

**CITY OF RAPID CITY,
SOUTH DAKOTA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

*PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced*

FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2006

PREPARED BY:

DEPARTMENT OF FINANCE

JAMES F. PRESTON, FINANCE OFFICER

CITY OF RAPID CITY, SOUTH DAKOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page
 Table of Contents..... i
 Finance Officer’s Letter of Transmittal iii
 Principal Officers..... v

FINANCIAL SECTION

Independent Auditor’s Report 1
 Management’s Discussion and Analysis 3
 Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets..... 11
 Statement of Activities..... 12
 Fund Financial Statements:
 Balance Sheet – Governmental Funds..... 13
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets..... 14
 Statement of Revenues, Expenditures and Changes in
 Fund Balances – Governmental Funds..... 15
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Governmental-Wide
 Statement of Activities..... 17
 Statement of Net Assets – Proprietary Funds 18
 Statement of Revenues, Expenses, and Changes in Net Assets 20
 Statement of Cash Flows – Proprietary Funds..... 22
 Statement of Fiduciary Net Assets 24
 Notes to the Financial Statements 25
 Required Supplementary Information:
 Budgetary Comparison Schedule – General Fund..... 51
 Budgetary Comparison Schedule – 2012 Sales Tax Fund..... 53
 Budgetary Comparison Schedule – Consolidated Construction..... 54
 Budgetary Comparison Schedule – Utility Facilities Fund..... 55
 Budgetary Comparison Schedule – Tax Increment District..... 56
 Notes to Required Supplementary Information 57
 Other Supplementary Statements:
 Combining and Individual Nonmajor Fund Statements and Schedules:
 Combining Balance Sheet – Nonmajor Governmental Funds..... 58
 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances – Nonmajor Governmental Funds..... 60
 Combining Balance Sheet – Nonmajor Proprietary Funds 62
 Combining Statement of Revenues, Expenses and Changes in

Fund Net Assets – Nonmajor Proprietary Funds	64
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	66
Combining Statement of Net Assets – Internal Service Funds	68
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	69
Combining Statement of Cash Flows – Internal Service Funds.....	70
Combining Statement of Fiduciary Net Assets	71
Budgetary Comparison Schedules:	
Budgetary Comparison Schedule – Occupancy Tax Fund.....	72
Budgetary Comparison Schedule – Repair and Demolition Fund	73
Budgetary Comparison Schedule – Housing Projects Fund.....	74
Budgetary Comparison Schedule – Retired Senior Volunteer Fund	75
Budgetary Comparison Schedule – Community Development Fund	76
Budgetary Comparison Schedule – Education Loan Fund	77
Budgetary Comparison Schedule – Library Board Fund.....	78
Budgetary Comparison Schedule – Cemetery Perpetual Care Fund	79

STATISTICAL SECTION

Fund Information:

Net Assets By Component.....	80
Change in Net Assets	81
Fund Balances of Governmental Funds	84
Changes in Fund Balances of Governmental Funds	85
General Governmental Tax Revenue by Source	86
Assessed and Estimated Actual Value of Taxable Property	87
Property Value and Construction	88
Property Tax Rates - All Overlapping Governments	90
Principal Property Taxpayers	91
Property Tax Levies and Collections	92
Taxable Sales by Category	94
Computation of Legal Debt Margin	95
Legal Debt Margin Information.....	96
Revenue Bond Coverage – Water, Wastewater, Airport & Parking Bonds.....	97
Demographic Statistics	99
Principal Employers.....	100
Full-Time-Equivalent City Government Employees by Function.....	101
Miscellaneous Statistics.....	102
Surety Bond Disclosure.....	103

SINGLE AUDIT SECTION

Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	104
Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133.....	106
Schedule of Expenditures of Federal Awards	108
Schedule of Findings and Questioned Costs	109
Summary Schedule of Prior Audit Findings	109



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

City Finance Office

300 Sixth Street
Rapid City, South Dakota 57701-5035
605-394-4143

July 2, 2007

Honorable Mayor, Members of the
City Council and Citizens of Rapid City
Rapid City, SD 57701

The enclosed Comprehensive Annual Financial Report of the City of Rapid City for the year ended December 31, 2006 was prepared by the City Finance Office. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial activity of the 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.

The annual financial report has been prepared to substantially conform to the high standards for financial reporting promulgated by the Government Finance Officers Association for the United States and Canada.

Format:

The report has four sections -- Introductory, Financial, Single Audit and Statistical.

1. The Introductory Section includes a description of the form of government, the names of the elected officials and principal officers of the City, the organization chart, and this letter of transmittal.
2. The Financial Section includes the general purpose financial statements accompanied by our independent auditor's opinion. It also includes required and other supplementary statements.
3. The Statistical Section includes tables of unaudited data depicting the financial history of the government for the past ten (10) years, information on overlapping governments, demographics, and other miscellaneous information.
4. The Single Audit Section includes the Schedule of Expenditures of Federal Awards. Also included are various auditor reports in regards to compliance and internal controls.

This Financial Report includes all funds of the City. The City provides a full range of services, including police and fire protection, highways and streets, sanitation, health



EQUAL HOUSING
OPPORTUNITY

and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also operates water and wastewater treatment facilities and other enterprises. The City Council exercises oversight authority over an Airport Board, a Civic Center Board and a Library Board; therefore, these activities are included in the report.

Annual audits of the books of account, financial records, and transactions of the administrative departments of the City are conducted by the State of South Dakota Department of Legislative Audit or by independent certified public accountants selected by the City Council, which for 2006 was Ketel-Thorstenson, LLP. The independent certified public accountants' unqualified opinion has been included with this report.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Office. I would like to express my appreciation to all members of the Office for the contributions to its preparation.

I also want to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

James C. Preston
Finance Officer

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

CITY OF RAPID CITY
ELECTIVE OFFICIALS AND PRINCIPAL OFFICERS
DECEMBER 31, 2006

The City of Rapid City is under the aldermanic form of government, consisting of a full-time mayor and ten council members. Each is elected for a two-year term. Two council members are elected from each of the five wards, with terms expiring in alternate years. The officials and officers as of December 31, 2006 were as follows:

<u>ELECTIVE OFFICIALS</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Jim Shaw	Mayor	2007
Tom Johnson	Council Representative	2008
Michael Schumacher	Council Representative	2007
Sam Kooiker	Council Representative	2008
Deb Hadcock	Council Representative	2007
Karen Gunderson Olson	Council Representative	2008
Bill Okrepkie	Council Representative	2007
Lloyd LaCroix	Council Representative	2008
Ron Kroeger	Council Representative	2007
Bob Hurlbut	Council Representative	2007
Malcom Chapman	Council Representative	2008

PRINCIPAL OFFICERS

Airport Manager	Mark Short
City Attorney	Jason Green
Building Inspector	Brad Solon
Civic Center Director	Brian Maliske
Finance Officer	James Preston
Assistant Finance Officer	Coleen Schmidt
Fire Chief	Gary Shepherd
Growth Management Director	Marcia Elkins
Library Director	Greta Chapman
Parks and Recreation Director	Jerry Cole
Human Resources Director	James Preston
Police Chief	Craig Tieszen
Deputy Police Chief	Open
Public Works Director	Dirk Jablonski
Street Superintendent	Don Brumbaugh
Sanitation Superintendent	Jerome Wright
Water Superintendent	John Wagner
Water Reclamation Superintendent	Dave VanCleave

PRELIMINARY DRAFT
 for Review and Discussion —
 — Subject to Change —
 Not to be Produced

CITY OF RAPID CITY
APPOINTED BOARDS
December 31, 2006

LIBRARY BOARD – 3 YEAR TERMS

TERM EXPIRES

Monte Loos, Chairman	December 2006
Eric Abrahamson	December 2008
Sandra McNeely	December 2008
Maria McCarthy-Anderson	December 2008
James Olson	December 2007

CIVIC CENTER BOARD – 3 YEAR TERMS

Mike Diedrich, Chairman	January 2008
Dave Davis	January 2007
Duane Whalen	January 2008
Batool Merali	January 2009
Eddie Rypkema	January 2009

AIRPORT BOARD – 5 YEAR TERMS

Jerry Brown, President	May 2009
Jerry Shoener	May 2007
Jennifer Landguth	May 2007
Jo Roebuck-Pearson	May 2009
Jerome Mitchell	May 2010

PLANNING COMMISSION – 3 YEAR TERMS

Gary Brown, Chairman	July 2009
Tom Hennies	July 2007
John Brewer	July 2007
Sandra Runde	July 2007
Barbara Collins	July 2008
Karen Waltman	July 2008
Ida Marie Fast Wolf	July 2008
Mike LeMay	July 2008
Peter Anderson	July 2009
Dennis Landguth	July 2009

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

CITY OF RAPID CITY
 ORGANIZATIONAL CHART
 DECEMBER 31, 2006

CITIZENS

ELECTORATE OF RAPID CITY, SOUTH DAKOTA
CITY COUNCIL

MAYOR
 Jim Shaw

Library Board
 Monte Loos, Chairman

Civic Center Board
 Mike Diedrich, Chairman

Library Director
 Greta Chapman

Civic Center Director
 Brian Maliske

Planning Commission
 Gary Brown, Chairman

Airport Board
 Jerry Brown, President

Growth Management Director
 Marcia Elkins

Airport Manager
 Mason Short

<u>Attorney</u>	<u>Finance and H. Resources</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Police</u>	<u>Fire</u>
J. Green	J. Preston C. Schmidt	J. Cole	D. Jablonski	C. Tieszen	G. Shepherd
		<u>Aquatics</u>	<u>Water</u>		
		D. Quhey	J. Wagner		
		<u>Parks</u>	<u>Water Reclamation</u>		
		L. VanDeusen	D. VanCleave		
		<u>Recreation</u>	<u>Streets</u>		
		D. Lowe	D. Brumbaugh		
			<u>Sanitation</u>		
			J. Wright		
			<u>Energy Plant</u>		
			G. Dzintars		
			<u>Transit</u>		
			R. Sagen		

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change
 Not to be Reproduced

INDEPENDENT AUDITOR'S REPORT

Alan Hanks, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **CITY OF RAPID CITY** (the City), South Dakota, as of December 31, 2006, and for the year then ended, 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 opinions on these financial statements based on our audit.

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

In our opinion, 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 unit, each major fund, and the aggregate remaining fund information of the City of Rapid City as of December 31, 2006, 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.

In accordance with Government Auditing Standards, we have also issued a report dated _____ 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 grant agreements or other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10, and the required supplementary budgetary information on pages 51 through 57, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 accompanying introductory section, the combining non-major fund financial statements, the non-major fund budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major funds financial statements, non-major fund budgetary schedules, and statistical section (unless otherwise marked "unaudited") have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements for 1997 through 2005 (none of which are presented here), and we expressed unqualified opinions on those statements. In our opinion, the supplemental information for those years is fairly stated in all material respects in relation to the financial statements from which it has been derived (unless otherwise marked "unaudited" in the statistical section). The introductory section for the year ended December 31, 2006 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part 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.

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

KRUSE THORNTON LLP
Certified Public Accountants

CITY OF RAPID CITY, SOUTH DAKOTA Management's Discussion and Analysis

As management of the City of Rapid City, we offer readers of the City of Rapid City's financial statements this narrative overview and analysis of the financial activities of the City of Rapid City for the fiscal year ended December 31, 2006. We encourage readers to consider it in conjunction with the additional information presented in the basic financial statements and the notes to the financial statements.

The City of Rapid City provides many municipal services including public safety, streets, parks, general administration and public utilities. For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits, and separate legal entity status.

Financial Highlights

- The assets of the City of Rapid City exceeded its liabilities at the close of the most recent fiscal year by \$450,348,914 (Net assets). Of this amount, \$69,959,462 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$27,840,877.
- As of the close of the current fiscal year, the City of Rapid City's governmental funds reported combined ending fund balances of \$95,165,343.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$16,791,678 or forty-three percent (43%) of total general fund expenditures.
- The City of Rapid City's total debt decreased by \$9,410,498 during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Rapid City's basic financial statements. The City of Rapid City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains both required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Rapid City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Rapid City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rapid City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rapid City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Rapid City include general government, public safety, public works, health & welfare, conservation and development, and culture and recreation. The business-type activities of the City of Rapid City include water, water reclamation, airport, solid waste, civic center, golf, cemetery, parking, ambulance, energy plant and transportation terminal.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rapid City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rapid City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rapid City maintains five individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and four special revenue funds, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Rapid City adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-24 of this report.

Proprietary Funds. The City of Rapid City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Rapid City uses enterprise funds to account for its water, water reclamation, airport, solid waste, civic center, golf, cemetery, parking, ambulance, energy plant and transportation terminal operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City of Rapid City's various functions. The City of Rapid City uses internal service funds to account for its worker's compensation, health, dental and liability insurance and unemployment compensation management. Because these services predominantly benefit government rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, water reclamation, airport, waste recycling and civic center which are considered to be major funds of the City of Rapid City. Data from the other nine enterprise funds are combined into a single aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18-23 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Rapid City's own program. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-50 of this report.

