Management's Discussion and Analysis (MD&A). The letters of transmittal are designed to complement MD&A and should be read in conjunction. The MD&A can be found immediately following the report of the independent auditors.
3. Statistical section, including a number of tables of unaudited data depicting the financial history of the City for the past ten years, information on overlapping governments, and demographic and other miscellaneous information.

Kansas Statutes Annotated 75-1122 requires an annual audit to be made of the books of account, financial records, and transactions of all administrative departments of the City by independent Certified Public Accountants or Licensed Municipal Public Accountants selected by the City Commission. This requirement has been complied with, and our auditor's opinion has been included in this report.

Honorable Mayor and
City Commissioners

The remainder of this letter will review accomplishments of this organization and local economic events during the fiscal year being evaluated. This letter will also include a future outlook section and a review of the property tax base for the community. Many of the topics are woven together. As one project or function leads to another, these accomplishments show a strong overall community commitment to continue to move forward for a better Emporia and a stronger economic region.

SIGNIFICANT LOCAL ECONOMIC EVENTS

Economically, Emporia has experienced a slower economy. From 1998-2002, the chart below depicts the rise of our building activity. Prior to that growth time, our economic activity was stable and only through hindsight can we really see the substantial jump in activity we have enjoyed in more recent years. The 2003 building numbers reflected a more normal level of activity. Building activity is a good indicator of growth and development in a community. Noted below is the gross value of building permits issued in the last 10 years. It clearly illustrates when we moved to a new level of activity for our community.

1994	\$22,774,763	1999	\$35,983,712
1995	\$13,805,187	2000	\$38,565,007
1996	\$15,229,107	2001	\$41,986,145
1997	\$14,839,473	2002	\$41,851,482
1998	\$23,285,937	2003	\$21,203,559

The year 2001 represented the largest building and construction activity in Emporia's history and 2002 ended only slightly under that record setting level. For four years in a row, prior to 2002, new record levels were established for our construction activity. The following provides specific information relating to our economic activity by category of building activity:

General Building Activity - Overall construction activity turned to more modest levels in 2003. Noted below are the recent trends of building permit valuations. In prior years, we enjoyed strong growth in our Commercial and Industrial development. Commercial activity has been soft for the last couple of years and Industrial development reached one of its lowest levels in many years. The Commercial and Industrial areas are reflective of how Emporia and the National economy have been sluggish. Without the Public construction of the last two years, our building construction activity would have been very slow. Multi-Family Dwellings seems to jump up and down with activity. Every few years, a large multi-family apartment complex is constructed and causes other investment in this area to subside until community growth catches up with the additional dwelling units. This pattern will probably continue as we will see some large investments in this area in 2004. The following chart reflects the new construction, building addition and alterations by category:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
One and Two Family Dwellings	\$ 5,289,931	\$ 4,303,711	\$ 4,755,032
Multi-Family Dwellings	\$ 1,159,130	\$ 669,987	\$ 1,920,915
Commercial	\$ 4,246,711	\$ 1,656,823	\$ 2,059,467
Industrial	\$14,554,746	\$ 5,200,927	\$ 447,850
Accessory, Institutional, Public Use	<u>\$16,735,627</u>	<u>\$30,020,034</u>	<u>\$10,884,675</u>
	\$41,986,145	\$41,851,482	\$21,203,559

Commercial Development - About four years ago, we started to see stronger investment in our commercial sector. This trend of commercial activity continued through the 1999 construction season which had investment of over \$9 million. In 2000 and 2001, we observed a more modest investment. In 2002 and 2003, we expected and confirmed weakness in this construction area. We are starting to see new activity in the commercial sector which we hope will lead to an upward trend for the next couple of years. As the national economy shows modest gains towards healthier levels, we are now beginning to locally sense new development interest in the commercial sector.

Honorable Mayor and
City Commissioners

Industrial Development - Eight years ago Emporia became very aggressive in the attraction and development of new and expanding industrial activity. Over a million square feet of manufacturing and warehouse space has been added in our community and over 600 new jobs have been created during that time period. The city is experiencing our first lag in industrial development job creation in the last few years. It does appear that activity is also beginning to show signs of picking up with our existing industrial businesses currently pursuing new equipment investment projects to keep up with increasing production demands and to modernize their operations to be competitive with changing product demand and world competitors. Even though the community has abated many of our industrial development projects property taxes, starting in 2005 some of these abatements will expire and begin contributing to our tax base. Our industrial development program created one of our strongest sustained growth periods in Emporia's history. We believe it will also lead us to our next upswing in activity.

DEPARTMENTAL SERVICE ACTIVITY EFFORTS

Even though we still progressed on many major projects, the City Commission felt that it would be prudent to moderate our capital projects activities to allow for the slower economic conditions. Emporia has also completed and is enjoying many significant capital improvements over the last few years such as our Family Aquatic Center and the Downtown Streetscape improvement. Taking a short respite from the aggressive pace we followed for a number of years was viewed as a healthy move.

Invisible Investments- Two significant investments were made for the general benefit of maintaining or improving public safety. These investments combined cost over \$1 million, but most of our citizens will not notice their completion. Fire detection, alarm equipment and emergency lighting were added to the Civic Auditorium. For over 60 years, our municipal building has faithfully served the community. These investments will not only provide a safer environment for users of the auditorium, but provide for its continued functional use for many more years ahead. The other major improvement which will not be visible to the general public involves major upgrades to our public safety radio system. These improvements range from a new dispatch center, all-new radio equipment and a larger communications tower. These improvements will result in better radio coverage for all the public safety departments which included police, fire, ambulance service and County Sheriff's department. It also allows for more radio frequencies to be better prepared for large-scale emergency responses. It was time to replace equipment and we were able to also expand our emergency preparedness abilities.

Completion of Major Construction Projects - As I noted earlier, the scope of some of our capital projects was smaller in number, but not in the length of planning that occurred or the importance of the project. Emporia opened its new animal shelter in the early part of the year. This project has been in the discussion or planning stages for 5-10 years. There are a variety reasons that it took this amount of time to develop, but the presence of the new facility is clearly a much improved community asset. The shelter provides a safe clean environment for the boarding of lost or unwanted animals. This new facility provides a more pleasant environment for visitors who are interested in adopting a new pet. The results has been a huge increase in the number of animals adopted and more importantly significantly less unwanted animals need to be destroyed. We're proud that the presence of this new building is generating better service to the community. The other major project that has taken years to develop involves the improvement on Americus Road. From Highway 50 to 18th Avenue, Americus Road is being widened to provide for the development of the next commercial corridor for Emporia's growth and development. This is a joint project between the City of Emporia and Lyon County to prepare for the next wave of commercial construction in our future. Though the project was not completed in 2003 and will take about half of 2004 before it is ready for traffic, initiating this project during 2003 was a significant step forward. This project represents the long-term investment that both city and county government are willing to make to prepare for our future.

Park Improvements -We had the opportunity to share in an experience that no other community could enjoy in 2003. Emporia, Kansas is considered the birthplace for the designation of Veterans Day. During 2003, we celebrated the 50th anniversary of the establishment of this event in our community which preceded the national designation of this important day. To help commemorate the special time, significant improvements were made to our All Veterans Memorial which were shared with large numbers of visitors who came to our community to share in our celebrating this special anniversary. Emporia was designated as the site for Kansas to receive a special memorial to honor the recipients of the Purple Heart Medal. A special memorial marker was provided and placed in a prominent place in our special park area recognizing veterans from every military war or conflict. A new memorial was also dedicated to Operation Iraqi Freedom. This special park area wouldn't be possible without the leadership of the veterans in our community and the support of the people of Emporia.

Honorable Mayor and
City Commissioners

Utility Investment - Community growth and increasing standards for environmental quality have continued the need for Emporia to improve both the Water Treatment and the Wastewater Treatment capacities. Over the last few years, major projects were completed at both treatment facilities. In 2003, construction was completed on our wastewater plant expansion which increases the processing capacity of the plant. Our industrial growth in the community made this expansion a necessity. Completed in 2003 was the expansion of a major sewer lift station which exceeded \$1 million in construction cost and is designed to handle the future western growth of our community. Once again our City Commission and community are prepared to make the investment to prepare our City for future growth and development.

The preceding are only a sampling of City staff's activities during the year. The City's departments continue to strive to provide quality services to the citizens of Emporia and to make improvements whenever possible.

FUTURE OUTLOOK

Emporia is very fortunate to have a very diversified economy. This diversity provides a cushion when a particular market area suffers from an economic downturn. Our major source of employment is in the field of food processing. This is an important link to our state's agricultural base, yet it is insulated from the periodic downturns which plague the farm sector. Increased employment in this area is being created with the development of additional production lines starting at the Menu Foods plant for the production of pet food. They acquired and are developing additional warehouse space to keep pace with their present growth, but also to position their business for even greater development opportunities. The implementation of the \$35 million investment at Tyson (Formally IBP) to improve their meat processing and shipping systems demonstrates their continued willingness to invest in Emporia and maintain the largest number of workers to support their food production operations.

In the production of durable goods, our employment base is smaller, but has a broad market spectrum from the manufacturing of leveling vials to the rebuilding of large diesel engines. Employers in this sector project stable employment and the diversity in the types of goods produced has to be considered an asset. It was previously noted that Caterpillar sold its Emporia facility to a Canadian company called Camoplast. Even though Camoplast isn't the large corporate entity like Caterpillar, the new ownership brings a much broader sales opportunity to the facility. Camoplast sold Caterpillar competitors the rubberized track which this facility manufactures. Under the new ownership, they can produce product for Caterpillar and many other equipment manufacturers who use this type of rubber track system. This new company has begun to demonstrate a greater growth potential than if it had remained under the Caterpillar ownership. We expect to be working with the Company in the future on new growth opportunities.

Major service industries include a state university, technical college, regional medical center, transportation and lodging facilities. The University continues to work hard to maintain and build its enrollment. Technical training seems to increase in importance as employers express a need for specific trained skills in their production operations. It appears that both institutions will maintain or possibly experience small growth in the face of declining numbers of available High School graduates. Attracting new students into these higher education and technical training programs will be competitive, but our local institutions appear to be preparing for the challenge. Transportation, particularly trucking, continues to be an important part of our economy. Our access to highway systems and our central geographical location within our state and nation continue to make this a promising area. Emporia has been able to improve its position as a medical center with the development of a new medical office building which has assisted in physician recruitment. The hospital has completed construction of a major building expansion to improve all areas of hospital services. Increasing the availability of certain medical specialties are areas being pursued to create a stronger position as a regional medical provider. A new cancer treatment center has also just been completed within the medical complex. Even though the national travel industry has been in decline, our local lodging facilities have felt the pressures in this area and are working hard to maintain and hopefully slightly grow our receipts in the lodging industry.

Honorable Mayor and
City Commissioners

As noted earlier, 2003 was down from the record setting pace we have experienced over the last few years. We were very fortunate to enjoy the accelerated level of activity for the prior four to five years. I would anticipate that our next growth activities will focus on expansion and development from our existing industry base. The capital investment will be focused more on equipment and less on new building construction. Commercial construction, which has been extremely slow might possibly begin to show some signs of life again in Emporia. A number of larger scale commercial ventures are considered new projects to be constructed in Emporia starting even as early as the Fall of 2004. The pace of this activity will still be dependent on the continued improvement in the health of the national economy.

Our community had shown steady growth in our property tax assessed valuation until the last assessment year. (Following this paragraph is a chart which illustrates the assessed valuation history for the last six years.) As an incentive to attract new industrial development, tax abatements have been offered to expanding businesses. In the 2003 assessment year, some of the property was a part of an expansion program that was partially assessed prior to the completion of the project. The full abatement is applied until the project is completed. When the project was completed, the partial abated property was removed. The size of the partial abatement, when removed, was greater than the other growth and development which caused the valuation to decline by less than 1%. This is the first time something like this has ever happened and it is not anticipated to reoccur in the immediate future. We continue to enjoy modest growth and rising real estate values and we should see our assessed valuation back on track with steady increases. In a couple of years, we will also begin to see steady increases in the assessed valuation as a result of the expiration of abated property taxes exemptions.

GROWTH IN VALUATION

<u>ASSESSED YEAR</u>	<u>ASSESSED VALUATION</u>
1999	\$101,337,375
2000	\$108,595,581
2001	\$113,034,253
2002	\$123,110,003
2003	\$129,317,285
2004	\$128,235,487

The biggest fiscal challenge we continue to face in the near term is the loss of State shared revenue. Kansas, like many other states is continuing to experience severe fiscal problems. For Emporia, that resulted in a loss of nearly \$750,000 from the end of 2002 through 2003. Today, we have made adjustments to our spending to immediately offset this reduction of revenue to avoid longer term fiscal strains. The long term future of any State shared revenue is in question and as a community will have to adjust our fiscal planning to compensate what probably will be the permanent loss of this income.

Besides the property tax and the collection of utility charges, the one cent local sales tax has been a significant source of income for our community. Retail sales activities are very competitive. Large retail centers in metropolitan areas and the ever growing number of sales which are occurring through catalogs and the internet make it a challenge to have a growing tax base. Up until 2002, we had been fortunate to maintain a growing base of retail activity. The pressure of a poor performing national economy caught up to our community. In 2002, we experienced a slight decline of sales tax receipts of 1.2% and then another 1.8% decline in 2003. Prior to 2002, from 1997-2001, we experienced growth of 20.7% from this source of funds. It will still take improvement in our national economy before we return to that same pattern of growth from this source. It does appear that the first quarter of 2004 is demonstrating a return to a growing level of retail sales.

SALES TAX HISTORY

1998	\$3,533,338
1999	\$3,604,402
2000	\$3,706,938
2001	\$3,823,159
2002	\$3,779,417
2003	\$3,712,601

Honorable Mayor and
City Commissioners

Even with the pressure of a poor performing national economy, our employment activity is relatively stable and our industrial base is still striving to expand it's business activities. Our community also has been very aggressive in attracting and expanding our industrial base. That commitment intensified in 1994 when voters approved that a portion of our local sales tax be used to increase employment opportunities for the community. That commitment of sales tax support continues until the sunset of that tax in 2014. This illustrates how strong of support our citizens have for future industrial expansion which will build new capital investment and a well compensated workforce.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the accounting and internal audit departments. I would like to express my appreciation to all who assisted and contributed to its preparation. I would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Steve Commons", written over a horizontal line.

Steve Commons, City Manager



Honorable Mayor and
City Commissioners
City of Emporia
Emporia, Kansas

Honorable Mayor and City Commissioners:

The Comprehensive Annual Financial Report of the City of Emporia, Kansas for the year ended December 31, 2003 is submitted herewith.

This report was prepared by the City's Finance Department. The report is published to provide to the Commission, to representatives of financial institutions, and to our citizens and other interested persons detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

GENERAL INFORMATION - CITY OF EMPORIA

The City of Emporia lies 110 miles southwest of Kansas City and 85 miles northeast of Wichita on the eastern edge of the Flint Hills area of Kansas. Emporia has a population of 26,760 based on the 2000 census. There are 11.59 square miles of land in the City's corporate boundary, while the "planning and protected" area covers approximately 63 square miles.

The City of Emporia was incorporated in 1857 under the lawful jurisdiction of the State of Kansas. The City has a Commission - City Manager form of government. The commission is comprised of five members elected at large for terms of two and four years, with three Commissioners being elected each odd-numbered year. The Mayor is elected by the Commission.

The City Manager is appointed by the Governing Body and acts as its primary agent in accordance with state statute. Other City officers and employees are appointed by the City Manager. The Governing Body is responsible for policy determination and the City Manager is responsible for the administration of the municipal government.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

City departments are required to submit their annual budget requests for the ensuing year to the Director of Administrative Services by May 1st. Such budget requests are reviewed by the City Manager and Commission and incorporated into the official budget required by applicable state statutes. The notification of budget hearing with proposed expenditures is published ten days prior to the public hearing. After the public hearing, the budget expenditures and related levies may be lowered but not raised. The adopted budget is certified to the County Clerk no later than August 25th.

The adopted budgets are an integral part of the accounting system providing management control over expenditures in the general fund, special revenue funds, debt service fund and enterprise funds. Kansas statutes require that cash be on hand before an expenditure be authorized, that all expenditures be budgeted, and that the budget not exceed anticipated revenues including carry-forward balances. The adopted budget for any fund may be amended, using the same procedures as for adoption, if the increased expenditures are financed with non-tax revenues. All other budget amendments require the approval of the State Board of Tax Appeals.

Formal budgetary integration is not used for the capital projects funds because budgetary control is achieved through the resolution of authorization and funding. Encumbrance accounting is used for outstanding purchase orders, contracts and other commitments. Encumbrances outstanding at year end are reported as reservations of fund balance since they are not expenditures or liabilities.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. The City is financially accountable for the Emporia Public Library, and the Library is included in the City's financial statements. The City Commission appoints all members of the seven member Library Board. Because the Library is not a separate taxing entity by applicable state statutes, the City levies taxes for the Library's operations, which represent approximately 76 percent of total revenues. The operations of the Emporia Public Library are reported as a discretely presented component unit in the City's financial statements.

The City provides a full range of municipal services. The Public Safety program includes police and fire protection; an aquatic center, golf course, tennis courts, neighborhood parks and a community center provide a well-rounded, active recreation program; the Engineering Department provides essential street and highway construction and maintenance, surveying services, sanitation and other technical assistance to the City; the Public Utilities provide water, sewer and refuse collection services. Additional services provided include building inspection, planning and zoning, as well as general administrative services.

INTERNAL CONTROL

In developing and altering the City's accounting system, consideration is given to the adequacy of the internal controls. The internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in time deposits ranging from 30 to 90 days in maturity and in U.S. Government obligations with variable maturities and in the Kansas Municipal Investment Pool. At December 31, 2003, the City's cash resources were divided between demand deposits and investments as follows: in demand deposits and cash on hand 30 percent; and in interest bearing investments 70 percent. The amount of interest received in 2003 from idle cash was \$289,554.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized.

RISK MANAGEMENT

The City performs limited risk management operations intended to maintain coverage at appropriate levels; manage claims; and monitor carrier performance. Additionally, the City periodically engages professional consultants to assist with the risk management function. The City operates its employees' health insurance and workers' compensation insurance as partially self-funded plans.

INDEPENDENT AUDIT

State law requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent Certified Public Accountants or Licensed Municipal Public Accountants selected by the City Commission. This requirement has been complied with and the auditor's opinion has been included in this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Emporia for its comprehensive annual financial report for the year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

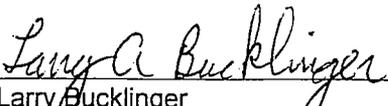
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Emporia, Kansas, has received a Certificate of Achievement for the last eighteen consecutive years (fiscal years 1985 - 2002). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation. I should also like to thank the Mayor and City Commissioners for their interest and support in planning and conducting the financial operations of the City in a reasonable and progressive manner.

Respectfully submitted,



Larry Bucklinger
Director of Administrative Services
February 25, 2004

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Emporia,
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

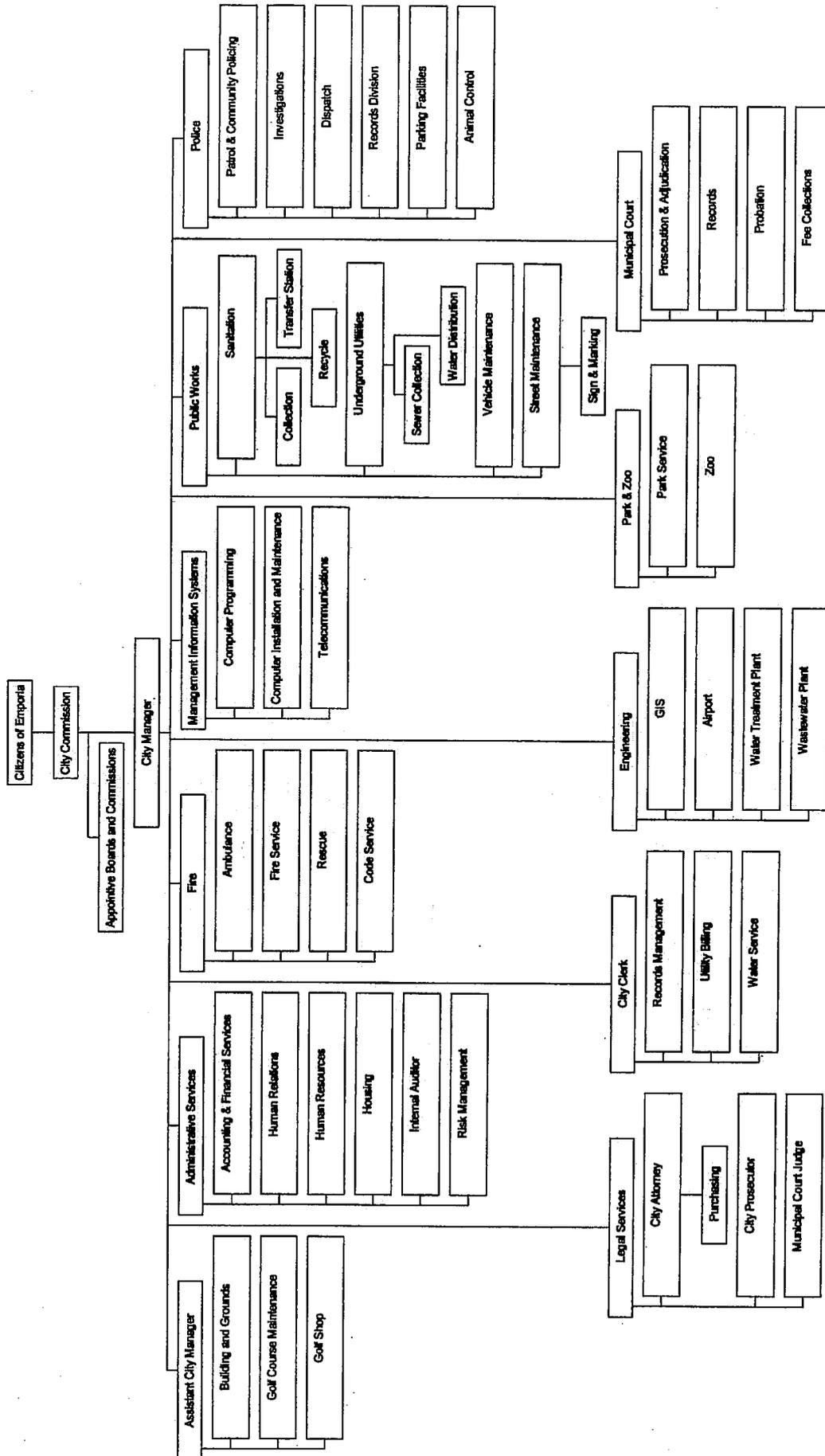


A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director



City of Emporia, Kansas

GOVERNING BODY
2003

MAYOR	DALE K. DAVIS
VICE-MAYOR	RAYMOND A. TOSO
COMMISSIONER	TOM MYERS
COMMISSIONER	JULIE JOHNSON
COMMISSIONER	FRANCIS G. WALTERS, JR.