Other Information. The supplementary combining statements referred to earlier in connection with non-major governmental and proprietary funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 58-71 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rapid City, assets exceeded liabilities by \$450,348,914 at the close of the most recent fiscal year.

By far the largest portion of the City of Rapid City's total assets (74%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Rapid City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rapid City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a comparison between the current and prior year's assets, liabilities and changes in net assets.

CITY OF RAPID CITY'S NET ASSETS (in thousands)

	Government Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and Other Assets	\$ 105,372	\$ 104,921	\$ 24,210	\$ 26,764	\$ 129,584	\$ 131,688
Capital Assets	299,711	263,032	197,489	212,652	397,200	415,684
Total Assets	305,085	307,956	221,699	239,416	526,784	547,372
Long-term liabilities outstanding	68,054	61,312	30,179	27,510	98,233	88,822
Other liabilities	4,175	4,539	1,868	3,662	6,043	8,201
Total liabilities	72,229	65,851	32,047	31,172	104,276	97,023
<u>Net assets:</u>						
Invested in capital assets, net of related debt	133,306	143,729	169,803	188,751	303,109	332,480
Restricted	53,376	47,094	1,393	733	54,769	47,827
Unrestricted	46,175	51,282	18,455	18,760	64,630	70,042
Total net assets	\$232,857	\$242,105	\$189,651	\$208,244	\$422,508	\$450,349

A portion of the City of Rapid City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$69,959,462) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rapid City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets:

City of Rapid City's Changes in Net Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program Revenues						
Charges for services	\$ 7,723	\$ 6,754	\$ 34,117	\$ 35,053	\$ 41,840	\$ 41,807
Operating grants & contributions	2,110	2,786	-	-	2,110	2,786
Capital grants and contributions	9,709	1,586	9,258	10,439	18,967	12,025
General Revenues						
Property taxes	11,132	12,258	-	-	11,132	12,258
Other taxes	36,412	40,666	2,792	2,804	39,204	43,470
State/County shared revenue	1,130	1,347	-	-	1,130	1,347
Unrestricted investment earnings	1,290	4,459	358	692	1,648	5,151
Other	725	(37)	(28)	7	697	(30)
Total Revenues	70,231	69,819	46,497	48,995	116,728	118,814
Expenses:						
General government	2,762	2,668	-	-	2,762	2,668
Public safety	17,563	18,603	-	-	17,563	18,603
Public works	12,571	13,607	-	-	12,571	13,607
Health and welfare	1,997	2,165	-	-	1,997	2,165
Conservation & development	4,300	4,027	-	-	4,300	4,027
Culture & recreation	8,260	8,811	-	-	8,260	8,811
Interest on long-term debt	1,306	2,763	-	-	1,306	2,763
Miscellaneous	452	3,406	-	-	452	3,406
Water reclamation	-	-	5,525	6,329	5,525	6,329
Water	-	-	6,312	7,193	6,312	7,193
Golf	-	-	767	781	767	781
Recycling	-	-	2,648	2,679	2,648	2,679
Executive Golf	-	-	266	270	266	270
Airport	-	-	4,501	4,943	4,501	4,943
Waste collection	-	-	1,624	1,739	1,624	1,739
Waste disposal	-	-	1,474	1,563	1,474	1,563
Civic center	-	-	6,082	6,346	6,082	6,346
Cemetery	-	-	247	242	247	242
Parking	-	-	422	496	422	496
Energy plant	-	-	286	339	286	339
Transportation terminal	-	-	74	84	74	84
Ambulance	-	-	1,878	1,919	1,878	1,919
Total Expenses	49,211	56,050	32,106	34,923	81,317	90,973
Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items and transfers	21,020	13,769	14,391	14,072	35,411	27,841
Fund Transfers	(772)	(4,520)	772	4,520	-	-
Change in Net Assets	20,248	9,249	15,163	18,592	35,411	27,841
Net Assets-Beginning	212,236	232,856	174,553	189,652	386,789	422,508
Prior Period Adjustment	372	-	(64)	-	308	-
NET ASSETS - ENDING	\$ 232,856	\$ 242,105	\$ 189,652	\$ 208,244	422,508	\$ 450,349

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change -
 Not to be Reproduced

Financial Analysis of the Government's funds.

Governmental Funds. The focus of the City of Rapid City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Rapid City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Rapid City's governmental funds reported combined ending fund balances of \$95,165,346. Approximately 48% of this total amount (\$45,791,071) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$47,094,389), 2) for inventories (\$556,275) and 3) for advances to other funds (\$1,723,611).

The General Fund balance decreased by \$830,468 in 2006, which was due an increase in expense for police (\$501), fire (\$489), highways and streets (\$402) public transit (\$102), swimming pools (\$106), library (\$224), and capital outlay (\$437). The 2012 Sales Tax Fund balance decreased \$2,286,458 due to payment for projects as approved in the 2012 plan and payment of arbitrage. The Consolidated Construction Fund balance increased \$604,512 due to receipt of loan payments and reimbursements on completed projects. The Utility Facilities Fund balance increased by \$154,710 due to fewer than anticipated projects and related expenses. The Tax Increment Fund balance increased by \$688,485 due to property tax receipts and recovery of direct expense.

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

The unrestricted net assets in the respective proprietary funds are water - \$4,822,377, wastewater - \$3,494,592, airport - \$1,246,298, waste recycling - \$3,311,918, civic center - \$724,003, waste collection - \$48,428, waste disposal - \$3,100,429, executive golf - (\$78,775), cemetery - \$57,461, golf - (\$7,952), parking lot - \$1,294,289, energy plant - (\$123,446) ambulance - \$1,425,147 and transportation terminal - \$76,874. Eleven funds had increases in net assets in 2006 and those increases are as follows: water - \$3,307,985, wastewater - \$2,859,345, airport - \$8,670,737, waste recycling - \$759,261, civic center - \$2,076,473, waste collection - \$19,828, waste disposal - \$329,856, cemetery - \$130,927, golf - \$90,734; parking - \$60,547, and ambulance \$458,709. Three funds had decreases in net assets. These decreases are as follows: executive golf - (\$121,937), energy plant - (\$38,893), and transportation terminal (\$11,461).

Budgetary Highlights

General Fund. Supplemental appropriations primarily involved grant funds or "windfalls." It is not legally required to officially supplement the budget. It is the practice of the City of Rapid City to do so to provide full public disclosure.

Capital Asset and Debt Administration

Capital Assets. The City of Rapid City's investment in capital assets for its governmental and business type activities as of December 31, 2006 amounts to \$332,479,998 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

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

Completion of the city's portion of the Public Safety Building addition; purchase of the Public Works Maintenance and Transit Building; replacement of seven police vehicles; purchase of an aerial ladder truck; purchase of an air sweeper; purchase of seven public transit buses; rehab of the HVAC system at the main terminal of the airport; completion of Taxiway A at the airport; purchase of a roll-off truck for the landfill; purchase of cardiac monitoring equipment and 3 new ambulances.

City of Rapid City's Capital Assets
(Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land and land improvements	\$ 40,057	\$ 47,418	\$ 15,199	\$ 15,121	\$ 56,148	\$ 56,539
Buildings	52,584	56,920	103,818	104,645	156,402	161,565
Improvements	159,213	166,057	165,971	185,041	325,384	351,298
Machinery and autos	13,255	14,831	13,252	14,430	28,507	29,261
Furniture and equipment	5,959	5,767	2,712	2,666	8,665	8,433
Construction in Progress	6,723	3,695	3,347	5,653	10,070	11,348
Total	278,885	290,888	306,291	327,556	585,176	618,444
Less accumulated depreciation	(79,174)	(87,856)	(108,802)	(114,904)	(187,976)	(202,760)
Total capital assets being depreciated	\$ 199,711	\$ 203,032	\$ 197,489	\$ 212,652	\$ 397,200	\$ 415,684

City of Rapid City's Outstanding Debt
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenue Bonds	\$ 64,484	\$ 57,252	\$ 11,615	\$ 9,624	\$ 76,099	\$ 66,876
Unamortized Premium	1,790	1,710	(370)	(316)	1,420	1,394
Revolving Loan	-	-	14,165	13,227	14,165	13,227
Promissory Note	-	-	-	-	-	-
Landfill Closure	-	-	2,142	2,213	2,142	2,213
Lease/Purchase	130	341	2,275	2,130	2,405	2,471
Compensated Absences	1,649	2,009	352	632	2,001	2,641
Total	\$ 68,053	\$ 61,312	\$ 30,179	\$ 27,510	\$ 98,232	\$ 88,822

Long-term debt.

Government activities:	\$61,312,359
Business-type activities	\$27,510,038
	<u>\$88,822,397</u>
Current portion	\$13,312,121

The City of Rapid City maintains an Aaa rating from Moody's on all of its revenue debt.

State statute limits the amount of general obligation debt a South Dakota city may issue to assessed value of taxable property. The current debt limitation for the City of Rapid City is \$857,304,515. \$79,718,556 of the City's outstanding debt is counted within the statutory limitation although the debt is wholly or partially financed by revenues other than a general tax levy.

Additional information on the City of Rapid City's long-term debt can be found in Note 4 to the Financial Statements.

Requests for Information. This financial report is designed to provide a general overview of the City of Rapid City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Rapid City, Finance Officer, 300 Sixth Street, Rapid City, SD 57701.

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change
Not to be Reproduced

**CITY OF RAPID CITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Assets:				
Cash & Cash Equivalents	\$ 42,468,121	\$ 18,056,048	\$ 60,524,170	\$ 72,471
Investments	239,769	-	239,769	-
Accounts Receivable, Net	11,066,212	8,502,761	19,568,973	28,503
Internal Balances (see Note 5)	3,499,144	(3,499,144)	-	-
Other Assets	556,275	191,129	747,404	175,341
Restricted Assets:				
Cash with Fiscal Agent	47,094,389	758,532	47,852,921	-
Restricted Cash	-	2,754,661	2,754,661	167,374
Capital Assets				
Land and Construction in Progress (see Note 2)	47,112,915	21,229,469	68,342,384	-
Other Capital Assets, Net of Depreciation (see Note 2)	155,919,350	191,422,196	347,341,546	104,015
TOTAL ASSETS	\$ 307,956,174	\$ 239,415,652	\$ 547,371,826	\$ 547,704
Liabilities:				
Accounts Payable	\$ 4,313,675	\$ 206,597	\$ 7,283,272	\$ 50,558
Other Current Liabilities	224,839	692,405	917,244	17,942
Noncurrent Liabilities				
Due Within One Year	9,633,469	3,674,710	13,312,119	-
Due in More Than One Year	11,674,949	23,835,328	75,510,277	-
TOTAL LIABILITIES:	\$ 25,850,873	\$ 31,172,040	\$ 97,022,912	\$ 68,500
NET ASSETS:				
Invested in Capital Assets Net of Related Debt	143,729,790	188,750,708	332,479,998	104,015
Restricted for:				
Debt Service	47,094,389	733,070	47,827,458	-
Permanently Restricted Purposes	-	-	-	-
Expendable	31,996	-	31,996	-
Nonexpendable	50,000	-	50,000	68,724
Unrestricted	51,199,627	18,759,835	69,959,462	306,465
TOTAL NET ASSETS:	\$ 242,105,301	\$ 208,243,613	\$ 450,348,914	\$ 479,204
TOTAL LIABILITIES AND NET ASSETS:	\$ 307,956,174	\$ 239,415,652	\$ 547,371,826	\$ 547,704