ADMINISTRATIVE OFFICIALS

CITY MANAGER	STEVE COMMONS
ASSISTANT CITY MANAGER	MARK McANARNEY
DIRECTOR OF ADMINISTRATIVE SERVICES	LARRY BUCKLINGER
CITY CLERK	SUSAN MENDOZA
CITY TREASURER	JANET HARROUFF
CITY ATTORNEY	BLAISE PLUMMER

DEPARTMENT HEADS

PUBLIC WORKS DIRECTOR	RON CHILDERS
CITY ENGINEER	KEITH BEATTY
FIRE CHIEF	JACK TAYLOR
POLICE CHIEF	MIKE HEFFRON
DIRECTOR OF PARKS AND ZOO	DAVID P. TRAYLOR
DIRECTOR OF COURT SERVICES	PHIL MARTIN

FINANCIAL SECTION

LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

900 Massachusetts, Suite 301
Lawrence, Kansas 66044-2868
Phone: (785) 749-5050
Fax: (785) 749-5061
E-mail: lswwcpa@lswwcpa.com

David A. Lowenthal, CPA
Thomas E. Singleton, CPA
Patricia L. Webb, CPA
Thomas G. Wilson, CPA
Audrey M. Odermann, CPA

Paul M. Borchardt, CPA
Grant A. Huddin, CPA
Mary A. LeGresley, CPA

Members of American Institute
and Kansas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS

Mayor and City Commissioners
City of Emporia, Kansas

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 Emporia, Kansas, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Emporia Public Library. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion on the financial statements, insofar as it relates to the amounts for the Emporia Public Library included as a discretely presented component unit, is based solely upon the report of the other auditors.

We conducted our audit 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 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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 Emporia, Kansas, at December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note III, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2003.

In accordance with "Government Auditing Standards," we have also issued a report dated February 25, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the data included in the introductory and statistical sections of this report and therefore, we express no opinion thereon.

Lowenthal, Singleton, Webb & Wilson

Professional Association

February 25, 2004

CITY OF EMPORIA, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

Our discussion and analysis of the City of Emporia, Kansas financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2003. The Emporia Public Library issues a complete financial statement that includes a discussion and analysis. The address for retrieval of this report is in Note I. This narrative should be read in conjunction with the City's letter of transmittal, which begins on page i.

Financial Highlights

- The Government-wide net assets totaled \$124 million at the end of the current fiscal year.
- The Government-wide unrestricted current assets exceed the current liabilities by \$.5 million, representing the City's ability to meet its current obligations when due.
- Total capital assets, net of accumulated depreciation at December 31, 2003 totaled \$165 million.
- During the year ended December 31, 2003, the City's total expenses exceeded total revenues (which include charges for services, local taxes and state and federal aid) by \$6.5 million.
- The City's total indebtedness increased by \$1.1 million, primarily due to the issuance in the current year of new general obligation refunding bonds.
- The City's net fixed assets decreased \$2.9 million in the current fiscal year.

Using This Financial Report

This annual report consists of two distinct series of financial statements: government-wide and funds. In addition, the annual report includes budgetary-basis financial statement comparisons, in accordance with the State of Kansas cash basis and budget laws.

The government-wide statements are designed to provide information about the City's activities as a whole and provide a longer-term view of the City's finances. The fund financial statements tell how the City's services for both governmental and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds. In addition, combining statements included in the supplemental information show detail of all other governmental funds. The City also holds fiduciary funds on behalf of various parties. These funds are reported in a separate statement.

Reporting on the City as a Whole (Government Wide)

Statement of Net Assets and the Statement of Activities

The view of the City as a whole looks at all financial transactions and asks the question, "Are we in a better financial position as a result of the current year's financial activities?" The Statement of Net Assets and the Statement of Activities provide the basis for answering this question. The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the City's net assets and current year change in those net assets. The change in net assets is important because it tells the reader whether the City, as a whole, has improved or diminished its financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, state mandates, and the financial condition of the State of Kansas general fund.

CITY OF EMPORIA, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities - Most of the City's programs and services are reported here including general government, public safety, highways and streets, culture and recreation, health and environment, building and maintenance, planning and development and airport operation.

Business-Type Activities - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The City's solid waste disposal, sewer utility, and water utility are reported as business-type activities. In addition, the City's workers' compensation fund and the employee health care fund treated as internal service funds.

Reporting the City's Most Significant Funds (Fund Financial Statements)

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. The main fund financial statements focus on the City's most significant funds. Combining fund balance sheets and statements of revenues, expenditures and changes in fund balances provide detailed information about all of the City's non-major governmental funds.

Governmental Funds - Most of the City's activities are reported in the governmental funds, which focus on how many flows into and out of the funds and balances left over at fiscal year end available to be spent in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader to decide where there are more or fewer financial resources that can be spent in the near term to finance the City's programs. Major differences between the City's governmental activities as reported in the Statement of Net Assets and the Statement of Activities and its governmental funds are reconciled in the Governmental Funds financial statements.

Proprietary Funds - Proprietary funds (Solid Waste Disposal, Sewer Utility and Water Utility) are enterprise funds that use the same basis of accounting as business-type activities, therefore, these statements replicate the information provided in the government-wide financial statements.

CITY OF EMPORIA, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

The City as a Whole

Government-Wide Assets

The Statement of Net Assets provides the financial position of the City as a whole. Prior year data is not provided during this initial year of implementation of the new reporting model, however comparisons will be provided in subsequent years. The following is a summary of the City's Statement of Net Assets as of December 31, 2003:

City of Emporia
Condensed Statement of Net Assets
December 31, 2003

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Current assets	\$ 4,372,854	\$ 2,131,425	\$ 6,504,279
Net fixed assets	<u>121,804,302</u>	<u>43,605,444</u>	<u>165,409,746</u>
 Total assets	 <u>\$ 126,177,156</u>	 <u>\$ 45,736,869</u>	 <u>\$ 171,914,025</u>
 Current liabilities	 \$ 3,836,320	 \$ 2,149,749	 \$ 5,986,069
Noncurrent liabilities	<u>21,753,484</u>	<u>20,301,683</u>	<u>42,055,167</u>
 Total liabilities	 <u>\$ 25,589,804</u>	 <u>\$ 22,451,432</u>	 <u>\$ 48,041,236</u>
 Net Assets:			
Invested in fixed assets, net of related debt	\$ 97,810,646	\$ 21,896,814	\$ 119,707,460
Restricted for :			
Debt Service	176,533	-	176,533
Unrestricted	<u>2,600,173</u>	<u>1,388,623</u>	<u>3,988,796</u>
 Total net assets	 <u>\$ 100,587,352</u>	 <u>\$ 23,285,437</u>	 <u>\$ 123,872,789</u>

The assets of the City are classified as current assets and fixed assets. Cash and investments and accounts receivable are the largest current assets. These are assets that are available to provide resources for the near-term operations of the City. Fixed assets are used in the operations of the City. These assets include land, land improvements, buildings, building improvements, vehicles, equipment, furniture and fixtures.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued liabilities, interest payable, retainage payable and current portion of long-term obligations. Current assets exceed current liabilities by \$.5 million, representing the City's ability to meet current obligations when due.

The City has \$46 million in long-term debt, consisting of general obligation bonds and notes payable, of which \$4 million is due within the next fiscal year.

CITY OF EMPORIA, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

The City had total assets at December 31, 2003, totaling \$172 million. The total assets of the City exceeded the total liabilities by \$124 million. Net assets invested in fixed assets; net of related debt, totaled \$120 million, restricted net assets totaled \$.1 million and unrestricted net assets totaled \$4 million.

Government-Wide Activities

The following is a condensed statement of the City's change in net assets for the year ended December 31, 2003. Major items of program revenues, grants and general revenues are detailed. Government-wide activities decreased the net assets of the City by \$6.5 million for the year ended December 31, 2003. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located at page 14 of the basic financial statements. Major differences in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements include the repayment of long-term debt of \$1.3 million which is treated as expenditures in the funds statements, but is treated as a reduction of long term debt in the Government wide financial statements. Also, the bond proceeds of \$1.6 million are treated as a revenue source in the fund statements, but an increase of long term debt in the Government wide financial statements. In addition, the capital outlays of \$3.6 million are treated as expenditures in the fund statements, but are treated as an increase in capital assets in the Government wide financial statements.

City of Emporia
Condensed Statement of Changes in Net Assets
For the Year Ended December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 3,294,809	\$ 9,536,218	\$ 12,831,027
Operating grants	2,663,943	-	2,663,943
General revenues:			
Property taxes	10,570,695	-	10,570,695
Transfers, net	2,094,937	-	2,094,937
Other	<u>307,233</u>	<u>219,594</u>	<u>526,827</u>
Total revenues	<u>18,931,617</u>	<u>9,755,812</u>	<u>28,687,429</u>
Program expenses:			
General government	3,675,713	-	3,675,713
Public safety	7,478,861	-	7,478,861
Highways and streets	8,271,956	-	8,271,956
Culture and recreation	2,517,403	-	2,517,403
Health and environment	66,180	-	66,180
Building and maintenance	879,993	-	879,993
Planning and development	1,088,645	-	1,088,645
Airport operations	469,632	-	469,632
Solid waste disposal	-	2,287,948	2,287,948
Sewer utility	-	1,715,958	1,715,958
Water utility	-	3,684,072	3,684,072
Transfers, net	-	2,094,937	2,094,937
Interest on long term debt	<u>988,069</u>	<u>-</u>	<u>988,069</u>
Total expenses	<u>25,436,452</u>	<u>9,782,915</u>	<u>35,219,367</u>
Increase (decrease) in net assets	<u>\$ [6,504,835]</u>	<u>\$ [27,103]</u>	<u>\$ [6,531,938]</u>

CITY OF EMPORIA, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

Business-type activities decreased the net assets by \$27,103. The decrease in net assets was significantly less than the previous years decrease. The key elements in this diminished decrease are the increase in the charges for services and the decrease in transfers out of each of the business-type activities.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with state and federal finance related legal requirements. These funds are accounted for on the modified accrual basis of accounting.

The governmental funds of the City provide information on near-term inflows, outflows and balances of spendable resources. Unreserved fund balances, in particular, measures the City's net resources available for spending at the end of the City's fiscal year.

Total fund balances at December 31, 2003 for the governmental funds totaled \$2.4 million. Total unreserved fund balances at December 31, 2003 totaled nearly \$2.4 million, of which \$1.9 million was attributable to Special Revenue Funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate encumbrances (\$9,766).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$.4 million, which represents all but \$831 of the total fund balance. The decrease in the General Fund's fund balance was a minimal \$6,288.

The Industrial Development Sales Tax Fund is used to account for the receipt of retail sales tax and expenditures of funds generated by a portion of the City's retail sales tax. The ending fund balance of the Industrial Development Sales Tax Fund was approximately \$1.8 million at December 31, 2003.

The Debt Service Fund is used to accumulate tax revenues and other revenues for the payment of principal and interest on general long-term debt. The fund has adequate funds accumulated to make the next principal and interest requirements.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste Disposal Fund at the end of the year amounted to \$.2 million, the unrestricted net assets of the Sewer Utility Fund at the end of the year amounted to [\$.3] million, and the unrestricted Water Utility Fund at the end of the year amounted to \$1.6 million. The total change in all three funds was [\$.2] million, \$.5 million and [\$.3] million, respectively.

General Fund Budgeting Highlights

The City's budgets are prepared in accordance with Kansas law and are based primarily on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The City's final General Fund budget was \$13,636,425, the same as the original published budget. The revenues were less than budgetary estimates by \$.8 million and the expenditures were less than budgetary estimates by \$.9 million.

CITY OF EMPORIA, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2003
Unaudited

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled \$165 million (net of accumulated depreciation) as of December 31, 2003.

Major fixed asset events during the current fiscal year included the following:

A variety of street and bridge projects amounting to \$2.9 million, including the \$.7 million pedestrian bridge at Prairie and the \$.4 million Timmerman Drive to 30th.

Various system additions were completed in the Sewer Utility Fund totaling \$.7 million

Additional information on the City's capital assets can be found in Note I of the financial statements.

At December 31, 2003, the City had total debt outstanding of \$46 million, backed by the full faith and credit of the City. Total long-term debt increased for the fiscal year ended December 31, 2003, in the amount of \$1.1 million. This was a result of the issuance of new general obligation bonds in the amount of \$2 million and the issuance of \$2.3 million of notes payable, coupled with the payment of general obligation bond principal of \$2.7 million and the payment of notes payable of \$.5 million in the current year.

Additional information on the City's general long term debt can be found in Note IV to the financial statements.

Contacting the City

This financial report is designed to provide a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the City's Finance Department at 522 Mechanic, Emporia, Kansas 66801.

BASIC FINANCIAL STATEMENTS

CITY OF EMPORIA

STATEMENT OF NET ASSETS
December 31, 2003

	Governmental Activities	Business-type Activities	Primary Government Total	Component Unit Total Governmental Activities
ASSETS				
Current assets:				
Cash and investments	\$ 2,652,121	\$ 352,847	\$ 3,004,968	\$ 347,046
Cash with fiscal agent	36,191	-	36,191	-
Accounts receivable	620,114	1,125,649	1,745,763	-
Notes receivable	758,524	-	758,524	-
Due from other funds	305,904	-	305,904	-
Inventory	-	247,711	247,711	-
Prepaid loan costs, net	-	405,218	405,218	-
Total current assets	<u>4,372,854</u>	<u>2,131,425</u>	<u>6,504,279</u>	<u>347,046</u>
Fixed assets:				
Construction in progress	-	9,223,240	9,223,240	-
Fixed assets	219,733,761	55,925,932	275,659,693	411,346
Less: accumulated depreciation	<u>97,929,459</u>	<u>21,543,728</u>	<u>119,473,187</u>	<u>109,044</u>
Total net fixed assets	<u>121,804,302</u>	<u>43,605,444</u>	<u>165,409,746</u>	<u>302,302</u>
Total assets	<u>\$ 126,177,156</u>	<u>\$ 45,736,869</u>	<u>\$ 171,914,025</u>	<u>\$ 649,348</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 171,742	\$ 150,830	\$ 322,572	\$ 45,491
Accrued liabilities	613,475	349,584	963,059	-
Interest payable	289,572	75,374	364,946	-
Retainage payable	-	98,683	98,683	-
Matured bond principal and interest	36,191	-	36,191	-
Current portion of compensated absences payable	38,596	68,331	106,927	13,853
Current portion of lease payable	55,544	-	55,544	-
Current portion of notes payable	-	678,147	678,147	-
Current portion of general obligation bonds payable	<u>2,631,200</u>	<u>728,800</u>	<u>3,360,000</u>	-
Total current liabilities (payable from current assets)	<u>3,836,320</u>	<u>2,149,749</u>	<u>5,986,069</u>	<u>59,344</u>
Noncurrent liabilities:				
Compensated absences	446,572	-	446,572	-
General obligation bonds payable	21,275,600	5,724,400	27,000,000	-
Lease payable	31,312	-	31,312	-
Notes payable	-	14,577,283	14,577,283	-
Total noncurrent liabilities	<u>21,753,484</u>	<u>20,301,683</u>	<u>42,055,167</u>	-
Total liabilities	<u>25,589,804</u>	<u>22,451,432</u>	<u>48,041,236</u>	<u>59,344</u>
Net Assets				
Invested in fixed assets, net of related debt	97,810,646	21,896,814	119,707,460	302,302
Restricted for:				
Debt service	176,533	-	176,533	-
Grantor restricted	-	-	-	5,824
Donor restricted	-	-	-	28,250
Unrestricted	<u>2,600,173</u>	<u>1,388,623</u>	<u>3,988,796</u>	<u>253,628</u>
Total net assets	<u>\$ 100,587,352</u>	<u>\$ 23,285,437</u>	<u>\$ 123,872,789</u>	<u>\$ 590,004</u>

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

CITY OF EMPORIA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

	Program Revenues			Net [Expenses] Revenue and Changes in Net Assets			Component Unit Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Governmental activities:							
General government	\$ 3,675,713	\$ 1,265,064	\$ 635,670	\$ [1,774,979]	\$ -	\$ [1,774,979]	\$ -
Public safety	7,478,861	1,350,236	110,914	[6,017,711]	-	[6,017,711]	-
Highways and streets	8,271,956	-	1,616,685	[6,655,271]	-	[6,655,271]	-
Culture and recreation	2,517,403	454,754	-	[2,062,649]	-	[2,062,649]	-
Health and environment	66,180	-	72,709	6,529	-	6,529	-
Building maintenance	879,993	13,791	-	[866,202]	-	[866,202]	-
Planning and development	1,088,645	285	227,965	[860,395]	-	[860,395]	-
Airport operations	469,632	210,679	-	[258,953]	-	[258,953]	-
Interest on long-term debt	988,069	-	-	[988,069]	-	[988,069]	-
Total governmental activities	25,436,452	3,294,809	2,663,943	[19,477,700]	-	[19,477,700]	-
Business-type activities:							
Solid Waste Disposal	2,287,948	2,530,250	-	-	242,302	242,302	-
Sewer Utility	1,715,958	2,647,398	-	-	931,440	931,440	-
Water Utility	3,684,072	4,358,570	-	-	674,498	674,498	-
Total business-type activities	7,687,978	9,536,218	-	-	1,848,240	1,848,240	-
Total primary government	\$ 33,124,430	\$ 12,831,027	\$ 2,663,943	[19,477,700]	1,848,240	[17,629,460]	-
Component unit:							
Emporia Public Library Culture and recreation	\$ 835,158	\$ 19,531	\$ 755,677	\$ -	\$ -	\$ -	\$ [59,950]
Total component unit	\$ 835,158	\$ 19,531	\$ 755,677	-	-	-	[59,950]
General Revenues:							
Property taxes levied for							
General purposes				8,730,050	-	8,730,050	-
Debt service				1,840,645	-	1,840,645	-
Investments earnings				154,282	135,272	289,554	10,363
Miscellaneous				152,951	84,322	237,273	10,881
Transfers, net				2,094,937	[2,094,937]	-	-
Total general revenues				12,972,865	[1,875,343]	11,097,522	21,244
Change in net assets				[6,504,835]	[27,103]	[6,531,938]	[38,706]
Net assets - beginning				106,457,997	23,453,274	129,911,271	628,710
Restatement				634,190	[140,734]	493,456	-
Net assets - beginning, restated				107,092,187	23,312,540	130,404,727	628,710
Net assets - ending				\$ 100,587,352	\$ 23,285,437	\$ 123,872,789	\$ 590,004

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

CITY OF EMPORIA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

	<u>General</u>	Industrial Development <u>Sales Tax</u>	Debt <u>Service</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and investments	\$ 153,744	\$ 661,307	\$ 178,743	\$ 176,652	\$ 1,170,446
Cash with fiscal agent	-	-	36,191	-	36,191
Receivables					
Accounts	174,631	370,265	522	74,696	620,114
Taxes	3,275,864	-	1,567,403	550,509	5,393,776
Notes	-	758,524	-	-	758,524
Due from other funds	<u>441,661</u>	<u>-</u>	<u>-</u>	<u>1,117,869</u>	<u>1,559,530</u>
Total assets	<u>\$ 4,045,900</u>	<u>\$ 1,790,096</u>	<u>\$ 1,782,859</u>	<u>\$ 1,919,726</u>	<u>\$ 9,538,581</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 129,760	\$ 907	\$ -	\$ 34,511	\$ 165,178
Accrued liabilities	215,658	-	2,732	20,055	238,445
Accrued compensated absences	38,596	-	-	-	38,596
Matured bonds and interest payable	-	-	36,191	-	36,191
Due to other funds	-	-	-	1,253,626	1,253,626
Deferred revenue	<u>3,275,864</u>	<u>-</u>	<u>1,567,403</u>	<u>550,509</u>	<u>5,393,776</u>
Total liabilities	<u>3,659,878</u>	<u>907</u>	<u>1,606,326</u>	<u>1,858,701</u>	<u>7,125,812</u>
Fund balance:					
Reserved for encumbrances	831	-	-	8,935	9,766
Unreserved					
Designated					
For special revenue	-	1,789,189	-	200,140	1,989,329
For debt service	-	-	176,533	-	176,533
For capital projects	-	-	-	[148,050]	[148,050]
Undesignated [deficit]	<u>385,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,191</u>
Total fund balance [deficit]	<u>386,022</u>	<u>1,789,189</u>	<u>176,533</u>	<u>61,025</u>	<u>2,412,769</u>
Total liabilities and fund balances	<u>\$ 4,045,900</u>	<u>\$ 1,790,096</u>	<u>\$ 1,782,859</u>	<u>\$ 1,919,726</u>	<u>\$ 9,538,581</u>