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

CITY OF RAPID CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	----- Program Revenues -----				Net (Expense) Revenue and ----- Changes in Net Assets -----			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 2,668,062	\$ 2,291,651	\$ -	\$ -	\$ (376,411)	\$ -	\$ (376,411)	\$ -
Public Safety	18,602,753	1,034,516	250,571	-	(17,317,666)	-	(17,317,666)	-
Public Works	13,607,081	1,579,149	-	1,586,051	(10,441,881)	-	(10,441,881)	-
Health and Welfare	2,164,755	283,795	1,147,134	-	(733,826)	-	(733,826)	-
Culture, Recreation	8,811,502	1,492,145	719,172	-	(6,600,185)	-	(6,600,185)	97,872
Conservation and Development	4,026,988	72,701	668,930	-	(3,285,357)	-	(3,285,357)	-
Interest on Long Term Debt	2,762,963	-	-	-	(2,762,963)	-	(2,762,963)	-
Miscellaneous Expenditures:	3,406,407	-	-	-	(3,406,407)	-	(3,406,407)	-
Total Governmental Activities	56,050,512	6,753,956	2,785,807	1,586,051	(44,924,698)	-	(44,924,698)	97,872
Business-Type Activities								
Water	7,193,375	10,041,912	-	484,236	-	3,332,773	3,332,773	-
Water Reclamation	6,329,099	6,887,604	-	452,684	-	1,011,189	1,011,189	-
Airport	4,942,984	3,835,585	-	9,496,497	-	8,389,097	8,389,097	-
Solid Waste Disposal	1,562,615	1,814,979	-	-	-	253,254	253,254	-
Solid Waste MRF/Compost	2,678,829	3,354,528	-	-	-	675,699	675,699	-
Civic Center	6,346,398	3,082,211	-	-	-	(3,264,188)	(3,264,188)	-
Solid Waste Collection	1,739,117	1,756,437	-	-	-	17,320	17,320	-
Executive Golf Course	269,630	131,362	-	-	-	(138,268)	(138,268)	-
Cemetery	241,786	165,945	-	-	-	(75,841)	(75,841)	-
Golf Course	781,217	777,777	-	-	-	(3,440)	(3,440)	-
Parking Lot & Area	496,220	532,715	-	-	-	36,194	36,194	-
Energy Plant	339,298	411,747	-	-	-	(35,926)	(35,926)	-
Ambulance	1,918,699	1,337,896	-	5,600	-	424,197	424,197	-
Transportation Terminal	84,016	30,494	-	-	-	(53,522)	(53,522)	-
Total Business-type Activities	34,923,283	35,082,545	-	10,439,307	-	10,568,539	10,568,539	-
Total Primary Government	\$ 90,973,794	\$ 41,806,477	\$ 2,785,807	\$ 12,025,358	\$ (44,924,698)	\$ 10,568,539	\$ (34,356,158)	\$ 97,872
General Revenues:								
Taxes:								
Property Taxes					12,258,052	-	12,258,052	-
Sales Taxes					38,875,471	2,634,751	41,510,222	-
Other Taxes					1,791,451	169,500	1,960,951	-
State Shared Revenue					1,101,198	-	1,101,198	-
County Shared Revenue					246,342	-	246,342	-
Grants and Contributions Not Restricted to Specific Programs					47,801	-	47,801	-
Unrestricted Investment Earnings					4,459,221	691,989	5,151,210	-
Miscellaneous Revenue					163,020	13,892	176,912	-
Gain (Loss) on disposal of Capital Assets					(248,867)	(6,785)	(255,652)	-
Transfers					(4,520,224)	4,520,225	0	-
Total General Revenue and Transfers					54,173,464	8,023,571	62,197,035	-
Change in Net Assets					9,248,767	18,592,110	27,840,877	97,872
Net Assets, Beginning					232,856,534	189,651,503	422,508,037	381,332
Net Assets, Ending					\$ 242,105,301	\$ 208,243,613	\$ 450,348,914	\$ 479,204

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

CITY OF RAPID CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	2012 Sales Tax Fund	Consolidated Construction Fund	Utility Facilities Fund	Tax Increment Fund	Other Governmental Funds	Total Governmenta Funds
ASSETS:							
101 Cash and Cash Equivalents	\$ 14,642,782	\$ 9,059,713	\$ 9,563,076	\$ 1,772,538	\$ 1,369,210	\$ 485,475	\$ 36,892,793
106 Cash with Fiscal Agent, Restricted		27,848,878	4,166,187	15,079,324		-	47,094,389
151 Investments	239,769	-	-			-	239,769
110 Property Taxes Receivable--Delinquent	616,914	-	-		22,633	7,057	646,604
110 Sales Tax Receivable	2,376,747	1,188,374	1,188,374	400,627		-	5,154,121
115 Accounts Receivable	2,735		3,163,634			65,900	3,232,269
121 Special Assessments Receivable--Current	25,896		-			11,046	36,942
122 Special Assessments Receivable--Delinquent	121,708		-			5,990	127,698
123 Special Assessments Receivable--Deferred	572,323		-			8,819	581,142
131 Due from Other Funds (see Note 5)	77,681	19,879	3,014,041			-	3,111,601
133 Advance to Other Funds (see Note 5)	364,292	146,984	1,212,335			-	1,723,611
132 Due from Other Governments (see Note 6)	344,879		71,455			7,469	423,803
135 Interest Receivable	59,608	674,718	32,719	83,554	2,762	455	853,816
144 Inventory	556,275		-			-	556,275
155 Prepaid Expenses	-		-			-	-
TOTAL ASSETS	20,001,610	38,938,546	22,411,819	17,336,042	1,394,605	592,211	100,674,833
LIABILITIES AND FUND BALANCES:							
<i>Liabilities:</i>							
201 Claims Payable	789,079	104,220	1,539,229			116,288	2,609,316
2xx Wages Payable	210,240					3,251	213,491
208 Due to Other Funds (see Note 5)					541,096	-	541,096
219 Amounts Held for Others						11,349	11,349
209 Advance from Other Funds (see Note 5)					794,972	-	794,972
224 Deferred Revenue	1,290,047				18,805	30,412	1,339,264
Total Liabilities	2,289,365	164,220	1,539,229	-	1,354,873	161,300	5,509,487
<i>Fund Balances:</i>							
261 Reserved For:							
261.02 Inventories	556,275	-	-	-	-	-	556,275
261.03 Advance to Other Funds	364,292	146,984	1,212,335	-	-	-	1,723,611
261.04 Debt Service	-	27,848,878	4,166,187	15,079,324	-	-	47,094,389
261.15 Capital Replacement	-	-	-	-	-	-	-
262 Unreserved Fund Balances:							
262.01 Designated for Next Year's Appropriation:	4,398,921	19,284,707	-	-	-	-	23,683,628
262.04 Designated for Capital Replacements:	-	-	15,494,068	2,256,719	-	-	17,750,786
Special Revenue Funds	-	-	-	-	-	75,813	75,813
262.09 Undesignated	12,392,757	(8,506,743)	-	-	39,732	-	3,925,746
Undesignated, Reported in nonmajor:							
Special Revenue Funds	-	-	-	-	-	273,102	273,102
Permanent Fund	-	-	-	-	-	81,996	81,996
Total Fund Balances	17,712,245	38,773,826	20,872,590	17,336,042	39,732	430,911	95,165,346
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,001,610	\$ 38,938,546	\$ 22,411,819	\$ 17,336,042	\$ 1,394,605	\$ 592,211	\$100,674,833

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

CITY OF RAPID CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total Fund Balances - Governmental Funds \$ 95,165,346

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 203,032,264

Long term liabilities, including bonds payable are not due and
payable in the current period and therefore not reported in the
funds. (61,312,359)

Property Taxes (delinquent) and special assessments (current, delinquent and
deferred) are not available to pay for current period expenditures and
therefore are deferred revenue in the funds. 1,339,264

Internal service funds are used by management to charge the
costs of activities, such as insurance, to individual funds.
The assets and liabilities of internal service funds are included
in the governmental activities in the statement of net assets. 3,880,786

Total Net Assets - Governmental Funds \$ 242,105,301

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

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

CITY OF RAPID CITY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	2012 Sales Tax Fund	Consolidated Construction Fund	Utility Facilities Fund	Tax Increment Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
310 Taxes:							
311 General Property Taxes	\$ 10,318,599				\$ 1,350,167	\$ 342,240	\$ 12,011,005
313 General Sales and Use Taxes	17,949,335	8,936,021	8,936,021	3,054,095		-	38,875,471
314 Gross Receipts Business Taxes	410,801					981,573	1,392,374
320 Licenses and Permits	2,019,433					-	2,019,433
330 Intergovernmental Revenue:							
331 Federal Grants	2,038,210					707,765	2,745,975
334 State Grants	39,832					-	39,832
335 State Shared Revenue:							
335.01 Bank Franchise Tax	57,671					-	57,671
335.03 Liquor Tax Reversion	332,795					-	332,795
335.04 Motor Vehicle Licenses (5%)	37,736					-	37,736
335.06 Fire Insurance Reversion	162,723					-	162,723
335.08 Local Government Highway and Bridge Fund	510,273					-	510,273
338 County Shared Revenue:							
338.01 County Road Tax (25%)	246,342					-	246,342
340 Charges for Goods and Services:							
341 General Government	272,218					-	272,218
342 Public Safety	875,954					35,366	911,320
343 Public Works	91,620		1,487,530			-	1,579,149
345 Health & Welfare	283,795					-	283,795
346 Culture and Recreation	1,381,295					-	1,381,295
348 Cemetery						3,020	3,020
349 Conservation & Development						72,701	72,701
350 Fines and Forfeits:							
351 Court Fines and Costs	123,196						123,196
354 Library						107,830	107,830
360 Miscellaneous Revenue:							
361 Interest Earnings	701,525	2,379,777	489,851	841,062	38,123	8,885	4,459,221
362 Rentals	91,377					-	91,377
363 Special Assessments	102,176					19,511	121,687
367 Contributions and Donations	80					47,721	47,801
369 Other	71,643					-	71,643
Total Revenue	38,118,628	11,315,798	10,913,401	3,895,156	1,388,289	2,326,611	67,957,883
Expenditures:							
410 General Government:							
412 Executive-Mayor & Council	522,649	-	-	-	-	-	522,649
414 Financial - Finance	744,565	-	-	-	-	-	744,565
414 Financial - Attorney	87,330	-	-	-	-	-	87,330
414 Financial - Personnel	199,981	-	-	-	-	-	199,981
419 Other - Government Buildings	660,354	-	-	-	-	-	660,354
420 Public Safety:							
421 Police	10,803,496	-	-	-	-	39,112	10,842,608
422 Fire	6,772,255	-	-	-	-	-	6,772,255
429 Other Protection-Corrections	20,000	-	-	-	-	-	20,000
429 Other Protection-Code Enforcement	172,007	-	-	-	-	-	172,007
429 Other Protection-Weed & Seed/ACE	144,444	-	-	-	-	-	144,444
429 Other Protection- HazMat	-	-	-	-	-	-	-
429 Other Protection-Emergency Mgt	79,873	-	-	-	-	-	79,873

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change —
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	2012 Sales Tax Fund	Consolidated Construction Fund	Utility Facilities Fund	Tax Increment Fund	Other Governmental Funds	Total Governmental Funds
430 Public Works:							
431 Highways and Streets	4,180,928	117,503	921,768	-	-	-	5,220,200
43x Administration	(184,946)	234,288	1,033,800	2,500	-	-	1,085,642
440 Health and Welfare:							
441 Health	369,110	-	-	-	-	-	369,110
444 Humane Society	215,467	-	-	-	-	-	215,467
449 Other - Public Transit	1,352,057	-	-	-	-	-	1,352,057
449 Other - Air Quality	70,419	-	-	-	-	-	70,419
450 Culture and Recreation:							
451 Recreation	361,704	-	-	-	-	-	361,704
451 Swimming Pools	1,388,924	-	-	-	-	-	1,388,924
451 Ice Arena	455,944	-	-	-	-	-	455,944
452 Parks	2,094,300	-	-	-	-	-	2,094,300
455 Libraries	2,757,118	-	-	-	-	82,242	2,839,361
457 Historical Preservation	9,258	-	-	-	-	-	9,258
459 Other - Retired Senior (RSVP)	-	-	-	-	-	93,037	93,037
459 Other - Cemetery	-	-	-	-	-	1,926	1,926
459 Other - Subsidies	252,433	-	-	-	-	-	252,433
460 Conservation and Development:							
465 Economic Development	857,325	-	-	-	-	-	857,325
465 Community Development	2,041,113	-	-	-	-	1,080,681	3,121,794
465 Transportation Planning	162,155	-	-	-	-	-	162,155
465 GIS Information System	(134,440)	-	-	-	-	-	(134,440)
470 Debt Service	359,972	6,411,099	1,770,821	1,897,946	60,500	-	10,105,912
485 Capital Outlay	285,143	2,377,771	939,971	-	-	-	11,711,885
490 Miscellaneous:							
492 Other Expenditures	-	1,843,672	-	-	639,304	923,526	3,406,407
Total Expenditures	3,016,935	10,038,233	10,080,942	1,870,446	699,804	2,220,524	65,286,885
Excess of Revenue Over (Under) Expenditures	(1,358,308)	(1,771,564)	832,459	2,024,710	688,485	106,087	2,670,997
Other Financing Sources (Uses):							
391.01 Transfers In (see Note 5)	1,475,316	-	75,000	-	-	-	1,550,316
511 Transfers Out (see Note 5)	(1,192,833)	(2,664,022)	(302,947)	(1,870,000)	-	(40,738)	(6,070,540)
391.02 Long-term debt issued	241,347	-	-	-	-	-	241,347
391.03 Sale of Municipal Property	4,010	-	-	-	-	-	4,010
Total Other Financing Sources (Uses)	527,840	(2,664,022)	(227,947)	(1,870,000)	-	(40,738)	(4,274,868)
Net Change in Fund Balances	(830,468)	(2,286,458)	604,512	154,710	688,485	65,349	(1,603,870)
Fund Balance - Beginning	18,542,712	41,060,284	20,268,078	17,181,332	(648,753)	365,560	96,769,213
FUND BALANCE- ENDING	\$ 17,712,244	\$ 38,773,826	\$ 20,872,590	\$ 17,336,042	\$ 39,732	\$ 430,909	\$ 95,165,343

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

CITY OF RAPID CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - total government funds \$ (1,603,870)
 Amounts reported for governmental activities in the statement of activities
 are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,988,319