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

CITY OF EMPORIA

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2003

Total Governmental Fund Balances		\$ 2,412,769
Amounts reported for governmental activities in the statement of net assets are different because		
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets of liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		
		1,100,081
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
The cost of capital assets is	219,733,761	
Accumulated depreciation is	<u>97,929,459</u>	121,804,302
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long term liabilities at year end consist of:		
General obligation bonds payable	23,906,800	
Leases payable	86,856	
Interest payable	289,572	
Compensated absences payable	<u>446,572</u>	<u>[24,729,800]</u>
Net Assets of Governmental Activities		<u>\$ 100,587,352</u>

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

CITY OF EMPORIA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	<u>General</u>	<u>Industrial Development Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$ 8,118,644	\$ -	\$ 1,699,879	\$ 611,406	\$ 10,429,929
Charges for services	1,215,208	-	-	-	1,215,208
Special assessments	-	-	140,766	-	140,766
Intergovernmental	192,423	31,915	-	2,425,940	2,650,278
Licenses and permits	223,767	-	-	-	223,767
Fines and fees	609,956	-	-	-	609,956
Use of money and property	91,179	5,614	4,164	38,620	139,577
Contributions	-	-	-	13,665	13,665
Miscellaneous	68,278	-	1,010	82,970	152,258
Total revenues	10,519,455	37,529	1,845,819	3,172,601	15,575,404
EXPENDITURES:					
Current					
General government	1,209,253	-	-	704,200	1,913,453
Public safety	7,151,456	-	-	92,741	7,244,197
Highways and streets	612,914	-	-	652,293	1,265,207
Culture and recreation	1,257,263	-	-	-	1,257,263
Health and environment	-	-	-	66,180	66,180
Building maintenance	790,025	-	-	-	790,025
Planning and development	299,590	520,175	-	268,880	1,088,645
Airport operations	290,382	-	-	-	290,382
Appropriation	88,910	-	-	-	88,910
Capital outlay	-	-	-	4,630,990	4,630,990
Debt service					
Principal	-	-	984,835	260,000	1,244,835
Interest and other charges	-	-	1,006,942	19,711	1,026,653
Total expenditures	11,699,793	520,175	1,991,777	6,694,995	20,906,740
Excess [deficiency] of revenues over [under] expenditures	<u>[1,180,338]</u>	<u>[482,646]</u>	<u>[145,958]</u>	<u>[3,522,394]</u>	<u>[5,331,336]</u>
OTHER FINANCING SOURCES [USES]					
Transfers in	2,153,080	658,150	297,648	144,116	3,252,994
Transfers out	[979,030]	-	-	[179,027]	[1,158,057]
Transfers out - component unit	-	-	-	[605,400]	[605,400]
Payment to refund bonds	-	-	[110,000]	-	[110,000]
Sale of bonds	-	-	110,000	1,521,800	1,631,800
Total other financing sources [uses]	1,174,050	658,150	297,648	881,489	3,011,337
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[6,288]	175,504	151,690	[2,640,905]	[2,319,999]
Fund balance - Beginning of year	392,310	1,613,685	24,843	2,701,930	4,732,768
Fund balance - End of year	\$ 386,022	\$ 1,789,189	\$ 176,533	\$ 61,025	\$ 2,412,769

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

CITY OF EMPORIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Total Net Change In Fund Balances - Governmental Funds \$ [2,319,999]

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

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	3,615,704	
Depreciation expense	<u>[7,727,182]</u>	[4,111,478]

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The revenues and expenses of certain internal service funds are included in governmental activities in the statement of activities.

81,074

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.

38,584

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

28,333

Proceeds of bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

[1,631,800]

Repayment of lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

55,616

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

1,354,835

Changes In Net Assets of Governmental Activities

\$ [6,504,835]

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

CITY OF EMPORIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Taxes	\$ 8,118,644	\$ -	\$ 8,118,644	\$ 8,520,565	\$ 8,520,565	\$ [401,921]
Intergovernmental	192,423	-	192,423	565,519	565,519	[373,096]
Licenses and permits	223,767	-	223,767	190,100	190,100	33,667
Charges for services	1,215,208	-	1,215,208	1,194,000	1,194,000	21,208
Fines and fees	609,956	-	609,956	806,300	806,300	[196,344]
Use of money and property	91,179	-	91,179	125,700	125,700	[34,521]
Reimbursements	-	-	-	56,250	56,250	[56,250]
Miscellaneous	68,278	-	68,278	1,877,780	1,877,780	[1,809,502]
Total revenues	10,519,455	-	10,519,455	13,336,214	13,336,214	[2,816,759]
EXPENDITURES:						
Current						
General government	1,209,253	[15,144]	1,194,109	1,304,988	1,304,988	110,879
Public safety						
Law enforcement	3,666,773	[1,160]	3,665,613	3,932,987	3,932,987	267,374
Animal control	81,731	-	81,731	127,442	127,442	45,711
Court services	415,855	-	415,855	457,577	457,577	41,722
Ambulance	954,857	-	954,857	728,369	728,369	[226,488]
Fire	2,032,240	[19]	2,032,221	2,212,879	2,212,879	180,658
Total public safety	7,151,456	[1,179]	7,150,277	7,459,254	7,459,254	308,977
Highways and streets						
Maintenance						
Maintenance	402,187	[3,869]	398,318	465,000	465,000	66,682
Snow removal	23,804	-	23,804	13,000	13,000	[10,804]
Maintenance shop	15,520	-	15,520	32,065	32,065	16,545
Street lighting	171,403	-	171,403	178,000	178,000	6,597
Total highways and streets	612,914	[3,869]	609,045	688,065	688,065	79,020

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

CITY OF EMPORIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
EXPENDITURES - continued:						
Current - continued						
Culture and recreation						
Park	546,475	[1,480]	544,995	671,251	671,251	126,256
Lake Kahola	185	-	185	200	200	15
Swimming Pool/Peter Pan Park	41,098	-	41,098	53,000	53,000	11,902
Golf course	303,753	-	303,753	419,583	419,583	115,830
Golf shop	161,150	-	161,150	188,211	188,211	27,061
Zoo	204,602	-	204,602	227,724	227,724	23,122
Total culture and recreation	1,257,263	[1,480]	1,255,783	1,559,969	1,559,969	304,186
Building maintenance						
Engineering	272,902	-	272,902	317,406	317,406	44,504
Grounds maintenance	49,439	-	49,439	127,157	127,157	77,718
Civic building	424,019	-	424,019	540,540	540,540	116,521
Library maintenance	43,665	-	43,665	53,883	53,883	10,218
Total building maintenance	790,025	-	790,025	1,038,986	1,038,986	248,961
Planning and development	299,590	-	299,590	123,980	123,980	[175,610]
Airport operations	290,382	-	290,382	367,803	367,803	77,421
Appropriations	88,910	-	88,910	88,380	88,380	[530]
Total expenditures	11,699,793	[21,672]	11,678,121	12,631,425	12,631,425	953,304
Excess [deficiency] of revenues over [under] expenditures	[1,180,338]	21,672	[1,158,666]	704,789	704,789	[1,863,455]
OTHER FINANCING SOURCES [USES]:						
Transfers in	2,153,080	-	2,153,080	150,000	150,000	2,003,080
Transfers out	[979,030]	-	[979,030]	[1,005,000]	[1,005,000]	25,970
Total other financing sources [uses]	1,174,050	-	1,174,050	[855,000]	[855,000]	2,029,050
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[6,288]	21,672	15,384	\$ [150,211]	\$ [150,211]	\$ 165,595
FUND BALANCE - Beginning of year	392,310	[22,503]	369,807			
FUND BALANCE - End of year	\$ 386,022	\$ [831]	\$ 385,191			

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

CITY OF EMPORIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 INDUSTRIAL DEVELOPMENT SALES TAX SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 31,915	\$ -	\$ 31,915	\$ 135,000	\$ 135,000	\$ [103,085]
Use of money and property	5,614	-	5,614	20,000	20,000	[14,386]
Total revenues	<u>37,529</u>	<u>-</u>	<u>37,529</u>	<u>155,000</u>	<u>155,000</u>	<u>[117,471]</u>
EXPENDITURES:						
Current						
Planning and development						
Contractual services	520,175	-	520,175	1,273,575	1,273,575	753,400
Total expenditures	<u>520,175</u>	<u>-</u>	<u>520,175</u>	<u>1,273,575</u>	<u>1,273,575</u>	<u>753,400</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[482,646]</u>	<u>-</u>	<u>[482,646]</u>	<u>[1,118,575]</u>	<u>[1,118,575]</u>	<u>635,929</u>
OTHER FINANCING SOURCES [USES]:						
Transfers in	658,150	-	658,150	725,000	725,000	[66,850]
Excess of revenues over [under] expenditures and other financing [uses]	175,504	-	175,504	<u>\$ [393,575]</u>	<u>\$ [393,575]</u>	<u>\$ 569,079</u>
Unencumbered fund balance - Beginning of year	<u>1,613,685</u>	<u>-</u>	<u>1,613,685</u>			
Unencumbered fund balance - End of year	<u>\$1,789,189</u>	<u>\$ -</u>	<u>\$1,789,189</u>			

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

CITY OF EMPORIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Solid Waste Disposal	Sewer Utility	Parking Facilities	Water Utility	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 266,122	\$ -	\$ -	\$ 86,725	\$ 352,847	\$ 158,126
Investments	-	-	-	-	-	1,323,549
Receivables (net of allowance for uncollectibles)	283,459	365,371	-	476,819	1,125,649	-
Inventory	-	-	-	247,711	247,711	-
Due from other funds	-	-	-	569,947	569,947	-
Deferred charges	-	-	-	405,218	405,218	-
Total current assets	549,581	365,371	-	1,786,420	2,701,372	1,481,675
Fixed assets:						
Construction in progress	-	9,208,771	-	14,469	9,223,240	-
Fixed assets	3,443,877	24,738,679	-	27,743,376	55,925,932	-
Less: accumulated depreciation	1,306,655	10,563,419	-	9,673,654	21,543,728	-
Total fixed assets	2,137,222	23,384,031	-	18,084,191	43,605,444	-
Total assets	\$ 2,686,803	\$ 23,749,402	\$ -	\$ 19,870,611	\$ 46,306,816	\$ 1,481,675
Liabilities:						
Current liabilities (payable from current assets):						
Accounts payable	\$ 72,870	\$ 31,512	\$ -	\$ 46,448	\$ 150,830	\$ 6,562
Accrued liabilities	260,568	23,032	-	65,984	349,584	-
Interest payable	-	345	-	75,029	75,374	-
Retainage payable	-	98,683	-	-	98,683	-
Unpaid claims	-	-	-	-	-	375,030
Due to other funds	-	569,947	-	-	569,947	-
Current portion of compensated absences payable	11,190	14,743	-	42,398	68,331	-
Current portion of notes payable	-	506,827	-	171,320	678,147	-
Current portion of general obligation bonds payable	-	195,000	-	533,800	728,800	-
Total current liabilities (payable from current assets)	344,628	1,440,089	-	934,979	2,719,696	381,592
Noncurrent liabilities:						
General obligation bonds payable	-	-	-	5,724,400	5,724,400	-
Notes payable	-	10,649,665	-	3,927,618	14,577,283	-
Total noncurrent liabilities	-	10,649,665	-	9,652,018	20,301,683	-
Total liabilities	344,628	12,089,754	-	10,586,997	23,021,379	381,592
Net Assets						
Invested in capital assets, net of related debt	2,137,222	12,032,539	-	7,727,053	21,896,814	-
Unrestricted	204,953	[372,891]	-	1,556,561	1,388,623	1,100,083
Total net assets	\$ 2,342,175	\$ 11,659,648	\$ -	\$ 9,283,614	\$ 23,285,437	\$ 1,100,083

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

CITY OF EMPORIA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Solid Waste Disposal	Sewer Utility	Parking Facilities	Water Utility	Total Enterprise Funds	
Operating revenues						
Charges for services	\$2,530,250	\$ 2,647,398	\$ -	\$4,358,570	\$ 9,536,218	\$1,245,879
Miscellaneous	3,518	5,041	-	4,506	13,065	693
Total operating revenues	<u>2,533,768</u>	<u>2,652,439</u>	<u>-</u>	<u>4,363,076</u>	<u>9,549,283</u>	<u>1,246,572</u>
Operating expenses						
Personal services	1,008,644	557,333	-	646,883	2,212,860	-
Contractual services	665,624	481,107	-	1,377,133	2,523,864	1,180,203
Commodities	377,936	128,128	-	362,111	868,175	-
Depreciation	220,747	666,173	-	841,135	1,728,055	-
Other	14,997	-	-	16,436	31,433	-
Total operating expenses	<u>2,287,948</u>	<u>1,832,741</u>	<u>-</u>	<u>3,243,698</u>	<u>7,364,387</u>	<u>1,180,203</u>
Operating income [loss]	<u>245,820</u>	<u>819,698</u>	<u>-</u>	<u>1,119,378</u>	<u>2,184,896</u>	<u>66,369</u>
Nonoperating revenues [expenses]						
Interest income	2,944	1,570	-	130,758	135,272	14,705
Interest expense	-	[293,637]	-	[409,831]	[703,468]	-
Amortization of bond issue costs	-	-	-	[30,543]	[30,543]	-
Gain [loss] on disposal of assets	68,487	410,420	-	2,770	481,677	-
Total nonoperating revenues [expenses]	<u>71,431</u>	<u>118,353</u>	<u>-</u>	<u>[306,846]</u>	<u>[117,062]</u>	<u>14,705</u>
Income [loss] before operating transfers	<u>317,251</u>	<u>938,051</u>	<u>-</u>	<u>812,532</u>	<u>2,067,834</u>	<u>81,074</u>
Transfers from [to] other funds and account groups						
Transfers out	[485,640]	[466,000]	-	[1,143,297]	[2,094,937]	-
Total transfers	<u>[485,640]</u>	<u>[466,000]</u>	<u>-</u>	<u>[1,143,297]</u>	<u>[2,094,937]</u>	<u>-</u>
Change in net assets	<u>[168,389]</u>	<u>472,051</u>	<u>-</u>	<u>[330,765]</u>	<u>[27,103]</u>	<u>81,074</u>
Net assets, January 1	2,510,564	10,822,379	515,382	9,604,949	23,453,274	1,019,009
Prior period adjustment	-	365,218	[515,382]	9,430	[140,734]	-
Net assets, January 1 - restated	<u>2,510,564</u>	<u>11,187,597</u>	<u>-</u>	<u>9,614,379</u>	<u>23,312,540</u>	<u>1,019,009</u>
Net assets, December 31	<u>\$2,342,175</u>	<u>\$11,659,648</u>	<u>\$ -</u>	<u>\$9,283,614</u>	<u>\$23,285,437</u>	<u>\$1,100,083</u>

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

CITY OF EMPORIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2003

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Solid Waste Disposal	Sewer Utility	Parking Facilities	Water Utility	Total Enterprise Funds	
Cash flows from operating activities						
Cash received from customers and users	\$ 2,515,300	\$ 2,580,291	\$ -	\$ 4,183,012	\$ 9,278,603	\$ 1,245,879
Cash payments to employees for services	[820,973]	[583,822]	-	[672,189]	[2,076,984]	-
Cash payments to other suppliers of goods or services	[1,308,369]	[1,056,262]	-	[1,864,699]	[4,229,330]	[1,288,865]
Other operating receipts	3,518	5,041	-	4,506	13,065	693
Net cash provided by [used in] operating activities	<u>389,476</u>	<u>945,248</u>	<u>-</u>	<u>1,650,630</u>	<u>2,985,354</u>	<u>[42,293]</u>
Cash flows from noncapital financing activities						
Transfers [to] other funds	[485,640]	[466,000]	-	[1,143,297]	[2,094,937]	-
Net cash provided by [used in] noncapital financing activities	<u>[485,640]</u>	<u>[466,000]</u>	<u>-</u>	<u>[1,143,297]</u>	<u>[2,094,937]</u>	<u>-</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[277,216]	[1,800,279]	-	[113,070]	[2,190,565]	-
Principal paid on bonds and notes	-	[712,946]	-	[1,092,210]	[1,805,156]	-
Interest paid	-	[294,796]	-	[420,588]	[715,384]	-
Proceeds received from issuance of debt	-	2,327,203	-	338,200	2,665,403	-
Proceeds from sale of salvage	145,443	-	-	10,505	155,948	-
Net cash provided by [used in] capital and related financing activities	<u>[131,773]</u>	<u>[480,818]</u>	<u>-</u>	<u>[1,277,163]</u>	<u>[1,889,754]</u>	<u>-</u>
Cash flows from investing activities						
Interest on investments	2,944	1,570	-	130,758	135,272	14,705
Proceeds from sale of investments	-	-	-	-	-	1,398,611
Purchase of investments	-	-	-	-	-	[1,323,549]
Net cash provided by [used in] investing activities	<u>2,944</u>	<u>1,570</u>	<u>-</u>	<u>130,758</u>	<u>135,272</u>	<u>89,767</u>
Net increase [decrease] in cash and cash equivalents	<u>[224,993]</u>	<u>-</u>	<u>-</u>	<u>[639,072]</u>	<u>[864,065]</u>	<u>47,474</u>
Cash and cash equivalents - Beginning of year	491,115	-	2,162	725,797	1,219,074	110,652
Prior period adjustment	-	-	[2,162]	-	[2,162]	-
Cash and cash equivalents - Beginning of year, restated	<u>491,115</u>	<u>-</u>	<u>-</u>	<u>725,797</u>	<u>1,216,912</u>	<u>110,652</u>
Cash and cash equivalents - End of year	<u>\$ 266,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,725</u>	<u>\$ 352,847</u>	<u>\$ 158,126</u>

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

CITY OF EMPORIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2003

	Business-Type Activities: Enterprise Funds					Internal Service Funds
	Solid Waste Disposal	Sewer Utility	Parking Facilities	Water Utility	Total Enterprise Funds	
Cash and cash equivalents	\$ 266,122	\$ -	\$ -	\$ 86,725	\$ 352,847	\$ 158,126
Total cash and cash equivalents	\$ 266,122	\$ -	\$ -	\$ 86,725	\$ 352,847	\$ 158,126
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ 245,820	\$ 819,698	\$ -	\$ 1,119,378	\$ 2,184,896	\$ 66,369
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities						
Depreciation	220,747	666,173	-	841,135	1,728,055	-
Change in assets and liabilities						
[Increase] decrease in receivables	[14,950]	[67,107]	-	[9,599]	[91,656]	-
[Increase] decrease in inventory	-	-	-	[40,816]	[40,816]	-
[Increase] decrease in due from other funds	-	-	-	[165,959]	[165,959]	-
Increase [decrease] in due to other funds	-	165,959	-	-	165,959	-
Increase [decrease] in accounts payable	[7,429]	[388,597]	-	[68,203]	[464,229]	[367]
Increase [decrease] in retainage payable	-	[224,389]	-	-	[224,389]	-
Increase [decrease] in accrued liabilities	[1,561]	11,577	-	41,535	51,551	[108,295]
Increase [decrease] in accrued compensation	[53,151]	[38,066]	-	[66,841]	[158,058]	-
Net cash provided by [used in] operating activities	\$ 389,476	\$ 945,248	\$ -	\$ 1,650,630	\$ 2,985,354	\$ [42,293]

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

CITY OF EMPORIA, KANSAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 85,168	\$ 29,101
Accounts receivable	-	305,904
Accrued interest receivable	952	-
Notes receivable	<u>800,616</u>	<u>-</u>
Total Assets	<u>\$ 886,736</u>	<u>\$ 335,005</u>
Liabilities		
Due to general fund	\$ -	\$ 305,904
Accounts payable	<u>-</u>	<u>29,101</u>
Total Liabilities	<u>-</u>	<u>335,005</u>
Fund balances		
Reserved for economic development	884,039	-
Unreserved Undesignated	<u>2,697</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 886,736</u>	<u>\$ 335,005</u>

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

CITY OF EMPORIA, KANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended December 31, 2003

	Private Purpose <u>Trust</u>
Additions:	
Interest Income	\$ <u>20,988</u>
Deductions	<u>-</u>
Change in net assets	20,988
Fund balances, January 1	<u>865,748</u>
Fund balances, December 31	<u>\$ 886,736</u>

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

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Emporia is a municipal corporation governed by five elected commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separated from the government. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit

Emporia Public Library - The Emporia Public Library (Library) serves the citizens within the City's jurisdiction. The City appoints the entire governing body of the Library. Because the Library is not a separate taxing entity, the City levies tax for the Library's operations. The City appropriated \$605,400 to the Library in 2003. Complete financial statements may be obtained at the Emporia Public Library, 110 E. 6th Avenue, Emporia, Kansas.