Assets Contributed by Development. 1,586,051

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets (net of premium). 7,342,949

Capital lease proceeds are a revenue in the governmental funds but the proceeds increase long-term liabilities in the statement of net assets. (241,347)

In the Statement of Activities, the loss on disposal of assets is reported, whereas in the governmental funds, all disposal of fixed assets is not reflected. (252,877)

Governmental funds report property taxes and special assessments as revenue when funds become available, but the statement of activities includes the property tax and special assessments as revenue when earned. 524,334

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (360,412)

Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 265,619

Change in Net Assets of Governmental Activities \$ 9,248,766

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

**CITY OF RAPID CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006**

	<i>Enterprise Fund:</i>			
	Water Fund	Wastewater Fund	Airport Fund	Solid Waste MRF/Compost Fund
ASSETS:				
Current Assets:				
101 Cash and Cash Equivalents	\$ 4,786,189	\$ 3,611,608	\$ 2,956	\$ 3,228,647
106 Cash with Fiscal Agent, Restricted	226,738		450	347,427
107 Restricted Cash	541,420			
115 Accounts Receivable	324,519	360,305	804,032	133,552
116 Estimated Uncollectable Accounts Receivable	(55,335)	(12,045)		(3,429)
117 Unbilled Accounts Receivable	188,865			
110 Sales Tax Receivable	-	-	-	-
131 Due from Other Funds	-	-	-	27,364
132 Due from Other Government (see Note 6)	86,121	76,874	4,739,776	15
135 Interest Receivable	12,341	6,633	4,510	7,783
142 Inventory of Stores Purchased for Resale	36,053	20,233		
155 Prepaid Expense	87,644	-	-	-
Total Current Assets	6,234,554	4,063,607	5,551,723	3,741,359
Noncurrent Assets:				
133 Advance to Other Funds	-	-	-	57,636
Capital Assets:				
160 Land	5,097,697	684,111	1,084,000	542,868
162 Buildings	11,730,527	24,998,427	15,935,639	12,805,431
164 Improvements Other than Bldg	72,397,460	44,570,197	53,619,014	4,269,154
164 Furniture & Equipment	462,395	445,720	790,196	40,374
166 Machinery and Equipment	983,597	1,290,428	4,409,550	821,808
168 Construction Work in Progress	1,466,833	1,234,469		
Less: Accumulated Depreciation	(2,129,532)	(2,392,848)	(31,566,105)	(4,554,715)
Total Noncurrent Assets	59,947,240	52,071,458	44,272,294	13,982,556
TOTAL ASSETS	\$ 66,181,678	\$ 56,135,065	\$ 49,824,018	\$ 17,723,915
LIABILITIES:				
Current Liabilities:				
202 Accounts Payable	446,391	\$ 468,516	\$ 1,914,629	\$ 43,022
208 Due to Other Funds (see Note 5)			2,269,400	
220 Customer Deposits	541,420			
2xx Wages Payable	31,018	23,229	19,201	13,894
226 Bonds Payable Current:	510,000	880,629	120,000	611,800
226 Capital Lease Payable Current (see Note 4)	2,625	2,625	67,232	86,686
227 Unamortized Premiums on Bonds Sold	5,521			(37,000)
Total Current Liabilities	1,536,976	1,374,999	4,390,462	718,402
Noncurrent Liabilities:				
209 Advance from Other Funds (see Note 5)	-	-	-	-
231 Bonds Payable:	1,080,000	12,041,274	980,000	4,966,900
231 Capital Lease Payable	-	-	709,126	-
231 Unamortized Premium on Bonds Sold	11,043	-	-	(295,600)
233 Accrued Leave Payable (see Note 4)	166,609	77,270	101,746	25,098
235 Accrued Landfill Closure and Postclosure	-	-	-	-
Total Noncurrent Liabilities	1,257,652	12,118,544	1,790,872	4,696,398
NET ASSETS:				
253.10 Invested in Capital Assets, Net of Related Debt	58,337,935	39,146,930	42,395,936	8,649,771
253.20 Restricted Net Assets, Restricted for:				
253.22 Revenue Bond Retirement	226,738	-	450	347,427
253.90 Unrestricted Net Assets	4,822,377	3,494,592	1,246,298	3,311,918
Total Net Assets	63,387,051	42,641,522	43,642,684	12,309,115
TOTAL LIABILITIES AND NET ASSETS	\$ 66,181,678	\$ 56,135,065	\$ 49,824,018	\$ 17,723,915

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

s

Civic Center Enterprise Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 1,079,237	\$ 5,347,411	\$ 18,056,048	\$ 5,575,328
-	183,917	758,532	-
-	2,213,242	2,754,661	-
184,842	3,383,247	5,190,498	-
-	(2,036,131)	(2,106,940)	-
-	-	188,865	-
277,029	-	277,029	-
-	35,413	62,777	-
-	280	4,903,065	-
2,211	16,766	50,245	9,816
47,199	-	103,485	-
-	-	87,644	-
1,590,519	9,144,146	30,325,908	5,585,144
-	74,587	132,223	-
1,091,682	6,620,228	15,120,587	-
33,275,737	5,898,831	104,644,593	-
5,406,429	4,827,703	185,040,911	-
907,424	80,138	2,666,248	-
314,627	6,609,802	14,429,805	-
2,664,022	-	5,652,716	-
(17,156,441)	(8,104,314)	(11,933,555)	-
26,503,480	16,006,975	212,783,888	-
\$ 28,093,999	\$ 25,151,121	\$ 243,109,796	\$ 5,585,144
\$ 22,329	\$ 74,709	\$ 2,969,597	\$ 1,704,359
222,447	141,434	2,633,281	-
-	-	541,420	-
30,469	33,174	150,986	-
-	197,761	2,320,190	-
1,108	593,915	754,191	-
-	-	(31,479)	-
276,354	1,040,993	9,338,185	1,704,359
480,543	580,320	1,060,863	-
-	1,462,592	20,530,766	-
2,392	664,359	1,375,877	-
-	-	(284,558)	-
110,727	150,357	631,808	-
-	2,213,242	2,213,242	-
593,662	5,070,870	25,527,998	-
26,499,980	13,088,348	188,118,900	-
-	158,455	733,070	-
724,003	5,792,455	19,391,643	3,880,786
27,223,983	19,039,258	208,243,613	3,880,786
\$ 28,093,999	\$ 25,151,121	\$ 243,109,796	\$ 5,585,144

PRELIMINARY DRAFT
 For Review and Discussion
 - Subject to Change -
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

	<i>Enterprise Funds</i>			
	Water Fund	Wastewater Fund	Airport Fund	Solid Waste MRF/Compost Fund
Operating Revenue:				
380 Charges for Goods and Services	\$ -	\$ -	\$ 3,835,585	\$ 3,354,528
381 Revenues used as Security for Revenue Bonds	10,041,912	6,887,604	-	-
Total Operating Revenues	10,041,912	6,887,604	3,835,585	3,354,528
Operating Expenses:				
410 Personal Services	2,040,458	1,522,312	1,629,465	963,849
420 Other Current Expense	3,641,955	2,847,693	1,720,727	918,067
426.2 Materials (Cost of Goods Sold)	-	-	-	-
457 Depreciation (see Note 2)	1,419,809	1,358,477	1,513,884	475,529
Total Operating Expenses	7,102,221	5,728,482	4,864,076	2,357,445
Operating Income (Loss)	2,939,690	1,159,122	(1,028,491)	997,083
Nonoperating Revenue (Expense):				
361 Investment Earnings	183,568	74,099	94,977	115,636
470 Interest Expense and Fiscal Charges	(9,555)	(600,617)	(78,908)	(321,384)
366 Gain (Loss) on Disposition of Capital Assets	(1,067)	127	751	-
369.01 Other Taxes	-	-	169,500	-
369.01 Sales Tax	-	-	-	-
369.01 Other	(2,520)	-	16,412	-
Total Nonoperating Revenue (Expense)	88,828	(529,191)	202,732	(205,748)
Income (Loss) Before Capital Grants and Transfers	3,028,518	629,931	(825,760)	791,335
330 Capital Grants	311,403	311,403	9,496,497	-
391.7 Contributions from Developers/Others	172,833	141,281	-	-
391.1 Transfers In (see Note 5)	23,981	1,922,784	-	19,677
511 Transfers Out (see Note 5)	(228,751)	(146,055)	-	(51,752)
Net Capital Grants, Contributions and Transfers	279,467	2,229,414	9,496,497	(32,074)
Change in Net Assets	3,307,985	2,859,345	8,670,737	759,261
Net Assets - Beginning	60,079,066	39,782,177	34,971,947	11,549,855
NET ASSETS - ENDING	\$ 63,387,051	\$ 42,641,522	\$ 43,642,684	\$ 12,309,116

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

Civic Center Enterprise Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
\$ 3,082,211	\$ 7,318,261	\$ 17,590,584	\$ 6,463,287
-	532,415	17,461,931	-
3,082,211	7,850,675	35,052,515	6,463,287
2,571,900	3,503,870	12,231,854	-
2,305,884	3,024,298	14,458,623	6,383,592
489,199	-	489,199	-
931,412	749,981	6,449,094	-
6,298,395	7,278,150	33,628,770	6,383,592
(3,216,185)	572,525	1,423,745	79,695
34,785	191,924	691,989	185,924
(48,003)	(154,448)	(1,294,573)	-
(903)	(5,892)	(6,855)	-
-	-	169,500	-
2,634,751	-	2,634,751	-
-	-	13,892	-
2,620,630	31,584	2,288,814	185,924
(595,555)	604,109	3,632,579	265,619
-	-	10,119,303	-
-	5,890	320,004	-
2,805,182	427,914	5,199,539	300,000
(133,154)	(119,604)	(679,314)	(300,000)
2,672,028	314,201	14,959,531	-
2,076,473	918,310	18,592,110	265,619
25,147,510	18,120,948	189,651,503	3,615,165
\$ 27,223,983	\$ 19,039,258	\$ 208,243,613	\$ 3,880,784

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change —
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Enterprise Funds				
	Water Fund	Wastewater Fund	Airport Fund	Solid Waste MFR/Compost Fund	Civic Center Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipt from Customers	\$9,971,427	\$6,783,956	\$3,990,373	\$3,363,366	\$3,153,028
Receipt from Interfund Services Provided					
Payments to Suppliers	(3,694,173)	(2,501,704)	(213,051)	(903,897)	(2,795,073)
Payments to Employees	(1,971,787)	(1,472,997)	(1,578,413)	(949,508)	(2,532,318)
Internal Activity - Payment to Other Funds	-	-	2,269,400	(85,000)	(211,351)
Increase in Closure/Postclosure	-	-	-	-	-
Increase in Customer Deposits	27,474	-	-	-	-
Change in Inventory	3,466	(478)	-	-	14,657
Net Cash Provided (Used) by Operating Activities	4,336,407	2,808,777	4,468,309	1,424,961	(2,371,057)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating Subsidies			186,802	-	2,546,159
Transfers In	23,981	1,922,784	-	19,677	2,805,182
Transfer Out	(228,751)	(146,055)	-	(51,752)	(133,154)
Net Cash Provided (Used) by Operating Subsidies and Transfers	(204,770)	1,776,729	186,802	(32,075)	5,218,187
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Capital Debt	2,114,710	2,625	3,500	-	3,500
Capital Grants	372,403	3,310	4,787,707	-	-
Purchase of Capital Assets	(2,689,576)	(1,905,607)	(1,989,764)	(5,113)	(2,689,306)
Principal Paid on Capital Debt	(8,285,000)	(843,739)	(146,553)	(665,006)	-
Interest Paid on Capital Debt	(96,674)	(606,012)	(78,908)	(284,384)	(48,003)
Proceeds from Sale of Assets	900	1,425	4,850	-	1,110
Other Receipts (Payments)	-	-	-	-	-
Net Cash (Used) by capital and related financing Activities	(4,685,338)	(3,283,510)	(7,419,168)	(954,503)	(2,732,699)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	143,888	71,099	94,977	115,636	34,785
Net (Increase) Decrease in Cash with Fiscal Agent	709,206	-	39	(53,988)	-
Net Cash Provided (Used) by Investing Activities	902,774	71,099	95,016	61,648	34,785
Net Increase (Decrease) in Cash and Cash Equivalents	399,074	1,423,095	(2,669,041)	500,032	149,216
Balances - Beginning	4,928,534	2,188,513	2,671,997	2,728,615	930,021
Balances- Ending	5,327,608	3,611,608	2,956	3,228,647	1,079,237
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	2,939,690	1,159,122	(1,028,491)	997,083	(3,216,185)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	1,419,809	1,358,477	1,513,884	475,529	931,412
Closure/Postclosure costs	-	-	-	-	-
Change in Assets and Liabilities:					
Receivables	(70,485)	(103,648)	154,788	8,838	70,817
Inventories	3,466	(478)	-	-	14,657
Customer Deposits	27,474	-	-	-	-
Due to/from Other Funds	-	-	2,269,400	(85,000)	(211,351)
Accounts and Other Payables	(52,218)	345,989	1,507,674	14,170	10
Accrued Wages Payable	2,167	1,617	83	2,519	(1,596)
Accrued Leave Payable	66,504	47,697	50,971	11,822	41,179
Net Cash Provided (Used) by Operating Activities	\$4,336,407	\$2,808,777	\$4,468,309	\$1,424,961	(\$2,371,057)
Noncash Investing, Capital and Financing Activities:					
Loss on Disposal of Capital Assets Not Affecting Operating Income	\$ (4,867)	\$ (2,099)	\$ (4,099)	\$ -	\$ (2,013)
Transfer/Contribution of Assets	\$ 172,833	\$ 141,281	\$ (890)	\$ -	\$ -
Purchase of Equipment with Capital Lease Proceeds	\$ 2,625	\$ 2,625	\$ 3,500	\$ -	\$ 3,500

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

Nonmajor Proprietary Funds	Totals	Internal Service Funds
\$7,722,711	\$34,984,861	\$0
-	-	6,462,316
(3,079,216)	(13,187,114)	(6,239,240)
(3,440,730)	(11,945,752)	-
9,397	1,982,446	-
71,759	71,759	-
-	27,474	-
-	17,645	-
1,283,921	11,951,319	223,076
-	2,732,961	-
427,914	5,199,538	300,000
(119,604)	(679,316)	(300,000)
308,311	7,253,184	-
561,098	2,685,433	-
-	5,410,513	-
(847,615)	(21,320,981)	-
(797,926)	(5,738,224)	-
(154,448)	(1,263,034)	-
7,000	19,185	-
-	-	-
(1,231,891)	(20,207,109)	-
191,925	691,990	185,924
(30,618)	634,639	-
161,307	1,326,629	185,924
521,647	324,022	409,000
7,039,008	20,486,688	5,166,327
7,560,655	20,810,710	5,575,327
572,525	1,423,745	79,695
749,981	6,449,094	-
71,759	71,759	-
(127,965)	(67,655)	-
-	17,645	-
-	27,474	(972)
9,397	1,982,446	-
(54,917)	1,760,708	144,353
1,037	5,827	-
62,103	280,275	-
\$1,283,921	\$11,951,317	\$223,076

PRELIMINARY DRAFT
for Review and Discussion
Subject to Change —
Not to be Reproduced

\$	(12,892)	\$	(25,970)	\$	-
\$	5,890	\$	319,114	\$	-
		\$	12,250		

**CITY OF RAPID CITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 1,115,996
TOTAL ASSETS	<u>\$ 1,115,996</u>
LIABILITIES:	
Due to Other Organizations	\$ 1,115,996
Total Liabilities	<u>\$ 1,115,996</u>

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

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Rapid City (the City) has a Mayor-Council form of government. The voters of Rapid City at large elect the Mayor for two years on a full-time basis. The City is divided into five wards. Voters of each ward elect two City Council members for two years on a part-time basis. Executive power is vested in the Mayor; legislative power is vested in the Council. The Mayor has veto power, which the Council may supersede by a vote of seven members.

The funds included in this report are controlled by or dependent upon the municipality's governing board. The accounting policies of the City conform to accounting principles generally accepted in the United States of America, as applicable to governments.

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Rapid City
Discretely Presented Component Units:	Museum Alliance of Rapid City

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes the component unit of which the City appointed a voting majority of the unit's board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Accordingly, it is presented in a separate, discrete column in the financial statements.

The Museum Alliance of Rapid City, Inc. (MARC), a separate non-profit corporation, was formed as a special agent of the City for the design and construction of a new museum, and to operate and maintain the museum upon completion of the construction. The MARC is reported as a component unit on the City's Statement of Net Assets and Statement of Activities. A complete financial statement can be obtained at the MARC Administrative Office.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities display information about the primary government. They include all funds of the reporting entity except for fiduciary funds (agency funds). Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities rely to a significant extent on fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the municipality and for each function of the municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

Fund Financial Statements:

The fund financial statements provide information about the Municipality's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. Management has elected to classify the Tax Increment District Fund as major for consistency in reporting from year to year, or because of public interest in the fund's operation.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Permanent Fund

The Cemetery Perpetual Care Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

Proprietary Funds

Enterprise Fund

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

Internal Service Funds are used to account for financing of goods or services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The City maintains five internal service funds: Medical Insurance, Liability Insurance, Unemployment Insurance, Dental Insurance and Workers' Compensation Insurance. These funds are utilized to account for the corresponding insurances.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

<u>Fund</u>	<u>Brief Description</u>
Payroll Withholding Fund	To account for amounts withheld from payroll for various purposes including pension withholdings, savings bond purchases and insurance.
Section 125 Fund	To account for pre-tax withholdings from employees, directed for medical or childcare.
Deposits held in Trust Fund	To account for deposit guarantees held for various individuals.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

Major Funds:

The City reports the following major governmental funds:

<u>Fund</u>	<u>Brief Description</u>
General	The General Fund is used to account for all activities except those legally or administratively required to be accounted for in other funds.
<i>Special Revenue Funds:</i>	
2012 Sales Tax Fund	2012 Sales Tax: To account for sales tax revenues received to finance debt service and capital construction relating to Economic Development (25%), Civic Improvements (25%) and Municipal Infrastructure (50%).
Consolidated Construction Fund	To account for sales tax revenues received to finance debt service and capital construction related to the City's long-term infrastructure plans.
Utility Facilities Fund	To account for sales tax revenue received to finance debt service and capital construction related to the City's long-term water and sewer plans.
Tax Increment District Fund	To account for property tax revenue received on the tax increment districts to finance debt service and capital construction related to infrastructure improvements made within the tax increment district.

The City reports the following major enterprise funds:

Water Fund	Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1)
Wastewater Fund	Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sewer system and related facilities. (SDCL 9-48-2)
Airport Fund	Financed primarily by user charges and grants, this fund accounts for revenues and expenditures of the municipal airport and current grant activities.
Solid Waste MRF/Compost Fund	Financed primarily by user charges, this fund accounts for the construction and operation of the municipal recycling and composting.
Civic Center	Financed primarily by user fees and third penny sales tax (SDCL 10-52), this fund accounts for the operation of the municipal civic center.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

1. The government-wide Statement of Net Assets and Statement of Activities, as well as the proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Non-exchange transactions, in which the municipality gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

2. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers significant revenues in the governmental funds to be available if the revenues are collected within 30 days of year-end.

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest and compensated absences which are reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition under capital lease are reported as other funding sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants where applicable, then by general revenues.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, the proprietary and fiduciary financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The City follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principals generally accepted in the United States of America, for governmental entities. For the government-wide and proprietary fund statements, the City follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

C. ASSETS, LIABILITIES AND EQUITY

DEPOSITS AND INVESTMENTS CREDIT RISK CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits municipalities' funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are reported at fair value. Accordingly, changes in the market value of investments at year end are reflected as a component of earnings on investments.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. ASSETS, LIABILITIES AND EQUITY (Continued)

Investments

As of December 31, 2006, the City of Rapid City had the following investments.

Investment	Credit Rating	Fair Value	Less than 1 Year	1-2 Years	3-5 Years	5 Years or More
US Treasury	N/A	7,584,393	672,520	1,659,687	550,391	4,701,795
GNMA	N/A	1,248,739	0	36,675	0	1,212,064
Fannie Mae	AAA	14,761,392	125,013	2,457,991	2,299,290	9,879,098
Freddie Mac	AAA	17,570,530	1,099,515	6,087,943	3,727,419	6,655,653
USDA	AAA	525,522	0	0	0	525,522
SBA	AAA	2,588,703	0	0	0	2,588,703
HUD	AAA	969,683	0	969,683	0	0
FFCB	AAA	718,200	0	718,200	0	0
Repurchase*	N/A	24,709,570	0	23,709,570	0	1,000,000
Total		\$70,676,732	\$1,897,048	\$35,639,749	\$6,577,100	\$26,562,835

*The underlying securities are U.S. Treasuries

Interest Rate Risk – Pursuant to the City's investment policy, portfolio duration must always remain within 1 to 5 years with individual securities required to have a maturity between 30 day Treasury Bills and final maturity of 30 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The City limits the maximum holding per issue to 10%.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts and cash management pools of the City. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. All restricted investments are excluded. All components of investment income are included in interest income, including gains and losses.

Interfund Eliminations and Reclassifications

In the process of aggregating data for the government-wide financial statements, some of the amounts reported as interfund activities have been eliminated or reclassified as follows:

- a. In order to minimize the grossing-up effect on assets and liabilities within the government and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. ASSETS, LIABILITIES AND EQUITY (Continued)

- b. In order to minimize the doubling-up effect on the internal services fund activity, certain "centralized expenses" including administrative overhead component, are charged as direct expenses to the funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reduction occurs in the General Fund, so that expenses are only reported in the function to which they relate.

Fund Financial Statements

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds" and are equally offset by a fund balance reserve account, which indicates they are not a component of current assets, and do not constitute "available spendable resources." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 5 for details of interfund transactions, including receivables and payables at year-end.

Receivables

Receivables are not aggregated in these financial statements. The City expects all receivables to be collected within one year; except for the Infrastructure Development Partnership Fund Receivables. Appropriate allowances for estimated uncollectible accounts have been established based on the City's knowledge of current environmental conditions and historical losses.

Business-Type Activities: Business Type Activities receivables are composed of amounts owed the municipality by municipal residents for water and sewer services rendered and interest income receivable.

Governmental Activities: Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the municipality's taxes and remits them to the municipality.

The municipality is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the municipality:

General Fund	\$27
Bond Redemption Funds	Amounts Required by Bond Agreements
Judgment Fund (Upon Judgment Being Made)	\$10

State statute allows the tax rates to be raised by special election of the voters.

Restricted Assets

Certain assets are classified as restricted on the Statement of Net Assets. These restrictions include those imposed by debt indenture covenants and State law regarding use of cemetery perpetual care funds.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. ASSETS, LIABILITIES, AND EQUITY, (Continued)

Capital Assets

The City's policy is to capitalize furniture, equipment and machinery with an initial cost of \$5,000 and a life expectancy exceeding one year and buildings and improvements with an initial cost of \$15,000.

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets, including roads and bridges are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation and capital assets donated by developers, which are recorded at estimated cost. Historical cost was used to value the majority of the assets.

Infrastructure assets used in general government operations acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 have been valued at historical cost and are classified as Improvements.

For governmental and business-type activities, capital asset interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs in accordance with generally accepted accounting principles in the United States.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with the net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset and the capitalization threshold is as follows:

Buildings	25-50 years	\$ 15,000
Improvements	10-50 years	\$ 15,000
Machinery and Equipment	3-20 years	\$ 5,000
Utility System	25-50 years	\$ 15,000
Infrastructure	25-50 years	\$ 15,000

Land is an inexhaustible asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. ASSETS, LIABILITIES, AND EQUITY, (Continued)

Fixed assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Inventories

Inventories in all funds are stated at cost, using the first-in, first-out method. Inventories consist of sand, salt and chemicals for snow removal, service connection repair materials and concession items. Inventories are recorded as expenditures when consumed, rather than when purchased.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. All vacation and compensatory time, and estimated retirement severance are accrued when incurred in government-wide and proprietary fund financial statements.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of bonds payable and compensated absences.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for proprietary funds is on the accrual basis, the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When restricted and unrestricted resources are available for use, it is the City's policy to use restricted assets first, and then unrestricted assets as they are needed.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. ASSETS, LIABILITIES, AND EQUITY, (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Program Revenue

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories as follows:

- a. Charges for services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided or are otherwise directly affected by the services.
- b. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organization, or individuals that are restricted for use in a particular program.
- c. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Deferred Revenue

The Governmental Fund financial statements are on the modified accrual basis of accounting; therefore, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues, which include property tax and special assessment revenue, are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Proprietary Funds Revenue and Expense Classification

In the proprietary funds Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CHANGES IN CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital Assets not being depreciated:				
Land	\$ 40,956,887	\$ 461,214		\$ 41,418,101
Construction in Progress	6,723,326	3,821,893	(4,850,405)	5,694,814
Total capital assets not being depreciated	47,680,213	4,283,107	(4,850,405)	47,112,915
Capital Assets being depreciated:				
Buildings	52,584,255	4,335,784	-	56,920,039
Improvements	159,412,459	6,844,283	-	166,256,742
Furniture and Equipment	5,952,482	71,813	(257,456)	5,766,839
Machinery and Vehicles	13,255,302	2,620,939	(1,044,767)	14,831,474
Total capital assets being depreciated	231,204,498	13,872,819	(1,302,223)	243,775,094
Less accumulated depreciation for:				
Buildings	(8,801,079)	(1,027,376)	8	(9,828,447)
Improvements	(57,921,115)	(7,320,409)	-	(65,241,889)
Furniture and Equipment	(1,028,747)	(211,959)	180,456	(4,060,251)
Machinery and Vehicles	(8,422,486)	(1,160,881)	861,010	(8,725,158)
Total accumulated depreciation	(79,373,792)	(9,723,426)	1,041,473	(87,855,744)
Total capital assets being depreciated, net	152,030,706	4,149,393	(260,750)	155,919,349
Governmental activities capital assets, net	\$ 199,710,919	\$ 8,432,500	\$ (5,111,155)	\$ 203,032,264