Jointly Governed Organization

Regional Development Association of East Central Kansas, Inc. - The Regional Development Association of East Central Kansas, Inc., (RDA) is a not-for-profit corporation whose purpose is to benefit the public interest through the activity of business and economic development in the City and Lyon County, Kansas. The RDA's governing board consists of seven voting members, two of whom are appointed by the City. The City has entered into a contract under which the City appropriates funds to the RDA which are used for business and economic development. The City has no ongoing financial interest or responsibilities with respect to the RDA.

B. Government-wide and fund financial statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items which are not classified as program revenues are presented as general revenues of the city.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide 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.

Governmental 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes 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. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on fixed assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The private purpose trust funds are used to account for resources legally held in trust. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The District reports the following major governmental funds:

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Basis of Presentation - Continued

The Industrial Development Sales Tax Fund is used to account for the investment earnings from and expenditures of funds generated by a portion of the City's retail sales tax. Receipts of retail sales taxes are deposited in the General Fund, and the portion related to this activity is then transferred to this fund.

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The government reports the following major proprietary funds:

Solid Waste Disposal Fund accounts for funds derived from customer service charges for solid waste disposal. All activities necessary to provide such services are accounted for in this fund.

Sewer Utility Fund is used to account for all sewer operations including administration, maintenance, financing and related debt service and billing collection. All operations are financed by means of customer user fees which are established by the governing body.

Parking Facilities Fund was used to account for the financing, operation and maintenance of City-owned parking lots in prior years, but this activity was combined with the General Fund in 2003.

Water Utility Fund is used to account for the provision of water service to the residents of the City and some customers outside the City. All activities necessary to provide water service are accounted for in this fund, including administration, operations, maintenance, financing and related debt service and billing collection.

D. Assets, Liabilities and Equity

1. Pooled Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds managed by the City (except for investments of the employees' health insurance trust and workers' compensation fund). The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Cash balances from all funds are invested to the extent available in certificates of deposit and other authorized investments. Investments with maturity dates greater than three months are stated separately. Earnings from these investments, unless specifically designated, are allocated monthly to the investing fund based on the percentage of funds invested to total investments.

2. Receivables and Payables

Transactions between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables / payables" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles, if applicable.

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Equity - Continued

2. Receivables and Payables

Property taxes receivable - The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The office of the County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2004 in the governmental fund financial statements. It is not practicable to apportion delinquent taxes held by the County Treasurer and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

3. Inventories

Inventories are valued at cost using the first-in / first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Assets

Certain monies in the Economic Development private purpose trust fund are restricted for re-use in the City's revolving loan program.

Cash in the Debt Service fund held with the fiscal agent are restricted for payment of principal and interest on general obligation bonds.

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Equity - Continued

6. Capital Assets

Fixed 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. Fixed assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Fixed assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for fixed assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets of business-type is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-75
Building improvements	20-75
Machinery and equipment	5-10
Office equipment	5-10
Infrastructure	20-75

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in the government-wide and proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Equity - Continued

8. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds. \$1,185,000 of temporary notes were outstanding at December 31, 2003.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change..

11. Landfill Post-closure Care Liability

State and federal laws and regulations required the City to place a final cover on its landfill site, which was closed during 1994, and to perform certain maintenance and monitoring activities at the site for thirty years after closure. The amount reported as landfill post-closure care liability at December 31, 2003 represents what it would cost to perform all post-closure care in 2003. The actual costs may be higher due to inflation, changes in technology or changes in regulations. The City intends to fund these costs internally.

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

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 from 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.

- a) Preparation of the budget for the succeeding calendar year on or before August 1st of each year.
- b) Publication in a local newspaper of the proposed budget and the notice of public hearing on the budget on or before August 5th.
- c) Public hearing on or before August 15th of each year, but at least ten days after publication of the notice of hearing.
- d) 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. The budget for the following funds were amended in 2004: Convention and Tourism, Special Alcohol and Drug Forfeitures Funds.

<u>Fund</u>	<u>Adopted</u>	<u>Amended</u>
Convention and Tourism	\$ 283,560	\$ 309,500
Special Alcohol	63,340	66,180
Drug Forfeitures	18,600	45,000

The statutes permit management to transfer 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All encumbered appropriations (legal budget expenditures authority) lapse at year end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds: Zoo Maintenance, Emergency Housing, Housing CDBG Grant, Housing Study RDA, Housing Cost Analysis Program, Emergency Shelter, Housing CDBG Repayment, Telephone Tax-911, Law Enforcement Block Grant, AHP Homebuyer Rehab, Menu Building, Home Owners Rehab, DARE Crime Prevention, Home Rehab, Downtown Market Analysis and AHP Homebuyer. 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.

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

	Major Governmental Funds			Other	Total Governmental Funds
	General Fund	Industrial Development Sales Tax Fund	Debt Service Fund	Nonmajor Governmental Funds	
GAAP FUND BALANCE					
December 31, 2003	\$ 386,022	\$ 1,789,189	\$ 176,533	\$ 61,025	\$ 2,412,769
Adjustments:					
Unreserved fund balances not subject to the Kansas Budget Law:					
Emergency Housing	-	-	-	[1,244]	[1,244]
Housing CDBG Grant	-	-	-	[38,198]	[38,198]
Housing Study RDA	-	-	-	[1,694]	[1,694]
Housing Cost Analysis Program	-	-	-	[59,815]	[59,815]
Housing CDBG Repayment	-	-	-	2,228	2,228
Telephone Tax 911	-	-	-	102,422	102,422
Law Enforcement Block Grant	-	-	-	18,831	18,831
Home Owners Rehab	-	-	-	[32,520]	[32,520]
DARE Crime Prevention	-	-	-	[4,595]	[4,595]
Home Rehab	-	-	-	8,752	8,752
Downtown Market Analysis	-	-	-	5,317	5,317
AHP Homebuyer Helper	-	-	-	13,362	13,362
KLINK Projects	-	-	-	129,364	129,364
Internal Improvements	-	-	-	[131,568]	[131,568]
Ball Diamonds	-	-	-	[31,342]	[31,342]
5th Avenue Relief Main	-	-	-	267,222	267,222
Park Improvement Project	-	-	-	[83,794]	[83,794]
Americus Rd US50 to 18th	-	-	-	9,098	9,098
Family Aquatic Center	-	-	-	208,034	208,034
Civic Auditorium Improvement	-	-	-	[70,940]	[70,940]
Main Street Streetscape Projects	-	-	-	33,572	33,572
Animal Shelter	-	-	-	[110,934]	[110,934]
Library Bond Project	-	-	-	[54,504]	[54,504]
Prairie Pedestrian Bridge	-	-	-	426,448	426,448
Traffic Signals	-	-	-	416	416
Paving Projects	-	-	-	21,059	21,059
Construction Projects	-	-	-	[71,122]	[71,122]
Candlewood Drive	-	-	-	[114,435]	[114,435]
Police Equipment	-	-	-	[278,524]	[278,524]
Reserve for encumbrances	[831]	-	-	-	[831]
Total deductions	[831]	-	-	160,896	160,065
BUDGETARY FUND BALANCE					
December 31, 2003	\$ 385,191	\$ 1,789,189	\$ 176,533	\$ 221,921	\$ 2,572,834

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

	Major Business-Type Funds			Total Business-Type Funds
	Solid Waste Disposal Fund	Sewer Utility Fund	Water Utility Fund	
GAAP FUND BALANCE				
December 31, 2003	\$ 2,342,175	\$ 11,659,648	\$ 9,283,614	\$ 23,285,437
Adjustments:				
Fixed assets	[277,216]	[777,000]	[113,070]	[1,167,286]
Reserve for encumbrances	-	[10,800]	[128,803]	[139,603]
Depreciation	220,747	668,632	871,875	1,761,254
Total deductions	[56,469]	[119,168]	630,002	454,365
BUDGETARY FUND BALANCE				
December 31, 2003	\$ 2,285,706	\$ 11,540,480	\$ 9,913,616	\$ 23,739,802

B. Compliance with Kansas Statutes

The following funds had deficit fund equity at December 31, 2003: Housing CDBG Repayment - \$2,228, Telephone Tax 911 - \$102,422, Law Enforcement Block Grant - \$18,831, Home Rehab - \$8,752, Downtown Market Analysis - \$5,317, AHP Homebuyer Helper - \$13,362, KLINK Projects - \$129,364, 5th Avenue Relief Main - \$267,222, Americus Rd US50 to 18th - \$9,098, Family Aquatic Center - \$208,034, Main Street Streetscape Projects - \$33,572, Prairie Pedestrian Bridge - \$426,448, Traffic Signals - \$416, and Paving Projects - \$21,059.

The deficits in the special revenue funds will be recovered from grant reimbursements for qualifying expenditures. The other deficits are from capital projects currently financed from other projects pending receipt of bond proceeds and/or grant moneys.

III. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year ended December 31, 2003 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". GASB Statement 34 creates a new set of basic financial statements. GASB Statement 34 requires cities to include government-wide financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type. Non-major funds are presented as a total in one column. Related GASB Statements 33, 37 and 38 were also adopted.

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

III. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

B. Restatement of Fund Balance

The transition from governmental fund balances to net assets of the governmental activities and the various adjustments to enterprise fund balances had the following effect on the beginning balances.

	Total Governmental <u>Funds</u>	Total Enterprise <u>Funds</u>
Fund Balance/Net Assets December 31, 2002	\$ 4,732,768	\$ 23,453,274
Parking Facilities Fund Elimination	-	[515,382]
Miscellaneous Adjustment	-	374,648
Fixed Asset Prior Year Additions	649,294	-
General Obligation Bond Adjustment	[15,105]	-
GASB 34 Adjustments		
Fixed Assets	125,266,484	-
Compensated Absences	[474,905]	-
Internal Service Fund	1,019,009	-
Interest Payable	[328,156]	-
Leases Payable	[142,472]	-
Long-Term Liabilities	<u>[23,614,730]</u>	<u>-</u>
Net Assets	<u>\$ 107,092,187</u>	<u>\$ 23,312,540</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits - At year end, the carrying amount of the City's cash was \$887,001 including \$2,500 cash on hand and the bank balance was \$1,715,810. The difference between the carrying amount and the bank balance is outstanding checks, deposits in transit and cash on hand. Of the bank balance, \$100,000 was covered by federal deposit insurance and the remaining \$1,615,810 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement. The Kansas State Treasurer's Fiscal Agency Department held an unsecured and uncollateralized deposit of \$36,191.

Investments - Kansas statutes authorize the City to invest in US Treasury bills and notes, repurchase agreements, Kansas Municipal Investment Pool, and certain other types of federal and Kansas municipal obligations. All investments must be insured, registered, or held by the City or its agent in the City's name. The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

A. Deposits and Investments - Continued

Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the municipality. The investments of the Kansas Municipal Investment Pool are held in the name of the state in the state's account at the Federal Reserve. These investments are reported to the City at fair value on a monthly basis. State statutes established the Pooled Money Investment Board to oversee the activities of the pool.

At December 31, 2003, the City had invested \$908,686 in the Kansas Municipal Investment Pool. The City's investment in the Kansas Municipal Investment Pool is not subject to categorization as to risk. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares. The categories of the City's investments are as follows:

	Category			Carrying Amount/ Fair Value
	1	2	3	
U.S. Government Agencies	\$ 1,323,550	\$ -	\$ -	\$ 1,323,550
Kansas Municipal Investment Pool				908,686
Total				<u>\$ 2,232,236</u>

A reconciliation of cash and investments as shown on the combined Balance Sheet for the primary government follows:

Statement of net assets - cash and investments	\$ 3,004,968
Statement of net assets - cash with fiscal agent	36,191
Statement of fiduciary net assets - cash and cash equivalents	114,269
Total	<u>\$ 3,155,428</u>
Cash and cash equivalents	\$ 887,001
Cash held by fiscal agent	36,191
Investments	2,232,236
Total	<u>\$ 3,155,428</u>

Component Unit. At year-end, the carrying amount of the Library's cash, including certificates of deposit and cash on hand, was \$347,046, the bank balance was \$392,126. The difference between the carrying amount and the bank balance was outstanding checks, deposits in transit and cash on hand. Of the bank balance, \$212,116 was covered by federal depository insurance and the remaining \$180,010 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Library's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Library, the pledging bank, and the independent third-party bank holding the pledged securities.

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Industrial Development Sales Tax	Debt Service	Solid Waste Disposal	Sewer Utility	Water Utility	Other Governmental	Total
Receivables:								
Accounts	\$ 208,566	\$ 370,265	\$ 522	\$ 291,613	\$ 376,543	\$ 488,780	\$ 74,696	\$ 1,810,985
Taxes	3,275,864	-	1,567,403	-	-	-	550,509	5,393,776
Notes	-	758,524	-	-	-	-	-	758,524
Gross Receivables	3,484,430	1,128,789	1,567,925	291,613	376,543	488,780	625,205	7,963,285
Less: allowance for uncollectibles	33,935	-	-	8,154	11,172	11,961	-	65,222
Total	\$ 3,450,495	\$ 1,128,789	\$ 1,567,925	\$ 283,459	\$ 365,371	\$ 476,819	\$ 625,205	\$ 7,898,063

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2003, is as follows:

	Fund Types	Due From	Due To
General		\$ 441,661	\$ -
Special Revenue:			
Industrial		78,907	-
Special Street		39,453	-
Housing Cost Analysis Program		39,453	-
Housing CDBG Repayment		-	2,797
Telephone Tax 911		-	102,010
Law Enforcement Block Grant		-	18,529
Home Rehab		-	21,179
Downtown Market Analysis		-	2,812
AHP Homebuyer Helper		-	10,486
Capital Projects:			
KLINK Projects		-	129,364
Internal Improvements		131,568	-
Ball Diamonds		31,342	-
5th Avenue Relief Main		-	267,222
Park Improvement Project		83,794	-
Americus Rd US50 to 18th		-	10,274
Family Aquatic Center		-	208,034
Civic Auditorium Improvement		82,982	-
Main Street Streetscape Projects		-	33,572
Animal Shelter		110,934	-
Library Bond Project		54,504	-
Prairie Pedestrian Bridge		-	426,448
Traffic Signals		-	416
Paving Projects		-	20,483
Construction Projects		71,122	-
Candlewood Drive		114,435	-
Police Equipment		279,375	-
Enterprise:			
Water Utility		569,947	-
Sewer Utility		-	569,947
Fiduciary:			
Municipal Court		-	305,904
		<u>\$ 2,129,477</u>	<u>\$ 2,129,477</u>

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

D. Fixed Assets

Fixed asset activity for the year ended December 31, 2003, was as follows:

	Balance <u>12/31/2002</u>	Adjustments	Additions	Retirements	Balance <u>12/31/2003</u>
City governmental activities:					
Land improvements	\$ 198,191,155	\$ -	\$ 2,924,882	\$ [888,607]	\$ 200,227,430
Buildings and improvements	10,689,671	649,295	847,079	-	12,186,045
Vehicles	2,427,708	-	133,001	[73,074]	2,487,635
Equipment, furniture and fixtures	<u>4,690,276</u>	<u>-</u>	<u>178,919</u>	<u>[36,544]</u>	<u>4,832,651</u>
Total fixed assets	<u>215,998,810</u>	<u>649,295</u>	<u>4,083,881</u>	<u>[998,225]</u>	<u>219,733,761</u>
Less accumulated depreciation for:					
Land improvements	80,498,201	-	6,670,597	[437,839]	86,730,959
Buildings and improvements	5,789,355	-	323,522	-	6,112,877
Vehicles	2,025,329	-	215,892	[73,074]	2,168,147
Equipment, furniture and fixtures	<u>2,419,441</u>	<u>-</u>	<u>517,171</u>	<u>[19,136]</u>	<u>2,917,476</u>
Total accumulated depreciation	<u>90,732,326</u>	<u>-</u>	<u>7,727,182</u>	<u>[530,049]</u>	<u>97,929,459</u>
Governmental activities fixed assets, net	<u>\$ 125,266,484</u>	<u>\$ 649,295</u>	<u>\$ [3,643,301]</u>	<u>\$ [468,176]</u>	<u>\$ 121,804,302</u>
Business-type activities:					
Capital assets, not being depreciated					
Construction in progress	\$ 7,057,743	\$ -	\$ 2,165,497	\$ -	9,223,240
Capital assets, being depreciated					
Land improvements	29,242,149	[244,851]	851,419	[19,642]	29,829,075
Buildings and improvements	18,269,314	[404,445]	-	[528,499]	17,336,370
Vehicles	7,607,588	-	263,052	[489,977]	7,380,663
Equipment, furniture and fixtures	<u>1,249,202</u>	<u>-</u>	<u>52,816</u>	<u>77,806</u>	<u>1,379,824</u>
Total fixed assets	<u>63,425,996</u>	<u>[649,296]</u>	<u>3,332,784</u>	<u>[960,312]</u>	<u>65,149,172</u>
Less accumulated depreciation for:					
Land improvements	11,255,889	-	600,519	[11,908]	11,844,500
Buildings and improvements	5,116,283	-	445,730	[179,064]	5,382,949
Vehicles	3,030,502	-	512,156	[253,615]	3,289,043
Equipment, furniture and fixtures	<u>922,042</u>	<u>-</u>	<u>169,650</u>	<u>[64,455]</u>	<u>1,027,236</u>
Total accumulated depreciation	<u>20,324,715</u>	<u>-</u>	<u>1,728,055</u>	<u>[509,041]</u>	<u>21,543,728</u>
Business-type activities fixed assets, net	<u>\$ 43,101,281</u>	<u>\$ [649,296]</u>	<u>\$ 1,604,729</u>	<u>\$ [451,271]</u>	<u>\$ 43,605,444</u>

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

D. Fixed Assets (Continued)

The City's depreciation expense was charges to governmental functions as follows:

Governmental Activities:	
General government	\$ 118,896
Public safety	234,664
Highways and streets	6,538,574
Culture and recreation	565,830
Building maintenance	89,968
Airport operations	<u>179,250</u>
Total depreciation	<u>\$ 7,727,182</u>
Business-type Activities	
Solid Waste Disposal	\$ 220,747
Sewer Utility	666,173
Water Utility	<u>841,135</u>
Total depreciation	<u>\$ 1,728,055</u>

E. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of machinery and equipment. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following lists the cost of items leased under capital leases as of December 31, 2003:

	Governmental Activities <u>Assets</u>	Business-Type Activities <u>Assets</u>
Machinery and equipment	\$ <u>24,556</u>	\$ <u>296,772</u>

Minimum future lease payments under capital leases as of December 31, 2003 are:

	Governmental <u>Activities</u>
2004	\$ 60,403
2005	<u>33,903</u>
Total minimum lease payments	94,306
Less amount representing interest	<u>[7,450]</u>
Present value of future minimum lease payments	<u>\$ 86,856</u>

CITY OF EMPORIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

F. Long-Term Debt

During the year ended December 31, 2003, the following changes, including the reallocation of the general obligation bonds outstanding between governmental and business-type activities, occurred in long term liabilities:

Governmental Activities

	Balance	Additions/ Adjustments		Balance	Amounts Due Within
	<u>January 1, 2003</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>December 31, 2003</u>	<u>One Year</u>
General obligation bonds	\$ 23,614,730	\$ 1,646,905	\$ 1,354,835	\$ 23,906,800	\$ 2,631,200
Capital leases	142,472	-	55,616	86,856	55,544
Compensated absences	<u>474,905</u>	<u>10,263</u>	<u>-</u>	<u>485,168</u>	<u>38,596</u>
	<u>\$ 24,232,107</u>	<u>\$ 1,657,168</u>	<u>\$ 1,410,451</u>	<u>\$ 24,478,824</u>	<u>\$ 2,725,340</u>

Business-type Activities

General obligation bonds	\$ 7,525,270	\$ 338,200	\$ 1,410,270	\$ 6,453,200	\$ 728,800
Notes payable	13,338,218	2,367,373	450,161	15,255,430	678,147
Compensated absences	<u>226,389</u>	<u>-</u>	<u>158,058</u>	<u>68,331</u>	<u>68,331</u>
	<u>\$ 21,089,877</u>	<u>\$ 2,705,573</u>	<u>\$ 2,018,489</u>	<u>\$ 21,776,961</u>	<u>\$ 1,475,278</u>

General obligation bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

F. Long-Term Debt - Continued

	<u>Issue Date</u>	<u>Mature Date</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
<u>Governmental Activities</u>					
1997-A internal improvements	10/1/97	9/1/11	\$ 2,050,000	4.25-6.00%	\$ 1,145,000
1998 refunding and improvements	12/1/98	9/1/14	3,375,000	3.875-4.75%	2,645,000
1999 internal improvements	12/1/99	9/1/14	1,770,000	5.25-5.75%	1,495,000
2000 internal improvements	12/1/00	9/1/15	4,375,000	4.55-6.00%	4,275,000
2001-A internal improvements	10/8/01	9/1/16	6,190,000	3.75-5.60%	6,140,000
2002 refunding	8/27/02	9/1/17	3,019,980	3.00-4.30%	2,620,000
2002 temporary note	11/1/02	12/1/04	1,185,000	3.00%	1,185,000
2002-B refunding	11/20/02	11/1/12	2,800,000	3.00-3.50%	2,770,000
2003 refunding	8/15/03	9/1/18	1,631,800	3.20-4.65%	1,631,800
<u>Business-type Activities</u>					
1994-A refunding	3/1/94	6/1/04	1,915,000	4.15%	195,000
1998 refunding and improvements	12/1/98	9/1/14	6,195,000	3.875-4.75%	4,900,000
2002 refunding	8/27/02	9/1/17	1,180,020	3.00-4.30%	1,020,000
2003 refunding	8/15/03	9/1/18	338,200	3.20-4.65%	338,200
					<u>\$ 30,360,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year</u>	<u>Business-type Activities</u>		<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 728,800	\$ 262,304	\$ 2,631,200	\$ 1,053,306
2005	567,800	236,314	1,532,200	916,955
2006	591,600	213,616	1,743,400	849,963
2007	490,000	190,935	1,810,000	778,065
2008	510,000	171,335	1,870,000	702,003
2009-2013	2,905,000	528,665	9,270,000	2,296,614
2014-2018	660,000	29,040	5,050,000	474,788
	<u>\$ 6,453,200</u>	<u>\$ 1,632,209</u>	<u>\$ 23,906,800</u>	<u>\$ 7,071,692</u>

Defeased bonds. During 2003, the City issued \$1,970,000 in general obligation refunding and improvement bonds with interest ranging from 3.20 to 4.65% to current refund \$440,000 of 1996-B General Obligation Bonds with interest rates ranging from 4.45 to 6.20%. The remaining proceeds will be used for improvements. The transaction resulted in an economic gain of \$19,618 and a reduction of \$15,737 in future debt payments.