Depreciation expense was charged to functions within governmental funds as follows:

Total General Government	\$ 469,613
Total Public Safety	592,938
Total Health and Welfare	141,953
Total Public Works	7,258,549
Total Culture and Recreation	1,252,304
Total Community /Economic Development	8,069
Total Governmental depreciation expense	\$ 9,723,426

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CHANGES IN CAPITAL ASSETS (continued)

Capital asset activity in business-type funds for the fiscal year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets not being depreciated:				
Land	\$ 15,190,586	\$ 15,000	\$ (85,000)	\$ 15,120,586
Construction in Progress	3,347,535	5,629,766	(3,323,825)	5,653,476
Total capital assets not being depreciated	18,538,121	5,644,766	(3,408,825)	20,774,062
Capital Assets being depreciated:				
Buildings	103,818,429	886,176	(60,014)	104,644,591
Improvements	165,970,955	19,069,956	-	185,040,911
Furniture and Equipment	2,712,071	-	(45,823)	2,666,248
Machinery and Vehicles	15,252,014	1,175,175	(1,997,385)	14,429,804
Total capital assets being depreciated	287,753,469	21,131,307	(2,103,222)	306,781,554
Less accumulated depreciation for:				
Buildings	(29,887,513)	(1,917,698)	8	(31,805,205)
Improvements	(67,071,764)	(2,429,809)	-	(71,207,563)
Furniture and Equipment	(1,331,578)	(126,237)	20,483	(1,437,332)
Machinery and Vehicles	(9,882,500)	(975,353)	327,093	(10,453,850)
Total accumulated depreciation	(108,802,437)	(6,449,097)	347,584	(114,903,950)
Total capital assets being depreciated, net	178,951,032	14,682,209	(1,755,638)	191,877,603
Business-type activities capital assets, net	\$ 197,489,153	\$ 20,326,975	\$ (5,164,463)	\$ 212,651,665

Depreciation expense was charged to business-type funds as follows:

Total Water Enterprise	\$ 1,419,813
Total Wastewater Enterprise	1,358,477
Total Airport Enterprise	1,513,884
Total Solid Waste Disposal Enterprise	201,387
Total Solid Waste/MRF Enterprise	475,529
Total Civic Center Enterprise	931,412
Total Solid Waste Collection Enterprise	194,275
Total Executive Golf Enterprise	29,105
Total Cemetery Enterprise	36,553
Total Golf Course Enterprise	80,100
Total Parking Lot Area Enterprise	40,648
Total Ambulance Enterprise	136,069
Total Energy Plant Enterprise	15,328
Total Transportation Terminal Enterprise	16,517
Total Enterprise depreciation expense	<u>\$ 6,449,097</u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CONSTRUCTION COMMITMENTS

Construction commitments as of December 31, 2006 were approximately \$12.7 million including \$110,000 for completion of the Main Fire Station #1 re-roof project, \$19,000 for the Omaha Street Corridor project; \$4.3 million for street reconstruction and \$8.2 million for water and wastewater construction projects.

Funding for these projects is provided from dedicated sales tax funds, grants and charges for services.

NOTE 4. LONG-TERM LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of December 31, 2006, the governmental long-term debt of the financial reporting entity consisted of the following:

\$12,695,000 Sales Tax Refunding Revenue Bonds, Series 2002. Due in annual installments of \$1,000,000 to \$1,585,000 through June 2012. Interest at 5.5 percent. (This issue is being serviced by the Consolidated Construction Special Revenue Fund.) Interest expense in 2006 was \$493,213.	\$8,385,000
\$400,000 under a Promissory Note and loan agreement with West River Electric Association dated 12/3/06 to assist in financing a tourist information center. The agreement calls for ten annual payments, without interest, through December 2007. (This obligation is financed by the 2012 Sales Tax Special Revenue Fund.)	40,000
\$10,000,000 Sales Tax Revenue Bonds Series 2000. Due in annual installments of \$1,575,000 to \$4,735,000 beginning in 2005 through December 2007. Interest at 4.6 to 4.75 percent. (This issue is being financed by the 2012 Sales Tax Special Revenue Fund). Interest expense in 2006 was \$341,571.	3,690,000
Portion of Sales Tax Revenue Refunding Bonds serviced by the Consolidated Construction Special Revenue Fund (22 percent). Interest expense in 2006 was \$55,270.	1,246,300
\$16,270,000 Sales Tax Revenue Bonds, Series 2005. Due in semi-annual installments of \$290,000 to \$915,000 through June 2016. Interest at 2.65 to 4.75 percent. (This issue is being serviced by the Utility Facilities Fund.) Interest expense in 2006 was \$581,755.	14,700,000
\$29,190,000 Sales Tax Revenue Bonds, Series 2005b. Due in eleven semi-annual installments of \$1,235,000 to \$3,090,000 through December 2012. Interest at 4.0 to 5.0 percent. (This issue is being serviced by the 2012 Sales Tax Special Revenue Fund.) Interest expense in 2006 was \$1,286,399.	29,190,000
	57,251,300
Unamortized deferred premium	1,710,563
	58,961,863

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM LIABILITIES (Continued)

Compensated Absences:		
Accrued Leave Payable General Fund		2,002,104
Accrued Leave Payable Other Government Funds		<u>7,279</u>
		2,009,383

Financing (Capital Acquisition) Leases

\$500,000 under an agreement with Wells Fargo Brokerage Services, LLC dated July 14, 2004, for the purchase of a 2004 Bomag Compactor and a Jet Vac, which are security for the lease. Due in annual installments of \$112,408, including interest at 4.03 percent. The final payment is due June 7, 2009. The lease is serviced by Solid Waste Disposal Fund for \$340,000 and General Fund (Street Department) for \$160,000. Interest expense in 2006 is \$5,258. 99,765

\$232,597 under an agreement with Oshkoh Capital dated August 18, 2006 for the purchase of a fire truck, which is security for the Lease. Due in annual installments of \$85,331.60, including interest at 4.95 percent. The final payment is due August 24, 2009. The lease is serviced by the General Fund (Fire Department). Interest expense in 2006 is -0-. 232,597

\$291,000 under an agreement with Wells Fargo Brokerage Services, LLC, dated July 20, 2006 for the purchase of cardiac monitoring equipment, which is security for the Lease. Due in annual installments of \$106,819.65, including interest of 4.98 percent. The final payment is due August 3, 2009. The lease is serviced by the General Fund (Library and Swimming Pools) for \$8,750 and by Ambulance, Water, Wastewater, Airport and Civic Center for \$282,250. Interest expense in 2006 is -0-. 8,750

Total Leases 341,112

Total Liabilities Payable \$61,312,358

The purchase price at the commencement of the financing (capital acquisition) leases will be as follows:
 (This only includes the capital lease paid entirely by the governmental funds.)

Principal	\$232,597
Interest	<u>23,398</u>
Total	\$255,995

The annual requirements for maturity for long-term debt (excluding compensated absences) outstanding as of December 31, 2006, are as follows:

Governmental Revenue Bonds Year Ending December 31	Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2007	\$7,793,315	\$2,475,503	\$109,826	\$15,896
2008	8,063,315	2,133,493	112,999	10,840
2009	8,528,015	1,789,442	118,287	5,545
2010	8,904,615	1,413,567		
2011	9,296,215	1,019,433		
2012-2016-	16,376,388	1,113,276		
Total	<u>\$58,961,863</u>	<u>\$9,944,714</u>	<u>\$341,112</u>	<u>\$32,281</u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM LIABILITIES (Continued)

Business-Type Activities:

As of December 31, 2006, the long-term debt payable from proprietary fund resources consisted of the following:

\$2,479,905 Loan No. 1 from State Revolving Fund (83.33% is federal loan). Due in fifteen quarterly installments of \$79,000 to \$94,000 through September 2008. Interest at 5 percent. (This issue is being serviced by sewer user fees.) Interest expense in 2006 was \$18,066.	\$322,986
\$986,685 Loan No. 2 from State Revolving Fund (83.33% is federal loan). Due in fifteen quarterly installments of \$49,000 to \$85,000 through December 2009. Interest at 4.0 percent. (This issue is being serviced by sewer user fees.) Interest expense in 2006 was \$11,130.	229,604
\$674,577 Loan No. 3 from State Revolving Fund (83.33% is federal loan). Due in fifteen quarterly installments of \$19,000 to \$25,000 through May 2010. Interest at 4.0 percent. (This issue is being serviced by sewer user fees.) Interest expense in 2006 was \$8,612.	182,851
\$1,214,861 Loan No. 4 from State Revolving Fund (83.33% is federal loan). Due in fifteen quarterly installments of \$50,630 to \$104,787 through December 2009. Interest at 4.0 percent. (This issue is being serviced by solid waste disposal fees.) Interest expense in 2006 was \$14,574.	305,353
\$1,625,000 Parking Revenue Refunding Bonds of 2003. Due in annual installments of \$80,000 to \$135,000 through 2018. Interest at 2.25 to 4.35 percent. (This issue is being financed by Parking Facility Revenue.) Interest expense in 2006 was \$52,770.	1,355,000
\$6,275,000 Sales Tax Revenue Refunding Bonds Series 1995A. Refunded \$1,595,000 with Sales Tax Revenue Refunding Bonds of 1998. The remainder is due in 9 installments of \$205,000 to \$595,000 through 2008. Interest at 5.25 to 5.8 percent. (This issue is being serviced by the MRF Fund.) Interest expense in 2006 was \$82,245.	1,160,000
\$2,090,000 Water Revenue Refunding Bonds of 2006. Due in four annual installments of \$500,000 to \$550,000 through 2009. Interest at 4.0 percent. (This issue is being serviced by the Water Enterprise Fund.) Interest expense in 2006 was \$69,667.	1,590,000
\$7,620,000 Sales Tax Revenue Refunding Bonds of 1998. Due in annual installments of \$40,000 to \$1,120,000 through December 15, 2015. Interest at 3.4 to 4.6 percent. (This issue is being financed by the Consolidated Construction Sales Tax Fund (22%) and the MRF Fund (78%).) Interest expense in 2006 was \$195,957.	5,665,000
\$14,000,000 Loan No. 5 from State Revolving Fund. Payable in quarterly installments through October 2022. Interest at 4.5 percent. (This issue is to be serviced by the Wastewater Fund). Interest expense in 2006 was \$562,808.	12,186,462

PRELIMINARY DRAFT
 For Review and Discussion
 Subject to Change -
 Not to be Reproduced

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM LIABILITIES (Continued)

\$1,330,000 Certificate of Participation (AMT), Series 2004. Due in annual installments of \$115,000 to \$155,000 through 2014. Interest at 2.75 to 5.40 percent. (This issue is being serviced by the Airport Enterprise Fund). Interest expense in 2006 was \$53,529.	1,100,000
	<hr/> 24,097,256
Less portion of 1998 Sales Tax Refunding Bonds Serviced by Consolidated Construction Sales Tax Fund (22%).	(1,246,300)
	<hr/>
Less unamortized deferred costs	(316,036)
	<hr/> 22,534,920
Compensated Absences:	
Accrued Leave payable from Water Fund	166,609
Accrued Leave payable from Wastewater Fund	77,270
Accrued Leave payable from Airport Fund	101,746
Accrued Leave payable from Solid Waste MRF Fund	25,098
Accrued Leave payable from Civic Center Fund	110,727
Accrued Leave payable from Non-major Enterprise Funds	150,357
	<hr/> 631,807
<u>Financing (Capital Acquisition) Leases</u>	
\$2,000,000 under an agreement with Wells Fargo Brokerage Services, LLC dated August 7, 2002 for the purchase of eight (8) 2002 Volvo Garbage Trucks with Wayne 24 Yard Eject Bodies and Thirty-one Thousand Five Hundred (31,500) garbage containers, which are all security for the lease. Due in biannual installments of \$223,469, including interest at 4.14 percent. The final payment is due August 7, 2007. This lease is financed by the Solid Waste Collection Fund (\$1,600,000) and the MRF Fund (\$400,000). Interest expense in 2006 was \$30,966.	433,434
\$150,265 under an agreement with PAJO Properties, LLC dated November 3, 2003, for the purchase of supplies and materials to construct a new golf cart barn and other improvements at Meadowbrook Golf Course. Due in monthly installments of \$1,614 including interest at 10 percent. The final payment is due August 19, 2019. The lease is financed by the Golf Fund. Interest expense in 2006 is \$14,131.	138,428
\$500,000 under an agreement with Wells Fargo Brokerage Services, LLC dated July 14, 2004, for the purchase of a 2004 Bomag Compactor and a Jet Vac, which are security for the lease. Due in annual installments of \$112,408 including interest at 4.03 percent. The final payment is due June 7, 2009. The lease is serviced by Solid Waste Disposal Fund for \$340,000 and General Fund (Street Department) for \$160,000. Interest expense in 2006 is \$11,174.	311,766
\$835,000 under an agreement with Wells Fargo Brokerage Services, LLC dated July 7, 2005, for the construction of the airport parking lot. Due in semi-annual installments of \$56,932.49, which includes interest at 6.31 percent. The final payment is due July 7, 2015. The lease is serviced by the Airport Fund. Interest expense in 2006 was \$25,379.	772,858

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM LIABILITIES (Continued)

\$291,098 under an agreement with Wells Fargo Brokerage Services, LLC dated May 3, 2006 for the purchase of three (3) ambulances which are all security for the lease. Due in annual installments of \$106,153.40, including interest at 4.63 percent. The final payment is due May 3, 2009. This lease is serviced by the Ambulance Fund. Interest expense in 2006 was \$-0-.