In prior years, the City had defeased certain outstanding debt obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At December 31, 2003, the following outstanding bonds are considered defeased:

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

F. Long-Term Debt - Continued

1993-A general obligation bonds	\$	525,000
1993-B general obligation bonds		1,035,000
1978 sewer system refunding revenue bonds		1,355,000
1989 water system revenue bonds		1,030,000
1990 sewer system revenue bonds		1,080,000
1994-A water system revenue bonds		4,740,000
1994-B general obligation bonds		1,050,000
1996-A general obligation bonds		1,950,000
Total	\$	<u>12,765,000</u>

Special assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Debt Service fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service fund. The special assessments receivable are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent liability of the City to the extent of property owner defaults, which have historically been immaterial.

Conduit debt. The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2003, total outstanding conduit debt was \$21,905,265.

Notes Payable. Payments began on February 1, 2000, on a 4.07% interest rate loan agreement with the Kansas Department of Health and Environment (KDHE) to fund water system improvements. The annual debt service requirements for this loan, which matures August 1, 2020, are as follows:

Year Ending <u>December 31,</u>	Water Utility <u>Fund</u>
2004	\$ 336,421
2005	336,421
2006	336,421
2007	336,421
2008	336,421
2009-2013	1,682,106
2014-2018	1,682,106
2019-2020	<u>672,843</u>
Total Principal and interest	5,719,161
Less: Interest	<u>1,620,223</u>
Total	<u>\$ 4,098,938</u>

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

F. Long-Term Debt - Continued

Payments began on September 1, 2001, on a 3.19% interest rate loan agreement with the Kansas Department of Health and Environment (KDHE) to fund wastewater treatment plant expansion. The current amount of debt service for this loan is \$3,796,888. Payments will begin on March 1, 2004, on a 3.10% interest rate loan agreement with the Kansas Department of Health and Environment (KDHE) to fund the second phase of the wastewater treatment plant expansion. The current amount of debt service for this loan is \$7,359,604. However annual projected debt service requirements, once all draws have been taken, for these loans, which mature March 1, 2021 and September 1, 2023, respectively, are as follows:

Year Ending December 31,	Wastewater Treatment Plant Expansion Phase I	Wastewater Treatment Plant Expansion Phase II	Total Sewer Utility Fund
2004	\$ 369,684	\$ 537,292	\$ 906,976
2005	369,684	537,292	906,976
2006	369,684	537,292	906,976
2007	369,684	537,292	906,976
2008	369,684	537,292	906,976
2009-2013	1,848,422	2,686,460	4,534,882
2014-2018	1,848,422	2,686,460	4,534,882
2019-2023	<u>1,109,053</u>	<u>2,686,460</u>	<u>3,795,513</u>
Total Principal and interest	6,654,318	10,745,842	17,400,160
Less: Interest	<u>1,725,995</u>	<u>2,781,942</u>	<u>4,507,937</u>
Total	<u>\$ 4,928,323</u>	<u>\$ 7,963,900</u>	<u>\$ 12,892,223</u>

The following is a reconciliation of the Sewer Utility Fund notes payable and the projected debt service requirements.

Projected Debt Service Principal	
Wastewater Treatment Plant Phase I	\$ 4,928,323
Wastewater Treatment Plant Phase II	<u>7,963,900</u>
Total Projected Debt Service Principal	12,892,223
Undrawn Note Proceeds	<u>[1,735,731]</u>
Statement of Net Assets - Proprietary Funds - Sewer Utility	<u>\$ 11,156,492</u>
Current portion	\$ 506,827
Long term portion	<u>10,649,665</u>
	<u>\$ 11,156,492</u>

CITY OF EMPORIA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

G. Reconciliation of Transfers

A reconciliation of interfund transfers follows:

	<u>To</u>	<u>From</u>
Major Funds:		
General	\$ 2,153,080	\$ 979,030
Industrial Development Sales Tax	658,150	-
Debt Service	297,648	-
Solid Waste Disposal	-	485,640
Sewer Utility	-	466,000
Water Utility		1,143,297
Other Governmental Funds	<u>144,116</u>	<u>179,027</u>
	<u>\$ 3,252,994</u>	<u>\$ 3,252,994</u>

V. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan description - The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by Kansas statutes (KSA 74-4901 et seq). KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law established 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 611 South Kansas, Suite 100; Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding policy - KSA 74-4919 established the KPERS member-employee contribution rate at 4% of covered salary. KSA 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provision 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 employer rate was 3.67% from January 1 to March 31, 2003 and 3.07% from April 1 to December 31, 2003. The City employer contributions to KPERS for the years ending December 31, 2003, 2002, and 2001 were \$162,150, \$129,628, and \$123,175, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2003 is 10.36%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the years ended December 31, 2003, 2002, and 2001 were \$432,929, \$426,012, and \$407,709, respectively, equal to the required contributions for each year.

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the Plan are transferred to a third-party custodial trust.

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

V. OTHER INFORMATION - Continued

C. Flexible Benefit Plan (I.R.C. Section 125)

The City Commission has adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All City employees working more than 20 hours per week are eligible to participate in the Plan beginning after two full months of employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Benefits offered through the Plan include insurance benefits.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlements of claims have not exceeded available coverage for the years ended December 31, 2003, 2002, or 2001.

Workers' Compensation. The City established a limited risk management program for workers' compensation. The program covers all City employees. Premiums are paid into the workers' compensation reserve fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims over a certain amount. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the Workers' Compensation Fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claims liabilities during the past year are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims, January 1	\$ 367,948	\$ 369,584
Incurred claims (including IBNRs)	138,841	92,316
Claim payments	<u>[144,704]</u>	<u>[93,952]</u>
Unpaid claims, December 31	<u>\$ 362,085</u>	<u>\$ 367,948</u>

Employee Health Care. Similarly, the City has established a program to pay medical claims of covered current and former City employees. Liabilities are reported when it is probable that claims have been incurred and the amount of the liability can be reasonably estimated. Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available financial resources.

	<u>2003</u>	<u>2002</u>
Unpaid claims, January 1	\$ 115,377	\$ 28,361
Incurred claims (including IBNRs)	933,067	1,028,977
Claim payments	<u>[1,035,499]</u>	<u>[941,961]</u>
Unpaid claims, December 31	<u>\$ 12,945</u>	<u>\$ 115,377</u>

CITY OF EMPORIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003

V. OTHER INFORMATION - Continued

E. Contingent Liabilities

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the City at December 31, 2003.

The City is a party in various pending claims. Although the outcome of these pending claims is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

F. Segment Information - Enterprise Funds

The City maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended December 31, 2003 is presented below:

	Solid Waste <u>Disposal</u>	Sewer Utility	Water Utility	<u>Totals</u>
Operating revenues	\$ 2,533,768	\$ 2,652,439	\$ 4,363,076	\$ 9,549,283
Depreciation expense	220,747	666,173	841,135	1,728,055
Operating income [loss]	245,820	819,698	1,119,378	2,184,896
Operating transfers [net]	[485,640]	[466,000]	[1,143,297]	[2,094,937]
Change in net assets	[168,389]	472,051	[330,765]	[27,103]
Property, plant and equipment additions [net]	277,216	1,800,279	113,070	2,190,565
Net working capital	204,952	[1,074,717]	851,441	[18,324]
Total assets	2,686,803	23,749,402	19,870,611	46,306,816
Bonds and notes payable	-	11,351,492	10,357,138	21,708,630
Total net assets	2,342,175	11,659,648	9,283,614	23,285,437

CITY OF EMPORIA, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

BUDGETED FUNDS:

Library Fund - To account for the collection of tax levy money, which is appropriated to the Emporia Public Library for its operations.

Library Employee Benefits Fund - To account for the collection of tax levy money, which is appropriated to the Emporia Public Library specifically for employee benefits.

Convention and Tourism Promotion Fund - To account for the promotion of convention and tourism. Financing is provided by a 4% tax on gross rental receipts collected from hotels and motels within the City limits.

Industrial Fund - To account for the promotion of industrial development. The majority of this fund is used to assist in the acquisition of land for the industrial parks. Financing is provided by a property tax levy not to exceed 1 mill. This is the maximum amount that can be levied per Kansas statutes.

Special Alcohol Program Fund - To account for costs for the purchase, establishment, maintenance or expansion of services or programs related to substance abuse prevention and education, or treatment of persons who are substance abusers or are in danger of becoming substance abusers. Financing is provided by tax on the sale of alcoholic liquor by private clubs. State law requires 1/3 of this liquor tax to be used for a special alcohol program.

Special Park and Recreation Fund - To account for the costs of enhancing the areas of recreation or parks. Financing is provided by tax on the sale of alcoholic liquor by private clubs. State law requires 1/3 of this liquor tax to be used for a special park and recreation fund.

Special Street Fund - To account for a portion of costs of maintaining the street system. Financing is provided by a proportionate share of the Special City and County Highway Fund distributed by the State Treasurer.

Drug Money Forfeiture Fund - To account for the receipt and expenditure of funds seized by the police in connection with the arrest and conviction of individuals for illegal drug activities.

NON - BUDGETED FUNDS:

Zoo Maintenance Fund - To account for donations and related expenditures for upkeep of the city's zoo.

Emergency Housing Fund - To account for rehabilitation housing expenditures for low to moderate income level home owners when other financial sources cannot be utilized.

Housing CDBG Grant Fund - To account for the costs of rehabilitating eligible rental properties. Financing was provided by the US Department of Housing and Urban Development through a community development block grant.

Housing Study RDA Fund - To account for a county-wide study to identify the current and future needs and solutions to housing problems within the county.

Housing Cost Analysis Program Fund - To account for the collection and analysis of the costs associated with the construction of residential homes. The program also provides additional funds for qualified persons to purchase homes.

Emergency Shelter Fund - To account for grant funds appropriated to a local women's shelter.

CITY OF EMPORIA, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Housing CDBG Repayment Fund - To account for loan repayment funds to be utilized to rehabilitate houses for low to moderate income level home owners.

Telephone Tax -911 Fund - To account for the cost of implementing a "911" emergency response telephone system.

Law Enforcement Block Grant Fund - To account for grant funds from the US Department of Justice to be used to purchase certain equipment for the police department.

AHP Homebuyer Rehab Fund - To account for funds used in the AHP program.

Menu Building Fund - To account for the loan repayments for the CDBG program which funded the Menu Foods Midwest Corporation Project.

Home Owners Rehab Fund - To account for funds used in the owner occupied rehabilitation grant program.

DARE Crime Prevention Fund - To account for funds expended in connection with the DARE program.

Home Rehab Fund - To account for funds used in the owner occupied rehabilitation grant program.

Downtown Market Analysis - To account for funds used in the market analysis.

AHP Homebuyer Helper - To account for funds used in the AHP program.

NONMAJOR CAPITAL PROJECT FUND

Capital project funds are used to account for acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

KLINK Projects - To account for resurfacing projects financed through the State KLINK program. The State participates in funding up to 50% of eligible items.

Internal Improvements - To account for various city infrastructure improvement projects. Financing is provided through temporary notes and special assessments.

Ball Diamonds - To account for the costs to improve existing ball diamond facilities.

5th Avenue Relief Main - To account for the improvement of the sanitary sewer from 5th Avenue to the Cottonwood River. Financing is to be provided through CDBG money.

Park Improvement Project - To account for the costs of improving existing parks.

Americus Rd US50 to 18th - To account for the improvement of an existing road. To be financed with grant money and the issuance of general obligation bonds.

Family Aquatic Center - To account for costs of a new swimming pool complex.

Civic Auditorium Improvement - To account for the improvements to the Civic Auditorium, which will be funded through the issuance of general obligation bonds.

CITY OF EMPORIA, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR CAPITAL PROJECT FUND

Main Street Streetscape Project - To account for improvements to enhance downtown Emporia. Financing is to be provided through the issuance of general obligation bonds.

Animal Shelter - To account for the costs that have been incurred to construct a new animal shelter.

Library Bond Project - To account for improvements to the Emporia Public Library funded through the issuance of general obligation bonds.

Prairie Pedestrian Bridge - To account for the cost of the construction of a pedestrian bridge over I35. A KDOT grant will pay for 50% of the cost and general obligation bonds will be issued for the remainder.

Traffic Signals - To account for the cost of new traffic control devices.

Paving Projects - To account for the costs of new paving projects.

Construction Projects - To account for the costs of construction of new city facilities.

Candlewood Drive - To account for the costs of development within a new subdivision.

Police Equipment - To account for the costs of purchasing police equipment.

CITY OF EMPORIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2003

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 176,652	\$ -	\$ 176,652
Receivables			
Accounts	73,520	1,176	74,696
Taxes	550,509	-	550,509
Due from other funds	<u>157,813</u>	<u>960,056</u>	<u>1,117,869</u>
Total assets	<u>\$ 958,494</u>	<u>\$ 961,232</u>	<u>\$ 1,919,726</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,042	\$ 13,469	\$ 34,511
Accrued liabilities	20,055	-	20,055
Due to other funds	157,813	1,095,813	1,253,626
Deferred revenue	<u>550,509</u>	<u>-</u>	<u>550,509</u>
Total liabilities	<u>749,419</u>	<u>1,109,282</u>	<u>1,858,701</u>
Fund balance:			
Reserved for encumbrances	8,935	-	8,935
Unreserved			
Designated			
For industrial development	110,606	-	110,606
Undesignated [deficit]	<u>89,534</u>	<u>[148,050]</u>	<u>[58,516]</u>
Total fund balance [deficit]	<u>209,075</u>	<u>[148,050]</u>	<u>61,025</u>
Total liabilities and fund balances	<u>\$ 958,494</u>	<u>\$ 961,232</u>	<u>\$ 1,919,726</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	Total Nonmajor Special Revenue <u>Funds</u>	Total Nonmajor Capital Project <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues			
Taxes	\$ 611,406	\$ -	\$ 611,406
Intergovernmental	1,556,128	869,812	2,425,940
Use of money and property	18,006	20,614	38,620
Donations and contributions	13,665	-	13,665
Miscellaneous	27,433	55,537	82,970
Total Revenues	<u>2,226,638</u>	<u>945,963</u>	<u>3,172,601</u>
Expenditures			
Current			
General government	704,200	-	704,200
Law enforcement	92,741	-	92,741
Highways and streets	652,293	-	652,293
Health and environment	66,180	-	66,180
Planning and development	268,880	-	268,880
Capital outlay	28,762	4,602,228	4,630,990
Debt service			
Principal	-	260,000	260,000
Interest and other charges	-	19,711	19,711
Total Expenditures	<u>1,813,056</u>	<u>4,881,939</u>	<u>6,694,995</u>
Excess [deficiency] of revenues over [under] expenditures	<u>413,582</u>	<u>[3,935,976]</u>	<u>[3,522,394]</u>
Other Financing Sources [Uses]			
Transfers in	2,059	142,057	144,116
Transfers out	[170,200]	[8,827]	[179,027]
Transfers out - component unit	[605,400]	-	[605,400]
Sale of bonds	-	1,521,800	1,521,800
Total Other Financing Sources [Uses]	<u>[773,541]</u>	<u>1,655,030</u>	<u>881,489</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>[359,959]</u>	<u>[2,280,946]</u>	<u>[2,640,905]</u>
Fund balance, beginning of year	<u>569,034</u>	<u>2,132,896</u>	<u>2,701,930</u>
Fund balance, end of year	<u>\$ 209,075</u>	<u>\$ [148,050]</u>	<u>\$ 61,025</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2003

	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Convention and Tourism Promotion</u>	<u>Industrial</u>
ASSETS				
Cash and investments	\$ 5,197	\$ 679	\$ 7	\$ 31,699
Receivables				
Accounts	-	-	-	-
Taxes	512,940	36,539	-	1,030
Due from other funds	-	-	-	78,907
Total assets	<u>\$ 518,137</u>	<u>\$ 37,218</u>	<u>\$ 7</u>	<u>\$ 111,636</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	512,940	36,539	-	1,030
Total liabilities	<u>512,940</u>	<u>36,539</u>	<u>-</u>	<u>1,030</u>
 Fund balance:				
Reserved for encumbrances	-	-	-	-
Unreserved				
Designated				
For industrial development	-	-	-	110,606
Undesignated [deficit]	5,197	679	7	-
Total fund balance [deficit]	<u>5,197</u>	<u>679</u>	<u>7</u>	<u>110,606</u>
 Total liabilities and fund balances	 <u>\$ 518,137</u>	 <u>\$ 37,218</u>	 <u>\$ 7</u>	 <u>\$ 111,636</u>

<u>Special Alcohol Program</u>	<u>Special Park and Recreation</u>	<u>Special Street</u>	<u>Drug Money Forfeiture</u>	<u>Zoo Maintenance</u>	<u>Emergency Housing</u>	<u>Housing CDBG Grant</u>	<u>Housing Study RDA</u>
\$ 18,802	\$ 4,959	\$ 44,632	\$ 7,505	\$ -	\$ 2,104	\$ 17,711	\$ 1,694
-	-	19,804	-	-	1,679	20,487	-
-	-	-	-	-	-	-	-
-	-	39,453	-	-	-	-	-
<u>\$ 18,802</u>	<u>\$ 4,959</u>	<u>\$ 103,889</u>	<u>\$ 7,505</u>	<u>\$ -</u>	<u>\$ 3,783</u>	<u>\$ 38,198</u>	<u>\$ 1,694</u>
\$ -	\$ 206	\$ 9,462	\$ -	\$ -	\$ 2,539	\$ -	\$ -
-	-	20,055	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	206	29,517	-	-	2,539	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,802	4,753	74,372	7,505	-	1,244	38,198	1,694
<u>18,802</u>	<u>4,753</u>	<u>74,372</u>	<u>7,505</u>	<u>-</u>	<u>1,244</u>	<u>38,198</u>	<u>1,694</u>
<u>\$ 18,802</u>	<u>\$ 4,959</u>	<u>\$ 103,889</u>	<u>\$ 7,505</u>	<u>\$ -</u>	<u>\$ 3,783</u>	<u>\$ 38,198</u>	<u>\$ 1,694</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2003

	Housing Cost Analysis Program	Emergency Shelter	Housing CDBG Repayment	Telephone Tax-911	Law Enforcement Block Grant
ASSETS					
Cash and investments	\$ 20,362	\$ -	\$ -	\$ -	\$ -
Receivables					
Accounts	-	-	569	-	-
Taxes	-	-	-	-	-
Due from other funds	39,453	-	-	-	-
Total assets	<u>\$ 59,815</u>	<u>\$ -</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 412	\$ 302
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	2,797	102,010	18,529
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,797</u>	<u>102,422</u>	<u>18,831</u>
 Fund balance:					
Reserved for encumbrances	-	-	-	-	-
Unreserved					
Designated					
For industrial development	-	-	-	-	-
Undesignated [deficit]	59,815	-	[2,228]	[102,422]	[18,831]
Total fund balance [deficit]	<u>59,815</u>	<u>-</u>	<u>[2,228]</u>	<u>[102,422]</u>	<u>[18,831]</u>
Total liabilities and fund balances	<u>\$ 59,815</u>	<u>\$ -</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ -</u>

AHP Homebuyer Rehab	Menu Building	Home Owners Rehab	DARE Crime Prevention	Home Rehab	Downtown Market Analysis	AHP Homebuyer Helper	Totals
\$ -	\$ -	\$ 16,706	\$ 4,595	\$ -	\$ -	\$ -	\$ 176,652
-	-	17,879	-	13,102	-	-	73,520
-	-	-	-	-	-	-	550,509
-	-	-	-	-	-	-	157,813
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,585</u>	<u>\$ 4,595</u>	<u>\$ 13,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,494</u>
\$ -	\$ -	\$ 2,065	\$ -	\$ 675	\$ 2,505	\$ 2,876	\$ 21,042
-	-	-	-	-	-	-	20,055
-	-	-	-	21,179	2,812	10,486	157,813
-	-	-	-	-	-	-	550,509
<u>-</u>	<u>-</u>	<u>2,065</u>	<u>-</u>	<u>21,854</u>	<u>5,317</u>	<u>13,362</u>	<u>749,419</u>
-	-	-	-	-	8,935	-	8,935
-	-	-	-	-	-	-	110,606
-	-	32,520	4,595	[8,752]	[14,252]	[13,362]	89,534
-	-	32,520	4,595	[8,752]	[5,317]	[13,362]	209,075
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,585</u>	<u>\$ 4,595</u>	<u>\$ 13,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,494</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2003

	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Convention and Tourism Promotion</u>	<u>Industrial</u>
Revenues				
Taxes	\$ 580,175	\$ 30,060	\$ -	\$ 1,171
Intergovernmental	-	-	243,565	-
Use of money and property	-	-	498	1,151
Donations	-	-	-	-
Miscellaneous	104	-	-	-
Total Revenues	<u>580,279</u>	<u>30,060</u>	<u>244,063</u>	<u>2,322</u>
Expenditures				
General government	-	-	299,705	-
Law enforcement	-	-	-	-
Highways and streets	-	-	-	-
Health and environment	-	-	-	-
Planning and development	-	-	-	3,287
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>299,705</u>	<u>3,287</u>
Excess [deficiency] of revenues over [under] expenditures	<u>580,279</u>	<u>30,060</u>	<u>[55,642]</u>	<u>[965]</u>
Other Financing Sources [Uses]				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers out - component unit	[575,400]	[30,000]	-	-
Total Other Financing Sources [Uses]	<u>[575,400]</u>	<u>[30,000]</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	4,879	60	[55,642]	[965]
Fund balance, beginning of year	<u>318</u>	<u>619</u>	<u>55,649</u>	<u>111,571</u>
Fund balance, end of year	<u>\$ 5,197</u>	<u>\$ 679</u>	<u>\$ 7</u>	<u>\$ 110,606</u>

<u>Special Alcohol Program</u>	<u>Special Park and Recreation</u>	<u>Special Street</u>	<u>Drug Money Forfeiture</u>	<u>Zoo Maintenance</u>	<u>Emergency Housing</u>	<u>Housing CDBG Grant</u>	<u>Housing Study RDA</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72,709	72,709	819,513	6,580	-	-	-	-
100	321	1,087	452	130	550	-	-
-	10,520	-	-	-	-	-	-
-	-	15,111	-	-	-	10	-
<u>72,809</u>	<u>83,550</u>	<u>835,711</u>	<u>7,032</u>	<u>130</u>	<u>550</u>	<u>10</u>	<u>-</u>
-	42,880	-	-	48,811	3,669	-	-
-	-	-	36,421	-	-	-	-
-	-	652,293	-	-	-	-	-
66,180	-	-	-	-	-	-	-
-	-	-	-	-	-	3,546	-
-	-	28,762	-	-	-	-	-
<u>66,180</u>	<u>42,880</u>	<u>681,055</u>	<u>36,421</u>	<u>48,811</u>	<u>3,669</u>	<u>3,546</u>	<u>-</u>
<u>6,629</u>	<u>40,670</u>	<u>154,656</u>	<u>[29,389]</u>	<u>[48,681]</u>	<u>[3,119]</u>	<u>[3,536]</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	[40,000]	[130,200]	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>[40,000]</u>	<u>[130,200]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,629	670	24,456	[29,389]	[48,681]	[3,119]	[3,536]	-
<u>12,173</u>	<u>4,083</u>	<u>49,916</u>	<u>36,894</u>	<u>48,681</u>	<u>4,363</u>	<u>41,734</u>	<u>1,694</u>
<u>\$ 18,802</u>	<u>\$ 4,753</u>	<u>\$ 74,372</u>	<u>\$ 7,505</u>	<u>\$ -</u>	<u>\$ 1,244</u>	<u>\$ 38,198</u>	<u>\$ 1,694</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2003

	Housing Cost Analysis Program	Emergency Shelter	Housing CDBG Repayment	Telephone Tax-911	Law Enforcement Block Grant
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	20,000	21,731	2,533	62,902	60,369
Use of money and property	-	-	654	907	-
Donations	-	-	-	-	1,145
Miscellaneous	-	-	-	-	-
Total Revenues	<u>20,000</u>	<u>21,731</u>	<u>3,187</u>	<u>63,809</u>	<u>61,514</u>
Expenditures					
General government	-	21,731	-	282,087	-
Law enforcement	-	-	-	-	55,984
Highways and streets	-	-	-	-	-
Health and environment	-	-	-	-	-
Planning and development	45,831	-	2,179	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>45,831</u>	<u>21,731</u>	<u>2,179</u>	<u>282,087</u>	<u>55,984</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[25,831]</u>	<u>-</u>	<u>1,008</u>	<u>[218,278]</u>	<u>5,530</u>
Other Financing Sources [Uses]					
Transfers in	-	-	-	-	1,135
Transfers out	-	-	-	-	-
Transfers out - component unit	-	-	-	-	-
Total Other Financing Sources [Uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>[25,831]</u>	<u>-</u>	<u>1,008</u>	<u>[218,278]</u>	<u>6,665</u>
Fund balance, beginning of year	<u>85,646</u>	<u>-</u>	<u>[3,236]</u>	<u>115,856</u>	<u>[25,496]</u>
Fund balance, end of year	<u>\$ 59,815</u>	<u>\$ -</u>	<u>\$ [2,228]</u>	<u>\$ [102,422]</u>	<u>\$ [18,831]</u>

AHP Homebuyer Rehab	Menu Building	Home Owners Rehab	DARE Crime Prevention	Home Rehab	Downtown Market Analysis	AHP Homebuyer Helper	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,406
-	-	-	-	167,701	-	5,816	1,556,128
-	-	582	-	11,574	-	-	18,006
-	-	-	2,000	-	-	-	13,665
-	-	838	-	11,370	-	-	27,433
-	-	1,420	2,000	190,645	-	5,816	2,226,638
-	-	-	-	-	5,317	-	704,200
-	-	-	336	-	-	-	92,741
-	-	-	-	-	-	-	652,293
-	-	-	-	-	-	-	66,180
-	-	23,951	-	170,908	-	19,178	268,880
-	-	-	-	-	-	-	28,762
-	-	23,951	336	170,908	5,317	19,178	1,813,056
-	-	[22,531]	1,664	19,737	[5,317]	[13,362]	413,582
924	-	-	-	-	-	-	2,059
-	-	-	-	-	-	-	[170,200]
-	-	-	-	-	-	-	[605,400]
924	-	-	-	-	-	-	[773,541]
924	-	[22,531]	1,664	19,737	[5,317]	[13,362]	[359,959]
[924]	-	55,051	2,931	[28,489]	-	-	569,034
\$ -	\$ -	\$ 32,520	\$ 4,595	\$ [8,752]	\$ [5,317]	\$ [13,362]	\$ 209,075

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2003

	<u>KLINK Projects</u>	<u>Internal Improvements</u>	<u>Ball Diamonds</u>	<u>5th Avenue Relief Main</u>
ASSETS				
Due from other funds	\$ -	\$ 131,568	\$ 31,342	\$ -
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 131,568</u>	<u>\$ 31,342</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>129,364</u>	<u>-</u>	<u>-</u>	<u>267,222</u>
Total liabilities	<u>129,364</u>	<u>-</u>	<u>-</u>	<u>267,222</u>
 Fund balance:				
Unreserved				
Undesignated [deficit]	<u>[129,364]</u>	<u>131,568</u>	<u>31,342</u>	<u>[267,222]</u>
Total fund balances [deficit]	<u>[129,364]</u>	<u>131,568</u>	<u>31,342</u>	<u>[267,222]</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 131,568</u>	<u>\$ 31,342</u>	<u>\$ -</u>

Park Improvement Project	Americus Rd US50 to 18th	Family Aquatic Center	Civic Auditorium Improvement	Main Street Streetscape Projects	Animal Shelter	Library Bond Project
\$ 83,794	\$ -	\$ -	\$ 82,982	\$ -	\$ 110,934	\$ 54,504
-	1,176	-	-	-	-	-
<u>\$ 83,794</u>	<u>\$ 1,176</u>	<u>\$ -</u>	<u>\$ 82,982</u>	<u>\$ -</u>	<u>\$ 110,934</u>	<u>\$ 54,504</u>
\$ -	\$ -	\$ -	\$ 12,042	\$ -	\$ -	\$ -
-	10,274	208,034	-	33,572	-	-
-	<u>10,274</u>	<u>208,034</u>	<u>12,042</u>	<u>33,572</u>	-	-
83,794	[9,098]	[208,034]	70,940	[33,572]	110,934	54,504
<u>83,794</u>	<u>[9,098]</u>	<u>[208,034]</u>	<u>70,940</u>	<u>[33,572]</u>	<u>110,934</u>	<u>54,504</u>
<u>\$ 83,794</u>	<u>\$ 1,176</u>	<u>\$ -</u>	<u>\$ 82,982</u>	<u>\$ -</u>	<u>\$ 110,934</u>	<u>\$ 54,504</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2003

	Prairie Pedestrian Bridge	Traffic Signals	Paving Projects	Construction Projects
ASSETS				
Due from other funds	\$ -	\$ -	\$ -	\$ 71,122
Accounts receivable	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ 71,122
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 576	\$ -
Due to other funds	426,448	416	20,483	-
Total liabilities	426,448	416	21,059	-
 Fund balance:				
Designated for future projects	[426,448]	[416]	[21,059]	71,122
Total fund balance	[426,448]	[416]	[21,059]	71,122
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 71,122

<u>Candlewood Drive</u>	<u>Police Equipment</u>	<u>Totals</u>
\$ 114,435	\$ 279,375	\$ 960,056
<u>-</u>	<u>-</u>	<u>1,176</u>
<u>\$ 114,435</u>	<u>\$ 279,375</u>	<u>\$ 961,232</u>

\$ -	\$ 851	\$ 13,469
<u>-</u>	<u>-</u>	<u>1,095,813</u>
<u>-</u>	<u>851</u>	<u>1,109,282</u>

<u>114,435</u>	<u>278,524</u>	<u>[148,050]</u>
<u>114,435</u>	<u>278,524</u>	<u>[148,050]</u>
<u>\$ 114,435</u>	<u>\$ 279,375</u>	<u>\$ 961,232</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2003

	KLINK Projects	Internal Improvements	Ball Diamonds	5th Avenue Relief Main
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 81,302
Use of money and property	-	123	329	-
Miscellaneous	-	55,537	-	-
Total Revenues	<u>-</u>	<u>55,660</u>	<u>329</u>	<u>81,302</u>
Expenditures				
Capital outlay				
Contract costs	517,943	89,097	1,358	-
Debt service				
Principal	-	-	-	-
Interest and other charges	917	1,056	-	-
Total Expenditures	<u>518,860</u>	<u>90,153</u>	<u>1,358</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[518,860]</u>	<u>[34,493]</u>	<u>[1,029]</u>	<u>81,302</u>
Other Financing Sources [Uses]				
Transfers in	-	-	-	-
Transfers out	-	[739]	-	-
Sale of bonds	120,000	136,800	-	-
Total Other Financing Sources [Uses]	<u>120,000</u>	<u>136,061</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>[398,860]</u>	<u>101,568</u>	<u>[1,029]</u>	<u>81,302</u>
Fund balance, beginning of year	<u>269,496</u>	<u>30,000</u>	<u>32,371</u>	<u>[348,524]</u>
Fund balance, end of year	<u>\$ [129,364]</u>	<u>\$ 131,568</u>	<u>\$ 31,342</u>	<u>\$ [267,222]</u>

Park Improvement Project	Americus Rd US50 to 18th	Family Aquatic Center	Civic Auditorium Improvement	Main Street Streetscape Projects	Animal Shelter	Library Bond Project
\$ -	\$ -	\$ -	\$ -	\$ 376,534	\$ -	\$ -
991	1,632	-	2,023	-	1,498	643
-	-	-	-	-	-	-
<u>991</u>	<u>1,632</u>	<u>-</u>	<u>2,023</u>	<u>376,534</u>	<u>1,498</u>	<u>643</u>
84,881	675,396	2,638	434,438	52,313	108,234	36,660
-	-	-	-	-	-	-
764	2,064	-	1,911	-	-	-
<u>85,645</u>	<u>677,460</u>	<u>2,638</u>	<u>436,349</u>	<u>52,313</u>	<u>108,234</u>	<u>36,660</u>
<u>[84,654]</u>	<u>[675,828]</u>	<u>[2,638]</u>	<u>[434,326]</u>	<u>324,221</u>	<u>[106,736]</u>	<u>[36,017]</u>
-	-	70,000	-	-	-	-
-	-	-	-	-	-	-
100,000	270,000	-	250,000	-	-	-
<u>100,000</u>	<u>270,000</u>	<u>70,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
15,346	[405,828]	67,362	[184,326]	324,221	[106,736]	[36,017]
<u>68,448</u>	<u>396,730</u>	<u>[275,396]</u>	<u>255,266</u>	<u>[357,793]</u>	<u>217,670</u>	<u>90,521</u>
<u>\$ 83,794</u>	<u>\$ [9,098]</u>	<u>\$ [208,034]</u>	<u>\$ 70,940</u>	<u>\$ [33,572]</u>	<u>\$ 110,934</u>	<u>\$ 54,504</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2003

	Prairie Pedestrian Bridge	Traffic Signals	Paving Projects	Construction Projects
Revenues				
Intergovernmental	\$ 306,567	\$ -	\$ 32,769	\$ 72,640
Use of money and property	-	83	1,357	368
Contributions	-	-	-	-
Total Revenues	<u>306,567</u>	<u>83</u>	<u>34,126</u>	<u>73,008</u>
Expenditures				
Capital outlay				
Contract costs	627,267	415	1,043,589	57,821
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	4,729	535
Total Expenditures	<u>627,267</u>	<u>415</u>	<u>1,048,318</u>	<u>58,356</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[320,700]</u>	<u>[332]</u>	<u>[1,014,192]</u>	<u>14,652</u>
Other Financing Sources [Uses]				
Transfers in	-	-	72,057	-
Transfers out	-	[8,088]	-	-
Sale of bonds	-	-	575,000	70,000
Total Other Financing Sources [Uses]	<u>-</u>	<u>[8,088]</u>	<u>647,057</u>	<u>70,000</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	<u>[320,700]</u>	<u>[8,420]</u>	<u>[367,135]</u>	<u>84,652</u>
Fund balance, beginning of year	<u>[105,748]</u>	<u>8,004</u>	<u>346,076</u>	<u>[13,530]</u>
Fund balance, end of year	<u>\$ [426,448]</u>	<u>\$ [416]</u>	<u>\$ [21,059]</u>	<u>\$ 71,122</u>

<u>Candlewood Drive</u>	<u>Police Equipment</u>	<u>Totals</u>
\$ -	\$ -	\$ 869,812
6,519	5,048	20,614
-	-	55,537
<u>6,519</u>	<u>5,048</u>	<u>945,963</u>
547,293	322,885	4,602,228
260,000	-	260,000
7,735	-	19,711
<u>815,028</u>	<u>322,885</u>	<u>4,881,939</u>
<u>[808,509]</u>	<u>[317,837]</u>	<u>[3,935,976]</u>
-	-	142,057
-	-	[8,827]
-	-	1,521,800
-	-	<u>1,655,030</u>
[808,509]	[317,837]	[2,280,946]
<u>922,944</u>	<u>596,361</u>	<u>2,132,896</u>
<u>\$ 114,435</u>	<u>\$ 278,524</u>	<u>\$ [148,050]</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 LIBRARY SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Taxes	\$ 580,175	\$ -	\$ 580,175	\$ 572,453	\$ 572,453	\$ 7,722
Miscellaneous	<u>104</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>-</u>	<u>104</u>
Total revenues	<u>580,279</u>	<u>-</u>	<u>580,279</u>	<u>572,453</u>	<u>572,453</u>	<u>7,826</u>
EXPENDITURES:						
Transfer to component unit	<u>575,400</u>	<u>-</u>	<u>575,400</u>	<u>575,400</u>	<u>575,400</u>	<u>-</u>
Total expenditures	<u>575,400</u>	<u>-</u>	<u>575,400</u>	<u>575,400</u>	<u>575,400</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	4,879	-	4,879	<u>\$ [2,947]</u>	<u>\$ [2,947]</u>	<u>\$ 7,826</u>
Unencumbered fund balance - Beginning of year	<u>318</u>	<u>-</u>	<u>318</u>			
Unencumbered fund balance - End of year	<u>\$ 5,197</u>	<u>\$ -</u>	<u>\$ 5,197</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 LIBRARY EMPLOYEE BENEFIT SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Taxes	\$ 30,060	\$ -	\$ 30,060	\$ 29,673	\$ 29,673	\$ 387
Total revenues	<u>30,060</u>	<u>-</u>	<u>30,060</u>	<u>29,673</u>	<u>29,673</u>	<u>387</u>
EXPENDITURES:						
Transfer to component unit	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total expenditures	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	60	-	60	\$ [327]	\$ [327]	\$ 387
Unencumbered fund balance - Beginning of year	<u>619</u>	<u>-</u>	<u>619</u>			
Unencumbered fund balance - End of year	<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 679</u>			