291,098

\$291,000 under an agreement with Wells Fargo Brokerage Services, LLC, dated July 20, 2006 for the purchase of cardiac monitoring equipment, which is security for the Lease. Due in annual installments of \$106,817.65, including interest of 4.98 percent. The final payment is due August 3, 2009. The lease is serviced by the General Fund (Library and Swimming Pools) for \$8,750 and by Ambulance, Water, Wastewater, Airport and Civic Center for \$282,250. Interest expense in 2006 is -0-.

291,000

Less portion of \$291,000 lease paid by governmental funds (8,750)

(8,750)

Less portion of \$500,000 lease paid by governmental funds (99,765)

(99,765)

2,130,069

Accrued Landfill Closure

Total Liabilities Payable

2,213,242

\$27,510,038

Capital Lease paid in full during 2006 incurred interest expense of \$7,685.

The purchase price at the commencement of the financing (capital acquisition) leases will be as follows: (This includes the portion paid by the governmental funds.)

Principal	\$4,067,363
Interest	797,590
Total	\$4,864,953

The annual requirements for maturity for long-term debt (excluding compensated absences) outstanding as of December 31, 2006, are as follows:

Business Type Activity Year Ending December 31	<u>Revenue Bonds</u>		<u>Capital Lease</u>	
	Principal	Interest	Principal	Interest
2007	\$2,288,712	\$982,672	754,191	110,977
2008	2,274,170	877,751	338,996	81,118
2009	2,097,834	781,739	356,225	63,896
2010	1,388,102	694,956	87,485	45,757
2011	1,429,484	632,279	93,409	39,833
2012-2016	7,179,248	2,122,793	455,808	96,537
2021-	5,877,370	840,315	43,954	6,103
Total	\$22,534,920	\$6,932,505	\$2,130,068	\$444,221

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2006:

Primary Government:
 Government Activities:

	Lease	Revenue	Compensated Absences	Total
Liabilities Payable 1/1/06	\$130,477	\$66,274,100	\$1,649,002	\$68,053,579
Change in Comp. Absences	0	0	360,382	360,382
Issued	241,347	0	0	241,347
Retired	(30,712)	(7,312,237)	0	(7,342,949)
Liabilities Payable 12/31/06	\$341,112	\$58,961,863	\$2,009,384	\$61,312,359
Due Within One Year	\$109,826	\$7,518,200	\$2,009,384	\$9,637,410

Business Activities:

	Leases	Accrued Landfill Closure (Note 12)	Revenues	Compensated Absences	Total
Liabilities Payable 1/1/06	\$2,275,460	\$2,141,483	\$25,410,842	\$351,532	\$30,179,317
Change in Comp. Absences	0	0	0	280,276	280,276
Issued	573,348	71,759	2,112,085	0	2,757,192
Retired	(718,739)	(60,000)	(4,988,007)	0	(5,706,746)
Liabilities Payable 12/31/06	\$2,130,069	\$2,153,242	\$22,534,920	\$631,808	\$27,510,039
Due Within One Year	\$754,191	\$0	\$2,288,712	\$631,808	\$3,674,711

On January 5, 2006, the City issued \$2,090,000 of Water Improvements Refunding Bonds, Series 2006, with interest at 4.0 percent. These bonds were issued to refund \$2,785,000 of outstanding Water Revenue Refunding Bonds of 1995 which were called on January 5, 2006. Interest expense of \$27,008 was incurred on the refunded bonds in 2006. The refunded bonds had an average interest rate of 5.56 percent. Because the refunded bonds have been repaid, the liability for those bonds has been removed from the City's financial statements. The City refunded the bonds to reduce its total debt service payments over the next three years by \$245,036 and to obtain an economic gain of \$835,287.

NOTE 5. INTERFUND TRANSACTIONS AND BALANCES

Interfund receivable and payable balances at December 31, 2006 were:

Fund	Interfund Receivable	Interfund Payable
General Fund:	\$441,973	\$0
Special Revenue Funds:		
Consolidated Construction	4,226,377	0
Tax Increment District	0	1,336,069
2012 Sales Tax Fund	166,863	0
Enterprise Fund:		
Civic Center	0	702,990
Golf Courses	0	183,113
Ambulance	0	343,641
Airport		2,269,400
Solid Waste Collection		195,000
Solid Waste Disposal	110,000	
MRF	85,000	

The General Fund loaned monies to the Golf Course Fund for capital projects. The current portion expected to be repaid to the General Fund is \$16,250.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. INTERFUND TRANSACTIONS AND BALANCES (continued)

The General Fund loaned monies to the Ambulance Fund for start-up operation costs. The current portion expected to be repaid to the General Fund is \$42,528.

The General Fund loaned monies to the Fifth Street Tax Increment District Fund for infrastructure improvements. The current portion expected to be repaid to the General Fund is \$18,903.

The Consolidated Construction Fund loaned monies to the Civic Center Fund for capital projects. The current portion expected to be repaid to the Consolidated Construction Fund is \$222,447.

The 2012 Sales Tax fund loaned monies to the Golf Course Fund to construct a pro shop. The current portion expected to be repaid to the 2012 Sales Tax fund is \$19,879.

The Consolidated Construction Fund loaned monies to the Red Rocks Tax Increment District to construct a Booster Station, to Heartland Retail Tax Increment District to construct a water main and to the Fifth Street Tax Increment District for infrastructure improvements. The current portion expected to be repaid to the Consolidated Construction Fund is \$522,194.

The Consolidated Construction Fund loaned monies to the Airport Fund for short-term cash flow needs while waiting for reimbursement from the State on air construction projects. The current portion expected to be repaid to the Consolidated Construction Fund is \$2,269,400.

The Solid Waste Disposal Fund loaned monies to the Solid Waste Collection Fund for operational costs. The current portion expected to be repaid to the Solid Waste Disposal Fund is \$35,413.

The MRF Fund loaned monies to the Solid Waste Collection Fund for operational costs. The current portion expected to be repaid to the Solid Waste Disposal Fund is \$27,364.

Interfund transfers during the year ended December 31, 2006 were as follows:

	Transfers In	Transfers Out
GENERAL FUND		
Enterprise-Major		
Water	\$228,751	\$23,981
Wastewater	146,055	52,784
Solid Waste MRF/Compost	46,264	
Civic Center	133,154	141,160
Enterprise-Nonmajor	63,514	218,329
Special Revenue – Major		
Consolidated Construction	150,000	75,000
2012 Fund		
Special Revenue – Nonmjaor	26,000	
Total General Fund	\$793,738	\$511,254
	Transfers In	Transfers Out
GOVERNMENTAL FUNDS:		
Consolidated Construction		
General	\$75,000	\$150,000
Solid Waste MRF/Compost	0	19,677
Nonmajor Enterprise	0	133,270
Total Consolidated Construction	\$75,000	\$302,947

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. INTERFUND TRANSACTIONS AND BALANCES (continued)

2012 Sales Tax		
General Fund	0	
Civic Center	0	\$2,664,022
Total 2012 Sales Tax	<u>0</u>	<u>\$2,664,022</u>
Utility Facilities Fund		
Wastewater	0	\$1,870,000
Total Utility Facilities Fund	<u>0</u>	<u>\$1,870,000</u>
Nonmajor Governmental		
General Fund		26,000
Nonmajor Enterprise		14,738
Total Nonmajor Governmental		<u>\$40,738</u>
Total Governmental Funds	<u>\$868,737</u>	<u>\$5,388,961</u>
ENTERPRISE FUNDS:		
Water		
General	\$23,981	\$228,751
Total Water	<u>\$23,981</u>	<u>\$228,751</u>
Wastewater		
General	\$52,784	\$146,055
2012 Fund		
Utility Facilities		\$1,870,000
Total Wastewater	<u>\$1,922,084</u>	<u>\$146,055</u>
Solid Waste MRF/Compost		
General		\$46,264
Solid Waste Disposal		5,488
Consolidated Construction	19,677	
Total Solid Waste MRF/Compost	<u>\$19,677</u>	<u>\$51,752</u>
Civic Center		
General	\$141,160	\$133,154
Civic Center	2,664,022	
Total Civic Center	<u>\$2,805,182</u>	<u>\$133,154</u>
Nonmajor Enterprise		
General	\$218,329	\$63,514
Consolidated Construction	133,270	
Nonmajor governmental	14,738	
Solid Waste MRF	5,488	
Other Nonmajor Enterprise	56,090	56,090
Total Nonmajor Enterprise	<u>\$427,914</u>	<u>\$119,604</u>
Total Enterprise	<u>\$5,199,539</u>	<u>\$679,314</u>
Internal Service		
Other Internal Service	\$300,000	\$300,000
Total Internal Service	<u>\$300,000</u>	<u>\$300,000</u>
Total Transfers	<u>\$6,368,277</u>	<u>\$6,368,277</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. DUE FROM OTHER GOVERNMENTS

<u>GOVERNMENTAL FUNDS:</u>	
General Fund	
Local Government Highway/Bridge	\$93,755
Police Grants	59,711
Haz Mat Training Grant	2,938
Air Quality Grant	13,577
Historic Preservation	1,141
Homeland Security Grant	28,100
Urban Mass Transit Grant	96,517
Transportation Planning	47,663
Inspection Administration	1,478
Total	<u>\$344,880</u>
Consolidated Construction Fund	
E Mall Drive project	\$71,455
Total	<u>\$71,455</u>
Nonmajor	
Governmental Funds:	
RSVP	\$7,469
Total	<u>\$7,469</u>
Total Governmental Funds	<u>\$423,804</u>
<u>PROPRIETARY FUNDS:</u>	
Water Fund	
BH National Forest hook-up fees	\$9,247
EPA Grant	76,873
Total	<u>\$86,120</u>
Wastewater Fund	
EPA Grant	\$76,873
Total	<u>\$76,873</u>
SW Disposal Fund	
Landfill services - City	\$217
Total	<u>\$217</u>
MRF Fund	
Disposal fees - US Forest Service	\$15
Total	<u>\$15</u>
Airport Fund	
TSA Security	
Airport Improvement Project	\$4,739,776
Total	<u>\$4,739,776</u>
Parking Fund	
Parking fees - SD Vocational Rehab	\$64
Total	<u>\$64</u>
Total Proprietary Funds	<u>\$4,903,065</u>
Grand Total	<u>\$5,326,869</u>

PRELIMINARY DRAFT
 For Review and Discussion
 - Subject to Change -
 Not to be Reproduced

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. SEGMENT INFORMATION

The City issued separate revenue bonds to finance the Parking Lot and Area Fund. Summary financial information for the non-major fund is presented below. The Parking Lot and Area administers the downtown parking lots, parking meters, parking ramp and fines.

	Parking Lot and Area Enterprise Fund
BALANCE SHEET	
Assets	
Current Assets	\$1,466,847
Capital Assets	4,043,231
Total Assets	<u>5,510,078</u>
Liabilities	
Other Current Liabilities	104,720
Noncurrent Liabilities	1,264,384
Total Liabilities	<u>1,369,104</u>
Net Assets	
Invested in Capital Assets	
Net of related debt	2,688,231
Revenue Bond Retirement	758,455
Unrestricted	7,294,288
Total Net Assets	<u>\$4,140,974</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Operating Revenue	\$532,415
Depreciation Expense	(40,648)
Other Operation Expenses	(402,803)
Operating Income	<u>88,964</u>
Investment Income	52,876
Interest Expense	(52,770)
Gain (Loss) on Disposition of Assets	0
Net Income	89,070
Transfers	<u>(28,523)</u>
Changes in Net Assets	60,547
Beginning Net Assets	4,080,427
Ending Net Assets	<u>\$4,140,974</u>

STATEMENT OF CASH FLOWS

Net Cash Provided (used) by:	
Operating Activities	135,995
Noncapital Finance Activities	(28,523)
Capital and Related Financing Activities	(152,770)
Investing Activities	<u>47,720</u>
Net Increase	2,423
Beginning Cash and Equivalents	1,302,442
Ending Cash and Equivalents	<u>1,304,865</u>

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans or from property taxes designated for tax increment districts. Upon repayment of the bonds, ownership of the acquired facility is retained by the private-sector entity served by the bond issuance.