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 CONVENTION AND TOURISM SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$243,565	\$ -	\$243,565	\$ 253,000	\$ 253,352	\$ [9,787]
Use of money and property	<u>498</u>	<u>-</u>	<u>498</u>	<u>505</u>	<u>500</u>	<u>[2]</u>
Total revenues	<u>244,063</u>	<u>-</u>	<u>244,063</u>	<u>253,505</u>	<u>253,852</u>	<u>[9,789]</u>
EXPENDITURES:						
Current						
General Government						
Appropriation	<u>299,705</u>	<u>-</u>	<u>299,705</u>	<u>283,560</u>	<u>309,500</u>	<u>9,795</u>
Total expenditures	<u>299,705</u>	<u>-</u>	<u>299,705</u>	<u>283,560</u>	<u>309,500</u>	<u>9,795</u>
Excess [deficiency] of revenues over [under] expenditures	[55,642]	-	[55,642]	\$ [30,055]	\$ [55,648]	\$ <u>6</u>
Unencumbered fund balance - Beginning of year	<u>55,649</u>	<u>-</u>	<u>55,649</u>			
Unencumbered fund balance - End of year	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 INDUSTRIAL SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 1,171	\$ -	\$ 1,171	\$ 1,164	\$ 1,164	\$ 7
Use of money and property	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>4,990</u>	<u>4,990</u>	<u>[3,839]</u>
Total revenues	<u>2,322</u>	<u>-</u>	<u>2,322</u>	<u>6,154</u>	<u>6,154</u>	<u>[3,832]</u>
EXPENDITURES:						
Current						
Planning and development						
Contractual services	<u>3,287</u>	<u>-</u>	<u>3,287</u>	<u>121,000</u>	<u>121,000</u>	<u>117,713</u>
Total expenditures	<u>3,287</u>	<u>-</u>	<u>3,287</u>	<u>121,000</u>	<u>121,000</u>	<u>117,713</u>
Excess [deficiency] of revenues over [under] expenditures	[965]	-	[965]	<u>\$ [114,846]</u>	<u>\$ [114,846]</u>	<u>\$ 113,881</u>
Unencumbered fund balance - Beginning of year	<u>111,571</u>	<u>-</u>	<u>111,571</u>			
Unencumbered fund balance - End of year	<u>\$ 110,606</u>	<u>\$ -</u>	<u>\$ 110,606</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL ALCOHOL PROGRAM SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 72,709	\$ -	\$ 72,709	\$ 61,618	\$ 72,709	\$ -
Use of money and property	<u>100</u>	<u>-</u>	<u>100</u>	<u>32</u>	<u>89</u>	<u>11</u>
Total revenues	<u>72,809</u>	<u>-</u>	<u>72,809</u>	<u>61,650</u>	<u>72,798</u>	<u>11</u>
EXPENDITURES:						
Current						
Health and environment						
Appropriation	<u>66,180</u>	<u>-</u>	<u>66,180</u>	<u>63,340</u>	<u>66,180</u>	<u>-</u>
Total expenditures	<u>66,180</u>	<u>-</u>	<u>66,180</u>	<u>63,340</u>	<u>66,180</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	6,629	-	6,629	<u>\$ [1,690]</u>	<u>\$ 6,618</u>	<u>\$ 11</u>
Unencumbered fund balance - Beginning of year	<u>12,173</u>	<u>-</u>	<u>12,173</u>			
Unencumbered fund balance - End of year	<u>\$ 18,802</u>	<u>\$ -</u>	<u>\$ 18,802</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL PARK AND RECREATION SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 72,709	\$ -	\$ 72,709	\$ 61,618	\$ 61,618	\$ 11,091
Use of money and property	321	-	321	302	302	19
Donations	<u>10,520</u>	<u>-</u>	<u>10,520</u>	<u>39,000</u>	<u>39,000</u>	<u>[28,480]</u>
Total revenues	<u>83,550</u>	<u>-</u>	<u>83,550</u>	<u>100,920</u>	<u>100,920</u>	<u>[17,370]</u>
EXPENDITURES:						
Current						
General government						
Contractual	11,987	-	11,987	4,000	4,000	[7,987]
Commodities	20,893	-	20,893	-	-	[20,893]
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>98,720</u>	<u>98,720</u>	<u>88,720</u>
Total expenditures	<u>42,880</u>	<u>-</u>	<u>42,880</u>	<u>102,720</u>	<u>102,720</u>	<u>59,840</u>
Excess [deficiency] of revenues over [under] expenditures	40,670	-	40,670	[1,800]	[1,800]	42,470
OTHER FINANCING SOURCES [USES]:						
Transfers out	<u>[40,000]</u>	<u>-</u>	<u>[40,000]</u>	<u>-</u>	<u>-</u>	<u>[40,000]</u>
Excess of revenues over [under] expenditures and other financing [uses]	670	-	670	<u>\$ [1,800]</u>	<u>\$ [1,800]</u>	<u>\$ 2,470</u>
Unencumbered fund balance - Beginning of year	<u>4,083</u>	<u>-</u>	<u>4,083</u>			
Unencumbered fund balance - End of year	<u>\$ 4,753</u>	<u>\$ -</u>	<u>\$ 4,753</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL STREET SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 819,513	\$ -	\$ 819,513	\$ 868,000	\$ 868,000	\$ [48,487]
Use of money and property	1,087	-	1,087	2,513	2,513	[1,426]
Miscellaneous	<u>15,111</u>	<u>-</u>	<u>15,111</u>	<u>5,000</u>	<u>5,000</u>	<u>10,111</u>
Total revenues	<u>835,711</u>	<u>-</u>	<u>835,711</u>	<u>875,513</u>	<u>875,513</u>	<u>[39,802]</u>
EXPENDITURES:						
Current						
Highways and streets						
Personal services	478,740	-	478,740	456,220	456,220	[22,520]
Contractual	102,509	-	102,509	262,800	262,800	160,291
Commodities	70,790	-	70,790	111,350	111,350	40,560
Other charges	254	-	254	28,300	28,300	28,046
Capital outlay	<u>28,762</u>	<u>[24,301]</u>	<u>4,461</u>	<u>20,000</u>	<u>20,000</u>	<u>15,539</u>
Total expenditures	<u>681,055</u>	<u>[24,301]</u>	<u>656,754</u>	<u>878,670</u>	<u>878,670</u>	<u>221,916</u>
Excess [deficiency] of revenues over [under] expenditures	154,656	24,301	178,957	[3,157]	[3,157]	182,114
OTHER FINANCING SOURCES [USES]:						
Transfers out	<u>[130,200]</u>	<u>-</u>	<u>[130,200]</u>	<u>-</u>	<u>-</u>	<u>[130,200]</u>
Excess of revenues over [under] expenditures and other financing [uses]	24,456	24,301	48,757	<u>\$ [3,157]</u>	<u>\$ [3,157]</u>	<u>\$ 51,914</u>
Unencumbered fund balance - Beginning of year	<u>49,916</u>	<u>[24,301]</u>	<u>25,615</u>			
Unencumbered fund balance - End of year	<u>\$ 74,372</u>	<u>\$ -</u>	<u>\$ 74,372</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 DRUG MONEY FORFEITURE SPECIAL REVENUE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Intergovernmental	\$ 6,580	\$ -	\$ 6,580	\$ -	\$ 3,000	\$ 3,580
Use of money and property	<u>452</u>	<u>-</u>	<u>452</u>	<u>360</u>	<u>250</u>	<u>202</u>
Total revenues	<u>7,032</u>	<u>-</u>	<u>7,032</u>	<u>360</u>	<u>3,250</u>	<u>3,782</u>
EXPENDITURES:						
Current						
Law enforcement						
Commodities	<u>36,421</u>	<u>-</u>	<u>36,421</u>	<u>18,600</u>	<u>45,000</u>	<u>8,579</u>
Total expenditures	<u>36,421</u>	<u>-</u>	<u>36,421</u>	<u>18,600</u>	<u>45,000</u>	<u>8,579</u>
Excess [deficiency] of revenues over [under] expenditures	[29,389]	-	[29,389]	\$ [18,240]	\$ [41,750]	\$ 12,361
Unencumbered fund balance - Beginning of year	<u>36,894</u>	<u>-</u>	<u>36,894</u>			
Unencumbered fund balance - End of year	<u>\$ 7,505</u>	<u>\$ -</u>	<u>\$ 7,505</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 DEBT SERVICE FUND
 For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
REVENUES:						
Taxes	\$ 1,699,879	\$ -	\$ 1,699,879	\$ 1,421,345	\$ 1,421,345	\$ 278,534
Special assessments	140,766	-	140,766	218,280	218,280	[77,514]
Intergovernmental	-	-	-	434,061	434,061	[434,061]
Use of money and property	4,164	-	4,164	16,000	16,000	[11,836]
Miscellaneous	1,010	-	1,010	8,000	8,000	[6,990]
Total revenues	1,845,819	-	1,845,819	2,097,686	2,097,686	[251,867]
EXPENDITURES:						
Debt Service						
Principal	984,835	-	984,835	1,404,053	1,404,053	419,218
Interest	1,006,942	-	1,006,942	997,261	997,261	[9,681]
Commission and postage	-	-	-	100	100	100
Total expenditures	1,991,777	-	1,991,777	2,401,414	2,401,414	409,637
Excess [deficiency] of revenues over [under] expenditures	[145,958]	-	[145,958]	[303,728]	[303,728]	157,770
OTHER FINANCING SOURCES [USES]:						
Payment to refund bonds	[110,000]	-	[110,000]	-	-	[110,000]
Sale of bonds	110,000	-	110,000	-	-	110,000
Transfers in	297,648	-	297,648	22,000	22,000	275,648
Total other financing sources [uses]	297,648	-	297,648	22,000	22,000	275,648
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	151,690	-	151,690	\$ [281,728]	\$ [281,728]	\$ 433,418
Unencumbered fund balance - Beginning of year	24,843	-	24,843			
Unencumbered fund balance - End of year	\$ 176,533	\$ -	\$ 176,533			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
SOLID WASTE DISPOSAL FUND
For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues and transfers						
Charges for services	\$2,530,250	\$ -	\$2,530,250	\$2,613,300	\$2,613,300	\$ [83,050]
Use of money and property	2,944	-	2,944	20,000	20,000	[17,056]
Reimbursements	-	-	-	12,000	12,000	[12,000]
Miscellaneous	3,518	-	3,518	-	-	3,518
Sale of salvage	<u>68,487</u>	<u>-</u>	<u>68,487</u>	<u>105,000</u>	<u>105,000</u>	<u>[36,513]</u>
Total revenues and transfers	<u>2,605,199</u>	<u>-</u>	<u>2,605,199</u>	<u>2,750,300</u>	<u>2,750,300</u>	<u>[145,101]</u>
Expenses and transfers						
Personal services	1,008,644	-	1,008,644	1,145,441	1,145,441	136,797
Contractual services	665,624	[251,383]	414,241	1,490,490	1,490,490	1,076,249
Commodities	377,936	-	377,936	183,234	183,234	[194,702]
Capital outlay	-	277,216	277,216	375,000	375,000	97,784
Debt service	-	-	-	40,300	40,300	40,300
Depreciation	220,747	[220,747]	-	-	-	-
Miscellaneous	14,997	-	14,997	[55,785]	[55,785]	[70,782]
Transfer out	<u>485,640</u>	<u>-</u>	<u>485,640</u>	<u>-</u>	<u>-</u>	<u>[485,640]</u>
Total operating expenses and transfers	<u>2,773,588</u>	<u>[194,914]</u>	<u>2,578,674</u>	<u>3,178,680</u>	<u>3,178,680</u>	<u>600,006</u>
Change in net assets	[168,389]	194,914	26,525	\$ [428,380]	\$ [428,380]	\$ 454,905
Net assets - Beginning of year	<u>2,510,564</u>	<u>[251,383]</u>	<u>2,259,181</u>			
Net assets - End of year	<u>\$2,342,175</u>	<u>\$ [56,469]</u>	<u>\$2,285,706</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
SEWER UTILITY FUND
For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues and transfers						
Charges for services	\$ 2,647,398	\$ -	\$ 2,647,398	\$ 3,050,000	\$ 3,050,000	\$ [402,602]
Use of money and property	1,570	-	1,570	6,000	6,000	[4,430]
Reimbursements	360,248	-	360,248	-	-	360,248
Miscellaneous	5,041	-	5,041	2,000	2,000	3,041
Total revenues and transfers	<u>3,014,257</u>	<u>-</u>	<u>3,014,257</u>	<u>3,058,000</u>	<u>3,058,000</u>	<u>[43,743]</u>
Expenses and transfers						
Personal services	557,333	-	557,333	623,006	623,006	65,673
Contractual services	481,107	[6,467]	474,640	1,214,520	1,214,520	739,880
Commodities	77,956	-	77,956	119,683	119,683	41,727
Capital outlay	-	777,000	777,000	507,500	507,500	[269,500]
Debt service	293,637	-	293,637	190,525	190,525	[103,112]
Depreciation	666,173	[668,632]	[2,459]	-	-	2,459
Miscellaneous	-	-	-	355,218	355,218	355,218
Transfer out	466,000	-	466,000	-	-	[466,000]
Total operating expenses and transfers	<u>2,542,206</u>	<u>101,901</u>	<u>2,644,107</u>	<u>3,010,452</u>	<u>3,010,452</u>	<u>366,345</u>
Change in net assets	<u>472,051</u>	<u>[101,901]</u>	<u>370,150</u>	<u>\$ 47,548</u>	<u>\$ 47,548</u>	<u>\$ 322,602</u>
Net assets - Beginning of year	10,822,379	[17,267]	10,805,112			
Prior period adjustment	365,218	-	365,218			
Net assets - Beginning of year, Restated	<u>11,187,597</u>	<u>[17,267]</u>	<u>11,170,330</u>			
Net assets - End of year	<u>\$ 11,659,648</u>	<u>\$ [119,168]</u>	<u>\$ 11,540,480</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
WATER UTILITY FUND

For the Year Ended December 31, 2003

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues and transfers						
Charges for services	\$4,358,570	\$ -	\$4,358,570	\$ 4,368,000	\$ 4,368,000	\$ [9,430]
Use of money and property	130,758	-	130,758	70,000	70,000	60,758
Sale of salvage	2,770	-	2,770	-	-	2,770
Miscellaneous	4,506	-	4,506	4,000	4,000	506
Total revenues and transfers	<u>4,496,604</u>	<u>-</u>	<u>4,496,604</u>	<u>4,442,000</u>	<u>4,442,000</u>	<u>54,604</u>
Expenses and transfers						
Personal services	646,883	-	646,883	715,354	715,354	68,471
Contractual services	1,225,685	64,261	1,289,946	1,727,260	1,727,260	437,314
Commodities	362,111	-	362,111	369,833	369,833	7,722
Capital outlay	151,448	113,070	264,518	290,000	290,000	25,482
Debt service	409,831	-	409,831	553,025	553,025	143,194
Depreciation	871,678	[871,875]	[197]	-	-	197
Miscellaneous	16,436	-	16,436	749,466	749,466	733,030
Transfer out	1,143,297	-	1,143,297	-	-	[1,143,297]
Total operating expenses and transfers	<u>4,827,369</u>	<u>[694,544]</u>	<u>4,132,825</u>	<u>4,404,938</u>	<u>4,404,938</u>	<u>272,113</u>
Change in net assets	<u>[330,765]</u>	<u>694,544</u>	<u>363,779</u>	<u>\$ 37,062</u>	<u>\$ 37,062</u>	<u>\$ 326,717</u>
Net assets - Beginning of year	9,604,949	[64,542]	9,540,407			
Prior period adjustment	<u>9,430</u>	<u>-</u>	<u>9,430</u>			
Net assets - Beginning of year, Restated	<u>9,614,379</u>	<u>[64,542]</u>	<u>9,549,837</u>			
Net assets - End of year	<u>\$9,283,614</u>	<u>\$ 630,002</u>	<u>\$9,913,616</u>			

See independent auditor's report on the financial statements.

CITY OF EMPORIA, KANSAS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis.

Workers' Compensation Fund - To account for contributions made by the City to be used for paying claims for job-related injuries.

Employee Health Care Fund - To account for contributions made by the City, City employees and former City employees to be used for payment of medical claims of covered participants and additional health insurance premiums.

CITY OF EMPORIA, KANSAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
For the Year Ended December 31, 2003

	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health</u> <u>Care</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 71,181	\$ 86,945	\$ 158,126
Investments	<u>948,960</u>	<u>374,589</u>	<u>1,323,549</u>
Total assets	<u>\$ 1,020,141</u>	<u>\$ 461,534</u>	<u>\$ 1,481,675</u>
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable	\$ 6,562	\$ -	\$ 6,562
Unpaid claims	<u>362,085</u>	<u>12,945</u>	<u>375,030</u>
Total liabilities	368,647	12,945	381,592
Net Assets			
Unrestricted	<u>651,494</u>	<u>448,589</u>	<u>1,100,083</u>
Total liabilities and net assets	<u>\$ 1,020,141</u>	<u>\$ 461,534</u>	<u>\$ 1,481,675</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA, KANSAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2003

	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health</u> <u>Care</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 147,535	\$ 1,098,344	\$ 1,245,879
Miscellaneous	<u>693</u>	<u>-</u>	<u>693</u>
Total operating revenues	<u>148,228</u>	<u>1,098,344</u>	<u>1,246,572</u>
Operating expenses			
Cost of services	<u>144,704</u>	<u>1,035,499</u>	<u>1,180,203</u>
Total operating expenses	<u>144,704</u>	<u>1,035,499</u>	<u>1,180,203</u>
Operating income [loss]	3,524	62,845	66,369
Nonoperating revenues [expenses]			
Interest income	<u>10,423</u>	<u>4,282</u>	<u>14,705</u>
Changes in net assets	13,947	67,127	81,074
Net assets, January 1	<u>637,547</u>	<u>381,462</u>	<u>1,019,009</u>
Net assets, December 31	<u>\$ 651,494</u>	<u>\$ 448,589</u>	<u>\$ 1,100,083</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA, KANSAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	<u>Workers'</u> <u>Compensation</u>	<u>Employee</u> <u>Health</u> <u>Care</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from participants	\$ 147,535	\$ 1,098,344	\$ 1,245,879
Cash paid to suppliers	[150,934]	[1,137,931]	[1,288,865]
Other operating receipts	<u>693</u>	<u>-</u>	<u>693</u>
Net cash provided by [used for] operating activities	<u>[2,706]</u>	<u>[39,587]</u>	<u>[42,293]</u>
Cash flows from investing activities			
Proceeds from sale of investments	999,008	399,603	1,398,611
Purchase of investments	[948,960]	[374,589]	[1,323,549]
Interest received	<u>10,423</u>	<u>4,282</u>	<u>14,705</u>
Net cash provided by [used for] investing activities	<u>60,471</u>	<u>29,296</u>	<u>89,767</u>
Net increase [decrease] in cash and cash equivalents	57,765	[10,291]	47,474
Cash and cash equivalents, January 1	<u>13,416</u>	<u>97,236</u>	<u>110,652</u>
Cash and cash equivalents, December 31	<u>\$ 71,181</u>	<u>\$ 86,945</u>	<u>\$ 158,126</u>
Reconciliation of operating income [loss] to net cash provided by [used for] operating activities			
Operating income [loss]	\$ 3,524	\$ 62,845	\$ 66,369
Adjustments to reconcile operating income [loss] to net cash provided by [used for] operating activities			
Changes in assets and liabilities			
Increase [decrease] in claims payable	[5,863]	[102,432]	[108,295]
Increase [decrease] in accounts payable	<u>[367]</u>	<u>-</u>	<u>[367]</u>
Net cash provided by [used for] operating activities	<u>\$ [2,706]</u>	<u>\$ [39,587]</u>	<u>\$ [42,293]</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA, KANSAS

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and / or other funds.

Tree Private Purpose Trust Fund - To account for monies provided by private donors to finance planting of trees.

Fremont Park Private Purpose Trust Fund - To account for the money donated to the City for the purpose of building a display shelter for the railroad engine and caboose at Fremont Park.

Las Casitas Park Private Purpose Trust Fund - To account for monies provided by private donors to finance improvements to the Las Casitas Park.

Economic Development Private Purpose Trust Fund - To provide a financial resource which enhances the City's ability to attract new economic development projects by lending money to businesses that is repaid with interest. The fund was created with money generated by a Chamber of Commerce fund drive and money repaid to the City for state and federal grants.

Municipal Court Agency Fund - To account for the collection and payment of court fines and fees.

Fire Insurance Proceeds Agency Fund - To account for a portion of insurance proceeds from fire and casualty losses to structures within the City. Proceeds are returned to property owners upon substantial completion of repairs or demolition of structure.

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CITY OF EMPORIA, KANSAS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2003

	Private Purpose Trust				Total
	Tree	Fremont Park	Las Casitas Park	Economic Development	
Assets					
Cash and cash equivalents	\$ 2,065	\$ 10	\$ 622	\$ 82,471	\$ 85,168
Accounts receivable	-	-	-	-	-
Accrued interest receivable	-	-	-	952	952
Notes receivable	-	-	-	800,616	800,616
Total Assets	\$ 2,065	\$ 10	\$ 622	\$ 884,039	\$ 886,736
Liabilities					
Due to general fund	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund balances					
Reserved for economic development	-	-	-	884,039	884,039
Unreserved					
Undesignated	2,065	10	622	-	2,697
Total liabilities and fund balances	\$ 2,065	\$ 10	\$ 622	\$ 884,039	\$ 886,736

Agency Funds		
<u>Municipal Court</u>	<u>Fire Insurance Proceeds</u>	<u>Total</u>
\$ -	\$ 29,101	\$ 29,101
305,904	-	305,904
-	-	-
-	-	-
<u>\$ 305,904</u>	<u>\$ 29,101</u>	<u>\$ 335,005</u>
\$ 305,904	\$ -	\$ 305,904
-	29,101	29,101
<u>305,904</u>	<u>29,101</u>	<u>335,005</u>
-	-	-
-	-	-
<u>\$ 305,904</u>	<u>\$ 29,101</u>	<u>\$ 335,005</u>

See independent auditor's report on the financial statements.

CITY OF EMPORIA, KANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Year Ended December 31, 2003

	Private Purpose Trust				Total
	Tree	Fremont Park	Las Casitas Park	Economic Development	
Additions:					
Interest Income	\$ 21	\$ -	\$ 6	\$ 20,961	\$ 20,988
Deductions	-	-	-	-	-
Change in net assets	21	-	6	20,961	20,988
Fund balances, January 1	2,044	10	616	863,078	865,748
Fund balances, December 31	\$ 2,065	\$ 10	\$ 622	\$ 884,039	\$ 886,736

See independent auditor's report on the financial statements.

STATISTICAL SECTION

Table 1

CITY OF EMPORIA, KANSAS
 GENERAL GOVERNMENTAL EXPENDITURES
 AND OTHER USES BY FUNCTION - BUDGETARY BASIS [1]
 Last ten fiscal years
 (Unaudited)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General government	\$ 2,717,096	\$ 2,985,462	\$ 2,587,804	\$ 2,020,869
Public safety	7,243,018	6,943,657	6,614,245	6,342,548
Public health	66,180	59,010	63,600	63,600
Public works	1,065,634	798,629	584,127	235,678
Culture and recreation	1,861,183	1,995,556	1,856,990	2,025,921
Community and industrial planning and development	1,088,645	994,069	299,584	1,095,703
Public transportation	88,910	88,711	693,455	97,755
Street lighting	171,403	174,716	168,438	165,357
Airport operations	290,382	327,145	369,234	399,110
Debt service	1,991,777	2,667,912	1,839,194	2,175,500
Interfund transfers	<u>1,149,230</u>	<u>1,182,874</u>	<u>1,178,302</u>	<u>1,700,118</u>
	<u>\$ 17,733,458</u>	<u>\$ 18,217,741</u>	<u>\$ 16,254,973</u>	<u>\$ 16,322,159</u>

[1] Includes General, Special Revenue and Debt Service Funds.

Table 1

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
\$	2,220,015	\$ 2,212,598	\$ 3,986,801	\$ 3,509,204	\$ 2,105,266	\$ 2,198,853
	6,119,047	5,980,764	5,487,770	5,238,289	5,010,082	4,704,705
	63,729	63,600	67,867	66,300	60,300	58,961
	453,346	589,435	613,342	550,680	558,414	563,288
	1,923,260	1,782,498	1,651,418	2,171,457	1,577,619	1,814,551
	1,175,926	471,000	257,596	254,406	413,111	278,162
	103,899	98,303	98,176	104,337	91,683	89,364
	163,480	172,323	159,476	162,078	160,762	158,971
	342,067	360,471	324,244	337,078	311,677	329,802
	1,785,018	1,013,750	1,325,267	2,873,814	1,140,054	912,922
	<u>1,210,951</u>	<u>[2,131,241]</u>	<u>945,182</u>	<u>159,224</u>	<u>124,449</u>	<u>107,257</u>
\$	<u>15,560,738</u>	<u>\$ 10,613,501</u>	<u>\$ 14,917,139</u>	<u>\$ 15,426,867</u>	<u>\$ 11,553,417</u>	<u>\$ 11,216,836</u>

Table 2

CITY OF EMPORIA, KANSAS
 GENERAL GOVERNMENTAL EXPENDITURES
 AND OTHER USES BY FUNCTION - MODIFIED ACCRUAL BASIS [1]
 Last ten fiscal years
 (Unaudited)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General government	\$ 2,732,240	\$ 3,007,017	\$ 2,331,773	\$ 2,062,363
Public safety	7,244,197	7,022,651	6,729,779	6,517,168
Public health	66,180	59,010	63,600	63,600
Public works	1,093,804	708,387	584,127	235,678
Culture and recreation	1,862,663	2,002,345	1,853,974	1,763,485
Community and industrial planning and development	1,088,645	1,254,285	1,288,605	1,367,275
Public transportation	88,910	88,711	84,207	97,755
Street lighting	171,403	174,716	168,438	165,357
Airport operations	290,382	327,488	370,985	403,835
Debt service	1,991,777	2,667,912	1,839,194	2,195,908
Interfund transfers	<u>1,149,230</u>	<u>1,213,950</u>	<u>1,224,861</u>	<u>1,701,943</u>
	<u>\$ 17,779,431</u>	<u>\$ 18,526,472</u>	<u>\$ 16,539,543</u>	<u>\$ 16,574,367</u>

[1] Includes General, Special Revenue and Debt Service Funds.

Table 2

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
\$	2,212,786	\$ 2,222,278	\$ 2,413,091	\$ 2,581,410	\$ 1,972,628	\$ 2,161,300
	6,174,744	5,940,174	5,485,494	5,235,960	5,009,537	4,695,118
	146,564	139,527	104,732	111,977	60,300	58,961
	468,081	589,435	444,774	550,965	552,519	563,288
	1,968,810	2,331,356	2,314,554	2,117,714	1,551,100	1,868,324
	1,432,011	609,081	2,261,564	1,273,380	391,027	278,162
	103,899	98,303	104,337	104,337	91,683	89,364
	163,480	159,476	162,078	162,078	160,762	158,971
	337,579	360,471	324,244	337,078	311,677	329,333
	1,807,977	1,572,925	1,325,267	2,873,814	1,140,054	912,922
	<u>1,212,802</u>	<u>955,561</u>	<u>991,284</u>	<u>1,069,350</u>	<u>66,889</u>	<u>107,257</u>
\$	<u>16,028,733</u>	<u>14,978,587</u>	<u>15,931,419</u>	<u>16,418,063</u>	<u>11,308,176</u>	<u>11,223,000</u>

Table 3

CITY OF EMPORIA, KANSAS
 GENERAL GOVERNMENTAL REVENUES
 AND OTHER FINANCING SOURCES BY SOURCE [1]
 Last ten fiscal years
 (Unaudited)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Taxes	\$ 10,429,929	\$ 10,000,954	\$ 9,622,700	\$ 9,249,638
Special assessments	140,766	343,853	397,346	283,929
Intergovernmental	1,780,466	2,496,640	1,827,866	2,197,255
Licenses, permits and fees	223,767	230,372	252,453	239,039
Charges for services	1,215,208	1,001,003	944,841	1,041,456
Fines and fees	609,956	904,089	694,922	662,477
Use of money and property	118,963	156,949	240,717	333,827
Interfund transfers	3,110,937	3,411,687	2,653,468	2,128,096
Other [2]	<u>110,386</u>	<u>241,416</u>	<u>111,623</u>	<u>214,560</u>
	<u>\$ 17,740,378</u>	<u>\$ 18,786,963</u>	<u>\$ 16,745,936</u>	<u>\$ 16,350,277</u>

[1] Includes General, Special Revenue and Debt Service Funds.

[2] Includes contributions, temporary note proceeds, bonds issued and miscellaneous.

Table 3

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
\$	8,693,691	\$ 8,511,816	\$ 7,886,345	\$ 8,464,993	\$ 8,653,544	\$ 7,042,887
	178,408	200,285	214,847	207,454	195,617	182,369
	2,636,096	3,089,123	2,490,794	1,776,541	1,661,426	1,694,803
	244,057	150,950	150,857	153,124	130,859	146,529
	956,462	981,497	861,055	821,329	865,920	863,558
	575,612	663,722	661,329	641,358	518,949	428,939
	242,667	161,660	134,335	139,399	221,042	70,891
	2,624,526	2,334,730	1,859,648	1,832,044	794,097	787,752
	<u>160,641</u>	<u>291,468</u>	<u>311,090</u>	<u>825,227</u>	<u>168,767</u>	<u>297,124</u>
\$	<u>16,312,160</u>	<u>16,385,251</u>	<u>14,570,300</u>	<u>14,861,469</u>	<u>13,210,221</u>	<u>11,514,852</u>

Table 4

CITY OF EMPORIA, KANSAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last ten fiscal years
(Unaudited)

<u>Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collected</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collected</u>	<u>Total Tax Collected</u>	<u>Percent of Total Collections to Levy</u>
1994	\$ 3,754,386	\$ 3,638,618	96.916%	\$ 94,291	\$ 3,732,909	99.428%
1995	4,058,795	3,751,997	92.441%	38,817	3,790,814	93.398%
1996	3,383,620	3,058,392	90.388%	40,228	3,098,620	91.577%
1997	3,298,036	3,205,126	97.183%	[16,113] [1]	3,189,013	96.694%
1998	3,549,552	3,431,328	96.669%	55,294	3,486,622	98.227%
1999	3,937,947	3,521,189	89.417%	59,357	3,580,546	90.924%
2000	4,099,136	3,841,308	93.710%	41,556	3,882,864	94.724%
2001	4,417,433	3,956,498	89.566%	42,829	3,999,327	90.535%
2002	4,980,869	4,284,854	86.026%	80,801	4,365,655	87.648%
2003	5,406,369	4,808,654	88.944%	72,483	4,881,137	90.285%

[1] Taxes paid under protest in prior years that were refunded to taxpayers during the current year.

CITY OF EMPORIA, KANSAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last ten fiscal years
(Unaudited)

<u>Year</u>	<u>Assessed Value Real Estate [1]</u>	<u>Assessed Value Tangible Personal Property [1]</u>	<u>Assessed Value State Appraised Public Service Companies [1]</u>	<u>Total Assessed Value</u>	<u>Total Estimated Appraised Value [2]</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value</u>	<u>Assessed Value of Motor Vehicles [2]</u>
1994	\$ 62,718.3	\$ 10,951.4	\$ 6,347.2	\$ 80,016.9	\$ 536,131.8	14.9%	\$ 16,249.7
1995	67,384.6	11,981.9	6,772.4	86,138.9	597,962.3	14.4%	18,819.0
1996	76,393.5	13,517.9	6,614.8	96,526.2	602,876.2	16.0%	19,076.0
1997	80,074.7	12,685.2	7,353.4	100,113.3	581,828.3	17.2%	19,847.5
1998	80,780.9	13,519.5	7,037.0	101,337.4	562,339.0	18.0%	19,806.5
1999	83,478.4	17,181.8	7,935.4	108,595.6	605,629.7	17.9%	19,986.0
2000	89,299.5	15,760.1	7,974.6	113,034.2	590,850.5	19.1%	19,989.3
2001	92,214.7	17,874.9	8,104.4	118,994.0	663,678.0	17.9%	19,517.8
2002	99,437.3	22,854.8	8,962.1	131,254.2	730,047.7	18.0%	20,866.0
2003	104,384.3	21,561.4	8,813.1	134,758.8	760,455.4	17.7%	21,176.1

(All figures are in thousands of dollars.)

[1] From Abstract of the Valuation of Taxable Property prepared by the Lyon County Clerk.

[2] From Lyon County Appraiser's Office.

Table 6

CITY OF EMPORIA, KANSAS
 PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
 (PER \$100 OF ASSESSED VALUE)
 Last ten fiscal years
 (Unaudited)

<u>Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>	<u>Unified School District</u>	<u>State and County</u>	<u>Total</u>
1994	3.4179	0.3999	0.8303	4.6481	4.5691	5.2667	14.4839
1995	3.2577	0.5282	0.6958	4.4817	4.7441	4.9945	14.2203
1996	2.2302	0.4225	0.7789	3.4316	4.9187	4.9488	13.2991
1997	2.3212	0.4218	0.6807	3.4237	4.8911	4.7161	13.0309
1998	2.3826	0.4218	0.7285	3.5329	4.5199	4.5500	12.6028
1999	2.2138	0.4067	1.0078	3.6283	4.5103	4.9273	13.0659
2000	2.1425	0.4237	1.0462	3.6124	4.7444	4.0481	12.4049
2001	2.1802	0.4046	1.0034	3.5882	6.1109	4.7092	14.4083
2002	2.4333	0.4218	0.9853	3.8404	6.1160	4.5962	14.5526
2003	2.5546	0.4293	1.2223	4.2062	6.0213	4.9687	15.1962

Source: Tax Levy Rates, Lyon County Treasurer

CITY OF EMPORIA, KANSAS
 SPECIAL ASSESSMENTS - BILLINGS AND COLLECTIONS
 Last ten fiscal years
 (Unaudited)

<u>Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected [1]</u>	<u>Ratio of Collections to Amount Due</u>	<u>Back Tax Collected</u>	<u>Total Tax Collected</u>	<u>Percent of Total Collections to Levy</u>
1994	\$ 186,644	\$ 182,369	97.710%	\$ 11,518	\$ 193,887	103.881%
1995	200,000	195,617	97.809%	7,294	202,911	101.456%
1996	179,000	207,454	115.896%	7,102	214,556	119.864%
1997	212,682	214,847	101.018%	[2,639]	212,208	99.777%
1998	166,500	200,285	120.291%	11,109	211,394	126.963%
1999	159,541	178,408	111.826%	12,000	190,408	119.347%
2000	149,700	181,587	121.301%	9,000	190,587	127.313%
2001	159,798	226,289	141.609%	10,619	236,908	148.255%
2002	192,313	234,005	121.679%	22,418	256,423	133.336%
2003	218,280	257,888	118.146%	20,043	277,931	127.328%

[1] Includes special assessments paid by taxpayers directly to city clerk, some prematurely.

Table 8

CITY OF EMPORIA, KANSAS

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITALast ten fiscal years
(Unaudited)

<u>Year</u>	<u>Population</u>		<u>Assessed Value (in thousands)</u>	<u>Gross Bonded Debt [1]</u>	<u>Debt Service Monies Available</u>	<u>Debt Payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	25,512	[2]	\$ 80,017	\$ 20,385,000	\$ 337,078	\$ 8,125,000	\$ 11,922,922	14.900%	\$ 467
1995	25,512	[2]	86,139	20,735,000	206,435	7,795,000	12,733,565	14.783%	499
1996	25,512	[2]	96,528	21,775,000	218,669	7,440,000	14,116,331	14.624%	553
1997	25,512	[2]	100,113	22,135,000	286,362	6,000,000	15,848,638	15.831%	621
1998	25,512	[2]	101,337	24,135,000	238,518	-	23,896,482	23.581%	937
1999	25,512	[2]	108,596	22,700,000	147,400	-	22,552,600	20.767%	884
2000	26,760	[3]	113,034	25,035,000	100,916	-	24,934,084	22.059%	932
2001	26,760	[3]	118,994	29,275,000	247,620	-	29,027,380	24.394%	1,085
2002	26,760	[3]	131,254	29,955,000	24,843	-	29,930,157	22.803%	1,118
2003	26,760	[3]	134,759	29,615,000	208,172	-	29,406,828	21.822%	1,099

[1] Includes all long-term debt.

[2] U.S. Census 1990.

[3] U.S. Census 2000.

CITY OF EMPORIA, KANSAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 December 31, 2003
 (Unaudited)

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Emporia</u>	<u>Amount Applicable to City of Emporia</u>
City of Emporia, Kansas	\$ 29,615,000	100.000%	\$ 29,615,000
Unified School District #253	40,970,000	87.197%	35,724,793
Lyon County, Kansas	16,835,000	63.085%	<u>10,620,440</u>
Total			<u>\$ 75,960,233</u>

Table 10

CITY OF EMPORIA, KANSAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT [1] TO TOTAL GENERAL GOVERNMENTAL EXPENDITURESLast ten fiscal years
(Unaudited)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures [2]</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1994	\$ 610,000	\$ 302,922	\$ 912,922	\$ 11,223,000	8.134%
1995	730,000	409,995	1,139,995	11,308,176	10.081%
1996	2,390,000	483,814	2,873,814	16,418,063	17.504%
1997	812,500	512,725	1,325,225	15,931,419	8.318%
1998	1,013,750	559,112	1,572,862	14,978,587	10.501%
1999	1,152,195	621,682	1,773,877	16,028,733	11.067%
2000	1,187,195	590,167	1,777,362	16,574,367	10.724%
2001	1,277,486	550,567	1,828,053	16,539,543	11.053%
2002	1,519,540	1,123,334	2,642,874	18,526,472	14.265%
2003	969,053	993,296	1,962,349	17,779,431	11.037%

[1] Does not include defeased debt.

[2] Includes General, Special Revenue and Debt Service Funds.

CITY OF EMPORIA, KANSAS

REVENUE BOND COVERAGE
WATER AND SEWER BONDSLast ten fiscal years
(Unaudited)

<u>Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses [1]</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$ 4,956,372	\$ 3,110,713	\$ 1,845,659	\$ 415,000	\$ 377,758	\$ 792,758	2.3281
1995	5,007,990	3,106,527	1,901,463	530,000	328,741	858,741	2.2142
1996	3,853,167	2,632,447	1,220,720	570,000	327,259	897,259	1.3605
1997	3,337,956	2,109,170	1,228,786	372,500	476,016	848,516	1.4482
1998 [2]	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-

[1] Total expenses exclusive of depreciation and debt service.

[2] No debt service requirements as all revenue bonds were defeased by 1998.

[3] Debt service requirement greater than net revenue available for debt service.

Table 12

CITY OF EMPORIA, KANSAS

DEMOGRAPHIC STATISTICS

Last ten fiscal years
(Unaudited)

<u>Year</u>	<u>Population [1]</u>	<u>Per Capita Income [2]</u>	<u>Employment [3]</u>	<u>School Enrollment [4]</u>	<u>Retail Sales [5] in Hundreds</u>
1994	25,512	\$ 17,454	13,280	4,023	\$ 296,632.6
1995	25,512	18,069	13,842	4,940	282,029.1
1996	25,512	18,611	13,837	5,005	310,455.5
1997	25,512	19,169	18,633	4,920	319,388.9
1998	25,512	19,728	19,618	4,968	334,166.9
1999	25,512	20,286	19,444	5,035	351,761.4
2000	26,760	20,844	19,316	5,026	368,640.0
2001	26,760	21,403	19,336	5,070	356,917.4
2002	26,760	21,961	19,407	4,813	353,612.2
2003	26,760	22,519	19,614	4,764	353,237.5

[1] U.S. Census (1994 - 1999 amounts are from 1990 census and 2000 - 2003 amounts are from 2000 census).

[2] Lyon County per capita income from Bureau of Economic Analysis (1995 and 1996 estimated based on 3% annual inflation).

[3] State of Kansas, Division of Employment.

[4] Annual school census.

[5] City sales tax collections.

CITY OF EMPORIA, KANSAS
PROPERTY VALUE OF CONSTRUCTION
Last ten fiscal years
(Unaudited)

<u>Year</u>	<u>New Single Family Dwellings</u>	<u>Total Value New Single Family Dwellings</u>	<u>Total Permits [1]</u>	<u>Total Construction Valuation [1]</u>	
1994	18	\$ 1,503,383	687	\$ 22,774,763	[2]
1995	18	1,735,201	614	13,805,187	
1996	30	2,914,249	829	15,229,107	
1997	18	1,544,859	658	14,839,473	[3]
1998	23	2,016,467	627	23,285,937	[4]
1999	28	2,558,457	788	35,983,712	[5]
2000	21	2,070,293	653	38,565,007	[6]
2001	34	3,665,594	767	42,661,270	[7]
2002	22	2,674,110	643	42,834,756	[8]
2003	29	3,272,222	673	22,164,184	

Source: City of Emporia Planning and Development Department.

[1] Includes single and multiple family dwellings and commercial, industrial and institutional construction.

[2] Includes new county jail.

[3] Includes new aviation basins for IBP.

[4] Includes Menu Foods

[5] Includes Menu Foods expansion, Flying J Travel Plaza and Caterpillar Plant.

[6] Includes new Courthouse, Wastewater plant renovation, Hopkins expansion & Menu addition.

[7] Includes Norfolk Steel, IBP, Newman Hospital expansion, Aquatic Center, Safeway Pet Food expansion, & Emporia Surgical Center.

[8] Includes new Elementary School & Wastewater plant renovation

Table 14

CITY OF EMPORIA, KANSAS

PRINCIPAL TAXPAYERS

December 31, 2003

(Unaudited)

<u>Business Name</u>	<u>Type of Business</u>		2003 Aggregate Tax Liability
Western Resources, Inc.	Electric utility		\$ 632,048
Iowa Beef Processors	Livestock processor		624,619
Southwestern Bell Telephone Company	Telephone		403,332
Emporia ROS (Wal-Mart)	Discount/Variety store		331,531
Interstate Brands Corporation	Baked goods production		243,079
Bunge Corporation	Grain processor		218,888
Kansas Gas Service	Gas utility		180,669
Emporia Wholesale Coffee Co	Food distributor		180,288
Flint Hills Mall LLC	Mall Ownership		179,419
Modine Manufacturing	Automotive parts manufacturer		<u>174,913</u>
			3,168,786
Total City and County levy		\$ 26,974,148	
City total levy		4,099,136	<u>15.197%</u>
Estimated city tax revenues from top 10 taxpayers			481,545
Total taxes levied by city for 2003*			4,099,136
Portion of 2003 city tax revenues paid by top 10 taxpayers			11.747%

* includes property tax liability from all sources.

Source: Lyon County Treasurer.

CITY OF EMPORIA, KANSAS

MISCELLANEOUS STATISTICS

December 31, 2003

(Unaudited)

Date of incorporation		1857
Form of government		Commission - Manager
Area		11.61 square miles
Miles of paved streets		167
Fire protection:	Number of stations	2
	Number of firefighters	49
Police protection:	Number of stations	1
	Number of commissioned officers	49
Education:	Attendance centers (elementary)	11
	Number of students	2638
	Attendance centers (middle)	1
	Number of students	679
	Attendance centers (secondary)	1
	Number of students	1447
	Vocational / technical	1
	Number of students	428
	Colleges and universities	1
	Number of students	6011
Municipal water department:	Number of consumers	9202
	Average daily consumption	9.1 million gallons
	Miles of water mains	170
Building permits issued		643
Recreation and culture:	Number of parks	20 with 357.279 acres
	Number of libraries	1
	Number of volumes	96,041
Employees:	Classified service	290 full and part-time

Table 16

CITY OF EMPORIA, KANSAS
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last ten fiscal years
(Unaudited)

<u>Year</u>	<u>Property Value [1]</u>	<u>Total Construction Valuation</u>	<u>Bank Deposits [1]</u>
1994	\$ 536,132.0	\$ 22,774,763	\$ 212,333 [2]
1995	597,962.0	13,805,187	340,306 [2]
1996	602,876.2	15,229,107	337,296 [2]
1997	581,628.3	14,839,473	363,007 [2]
1998	562,339.0	23,285,937	346,737 [3]
1999	605,629.7	35,983,712	350,669 [3]
2000	590,850.5	38,565,007	364,400 [3]
2001	663,678.0	42,661,270	366,372 [3]
2002	730,047.7	42,834,756	372,546 [3]
2003	760,455.4	22,164,184	379,642 [4]

[1] in thousands of dollars.

[2] Omits largest institution, Bank of America, now branch of Intra-state bank. Separate figures not available.

[3] Omits 2 institutions, Bank of America and Intrust Bank, now branches of Intra-state banks. Separate figures not available.

[4] Omits 2 institutions, Bank of America and State Bank of Kansas, now branches of Intra-state banks. Separate figures not available.

CITY OF EMPORIA, KANSAS

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2003

(Unaudited)

Assessed valuation at August 25, 2003		<u>\$ 134,758,800</u>
Debt limit - 30% of assessed valuation (KSA 10-308)		\$ 40,427,640
Bonded indebtedness	\$ 29,615,000	
Less: exempt revenue bonds per KSA 10-311	<u>None</u>	<u>29,615,000</u>
Legal debt margin		<u>\$ 10,812,640</u>

GOVERNMENTAL AUDIT SECTION

LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

900 Massachusetts, Suite 301
Lawrence, Kansas 66044-2868
Phone: (785) 749-5050
Fax: (785) 749-5061
E-mail: lswwcpa@lswwcpa.com

David A. Lowenthal, CPA
Thomas E. Singleton, CPA
Patricia L. Webb, CPA
Thomas G. Wilson, CPA
Audrey M. Odermann, CPA

Paul M. Borchardt, CPA
Grant A. Huddin, CPA
Mary A. LeGresley, CPA

Members of American Institute
and Kansas Society of
Certified Public Accountants

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

Mayor and City Commissioners
City of Emporia, Kansas

We have audited the basic financial statements of City of Emporia, Kansas, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under "Government Auditing Standards."

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain other matters involving the internal control over financial reporting and its operation that we have reported to the management in a separate letter dated February 25, 2004.

This report is intended for the information of the Mayor and City Commission, management and awarding agencies and should not be used by anyone other than these specified parties.

Lowenthal, Singleton, Webb & Wilson

Professional Association
February 25, 2004