Neither the City, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006, there were 32 series of conduit bonds outstanding that had been issued prior to August 1995. The aggregate principal amount payable for these bonds could not be determined; however, their original issue amounts totaled \$58,348,023. As of December 31, 2006, there were three series of conduit bonds outstanding that had been issued subsequent to August 1995. The original total issue amount of these bonds was \$10,600,000, and the approximate outstanding balance as of December 31, 2006 was \$7,620,000.

NOTE 9. RETIREMENT PLAN

All employees working more than 20 hours per week after the first six months of service participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 733-3191.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make additional contributions in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for the social security for general employees. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2006, 2005 and, 2004 are \$2,041,285, \$2,068,116 and \$1,860,878 respectively, equal to the required contributions each year.

NOTE 10. CONTINGENT LIABILITIES

The City has been named as defendant in several lawsuits that have been referred to the City's insurance carriers. The City and its attorneys believe that any liability to the City would not be material, and that loss, if any, could be covered by insurance or would be substantially covered by the City's reserve for uninsured claims. The deductible is \$100,000 for general and auto liability and professional liability, and \$50,000 for building and property damage.

NOTE 11. RISK MANAGEMENT

General:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for insurable risks of loss except for worker's compensation, liability insurance, employee health insurance, employee dental insurance, and unemployment benefits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year. The City has

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (continued)

established self-insurance internal service funds to pay for medical, workers' compensation for medical, workers' compensation, unemployment compensation and dental claims of City employees and their covered dependents as well as the deductible portion of liability claims.

Payments to the fund are actuarially determined and are to cover individual claims up to \$100,000 for health insurance, \$325,000 for workers' compensation, and any administrative costs relative to the processing of the claims. Maximum payments for dental insurance are \$1,500 per employee, and liability claims up to \$100,000. The claims exceeding this amount are covered through private insurance carriers (up to \$5,000,000 per claim for liability claims). An estimated liability for claims incurred but not paid is accrued based upon confirmation from the City's third party administrators for claims received within 60 days of year-end, and are reported as accounts payable. The City is a reimbursable employer for purposes of unemployment insurance.

The City has reserved equity in the workers compensation fund of \$1,418,943, in the medical insurance fund of \$1,234,635, in the unemployment insurance fund of \$285,809, in the liability insurance fund of \$828,942, and in the dental insurance fund of \$112,457 for the payment of such future claims.

Changes in the aggregate liabilities of the self-insurance funds during 2006 were as follows:

	Liability Insurance	Dental Insurance	Workers Comp. Insurance	Medical Insurance	Unempl. Insurance
Benefit Claims Payable at Beginning of Year	\$ 182,649	\$ 11,579	\$1,008,536	\$ 358,574	\$ 9,668
Claims Incurred: Attributable to Insured Events of the Current Year	1,096,754	116,548	735,497	4,409,314	25,479
Claims Paid: Attributable to Insured Events of the Current and Prior Years	(1,030,113)	(116,427)	(811,907)	(4,206,150)	(31,643)
Benefit Claims Payable At End of Year	\$205,290	\$1,700	\$932,126	\$561,738	\$3,504

NOTE 12. LANDFILL

State and Federal laws and regulations required the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,213,242 reported as landfill closure and postclosure care liability at December 31, 2006 represents the cumulative amount reported to date based on the issue of 26 percent of the estimated capacity of the landfill. This liability includes an accrual for remedial action costs. The City will recognize the remaining estimated cost of closure and postclosure care of \$2.741 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The City expects to close the landfill in the year 2053.

However, the recycling plant, in addition to our yard waste and proposed composting facility, could extend the life an additional 35 years. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements, and, at December 31, 2006, investments of \$2,213,242 are held for these purposes. These are reported as a noncurrent liability

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 LANDFILL (continued)

on the enterprise balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users. A new financial assurance plan was filed with the state and will be approved during 2007.

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)
Revenues:			
310 Taxes:			
311 General Property Taxes	\$10,659,158	\$10,659,158	\$ 10,318,599
313 General Sales and Use Taxes	17,164,990	17,164,990	17,949,335
314 Gross Receipts Business Taxes	400,000	400,000	410,801
320 Licenses and Permits	1,691,950	1,691,950	2,019,433
330 Intergovernmental Revenue:			
331 Federal Grants	2,108,741	2,555,816	2,038,210
334 State Grants	28,425	28,425	39,832
335 State Shared Revenue:			
335.01 Bank Franchise Tax	70,000	70,000	57,671
335.03 Liquor Tax Reversion	300,000	300,000	332,795
335.04 Motor Vehicle Licenses (5%)	32,200	32,200	37,736
335.06 Fire Insurance Reversion	145,000	145,000	162,723
335.08 Local Government Highway and Bridge Fund	460,000	460,000	510,273
338 County Shared Revenue:			
338.01 County Road Tax (25%)	197,800	197,800	246,342
340 Charges for Goods and Services:			
341 General Government	257,508	282,042	272,218
342 Public Safety	54,246	616,118	875,954
343 Public Works	80,000	80,000	91,620
345 Health & Welfare	280,000	280,000	283,795
346 Culture and Recreation	1,054,931	1,364,969	1,381,295
350 Fines and Forfeits:			
351 Court Fines and Costs	235,000	235,000	123,196
360 Miscellaneous Revenue:			
361 Interest Earnings	545,070	545,070	701,525
362 Rentals	65,000	65,000	91,377
363 Special Assessments	-	-	102,176
367 Contributions and Donations	-	-	80
369 Other	195,868	198,629	71,643
Total Revenue	36,461,379	37,312,167	38,118,628
Expenditures:			
410 General Government:			
411 Contingency Transferred	276,590	140,138	-
412 Executive-Mayor & Council	522,262	571,262	522,649
414 Financial - Finance	803,504	821,350	744,565
414 Financial - Attorney	111,807	111,807	87,330
414 Financial - Personnel	207,397	207,397	199,981
419 Other - Government Bldgs	758,501	779,462	660,354
420 Public Safety:			
421 Police	11,196,070	11,297,771	11,085,914
422 Fire	7,178,280	7,244,652	7,392,137
429 Other Protection-Corrections	20,000	20,000	20,000
429 Other Protection-Code Enforcement	204,572	204,572	172,007
429 Other Protection-Weed & Seed	262,330	277,482	144,444
429 Other Protection- HazMat	-	-	-
429 Other Protection-Emergency Mgt	79,873	79,873	79,873
430 Public Works:			

PRELIMINARY DRAFT
 For Review and Discussion
 - Subject to Change
 Not to be Reproduced

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	ACTUAL <u>(Budgetary Basis)</u>
431 Highways and Streets	6,124,491	6,124,491	5,045,835
43x Administration	129,568	170,218	(87,011)
440 Health and Welfare:			
441 Health	377,800	377,800	369,110
444 Humane Society	210,070	215,467	215,467
449 Other - Public Transit	1,987,968	1,987,968	1,954,787
449 Other - Air Quality	85,715	85,715	70,419
450 Culture and Recreation:			
451 Recreation	355,084	382,684	383,488
451 Swimming Pools	1,400,739	1,448,501	1,388,924
451 Ice Arena	513,768	466,006	461,210
452 Parks	2,382,260	2,354,660	2,244,155
455 Libraries	2,514,575	2,870,613	2,794,050
457 Historical Preservation	10,200	21,332	9,258
459 Other - Subsidies	194,085	264,235	252,433
460 Conservation and Development:			
465 Economic Development	409,500	859,575	857,325
465 Community Development	2,371,909	2,431,909	2,084,628
465 Transportation Planning	318,121	326,728	162,155
465 GIS Information System	(50,210)	(50,210)	(115,868)
470 Debt Service	35,970	35,970	35,970
485 Capital Outlay			-
490 Miscellaneous			-
492 Other Expenditures			-
Total Expenditures	<u>40,992,798</u>	<u>42,129,428</u>	<u>39,235,589</u>
Excess of Revenue Over (Under)			
Expenditures	(4,531,400)	(4,827,261)	(1,116,961)
Other Financing Sources (Uses):			
391.01 Transfers In	1,038,892	1,064,892	1,475,316
511 Transfers Out	(268,701)	(434,489)	(1,192,833)
391.03 Sale of Municipal Property	47,500	47,500	4,010
Total Other Financing Sources (Uses)	<u>817,691</u>	<u>677,903</u>	<u>286,493</u>
Net Change in Fund Balances	(3,713,729)	(4,139,358)	(830,468)
Fund Balance - Beginning	18,542,712	18,542,712	18,542,712
FUND BALANCE- ENDING	<u>\$ 14,828,983</u>	<u>\$ 14,403,354</u>	<u>\$ 17,712,244</u>

The notes to the required supplementary information are an integral part of this statement.

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
2012 SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)
Revenues:			
310 Taxes:			
313 General Sales and Use Taxes	\$ 5,355,863	\$ 8,507,495	\$ 8,936,021
340 Charges for Goods and Services:			
341 Public Works	-	-	-
360 Miscellaneous Revenue:			
361 Interest Earnings	-	-	2,379,777
362 Rentals	-	-	-
369 Other	-	-	-
Total Revenue	<u>5,355,863</u>	<u>8,507,495</u>	<u>11,315,798</u>
Expenditures:			
410 General Government			
419 Other - Government Buildings	(716,593)	19,914,135	2,162,669
430 Public Works:			
431 Highways and Streets	73,390	1,007,390	117,503
43x Administration	84,292	234,292	234,288
450 Culture and Recreation			
452 Parks		170,000	169,102
470 Debt Service	1,461,574	6,827,625	6,411,094
485 Capital Outlay			
490 Miscellaneous			
492 Other Expenditures		2,000,000	1,843,577
Total Expenditures	<u>4,686,860</u>	<u>30,153,342</u>	<u>10,938,233</u>
Excess of Revenue Over (Under) Expenditures	<u>669,203</u>	<u>(21,645,847)</u>	<u>377,565</u>
Other Financing Sources (Uses):			
511 Transfers Out	-	(2,664,022)	(2,664,022)
391.02 Bond Issuance	-	-	-
391.02 Premium on Bond Issuance	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,664,022)</u>	<u>(2,664,022)</u>
Net Change in Fund Balances	669,203	(24,309,869)	(2,286,458)
Fund Balance - Beginning	41,060,284	41,060,284	41,060,284
FUND BALANCE- ENDING	<u>\$ 41,729,487</u>	<u>\$ 16,750,415</u>	<u>\$ 38,773,826</u>

The notes to the required supplementary information are an integral part of this statement.

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
CONSOLIDATED CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL (Budgetary Basis)</u>
Revenues:			
310 Taxes:			
313 General Sales and Use Taxes	\$8,507,495	\$8,507,495	\$ 8,936,021
340 Charges for Goods and Services:			
343 Public Works	1,006,161	2,634,770	1,487,530
360 Miscellaneous Revenue:			
361 Interest Earnings	500,000	500,000	489,851
367 Contributions and Donations	-	-	-
Total Revenue	<u>10,013,656</u>	<u>11,642,265</u>	<u>10,913,401</u>
Expenditures:			
430 Public Works:			
431 Highways & Streets	692,437	692,437	921,768
43x Administration	1,033,796	1,033,796	1,033,800
470 Debt Service	1,736,683	1,736,683	1,730,403
485 Capital Outlay	7,144,347	10,383,859	6,394,971
492 Other Expenditures	-	-	-
Total Expenditures	<u>10,607,263</u>	<u>14,006,775</u>	<u>10,080,942</u>
Excess of Revenue Over (Under) Expenditures	<u>(593,607)</u>	<u>(2,404,510)</u>	<u>832,459</u>
Other Financing Sources (Uses):			
391.01 Transfers In	-	75,000	75,000
511 Transfers Out	(150,000)	(150,000)	(302,947)
391.02 Bond Issuance	-	-	-
391.02 Premium on Bond Issuance	-	-	-
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(75,000)</u>	<u>(227,947)</u>
Net Change in Fund Balances	(743,606)	(2,479,510)	604,512
Fund Balance - Beginning	20,268,078	20,268,078	20,268,078
FUND BALANCE- ENDING	<u>\$ 19,524,472</u>	<u>\$ 17,788,568</u>	<u>\$ 20,872,590</u>

The notes to the required supplementary information are an integral part of this statement.

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
UTILITY FACILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)
Revenues:			
310 Taxes:			
313 General Sales and Use Taxes	\$ -	\$ 2,959,128	\$ 3,054,095
340 Charges for Goods and Services:			
343 Public Works	-	-	-
360 Miscellaneous Revenue:			
361 Interest Earnings	-	590,897	841,062
367 Contributions and Donations	-	-	-
Total Revenue	-	3,550,025	3,895,156
Expenditures:			
430 Public Works:			
431 Highways & Streets	-	-	-
43x Administration	-	2,500	2,500
470 Debt Service	-	1,946,285	1,867,946
485 Capital Outlay	-	-	-
492 Other Expenditures	-	-	-
Total Expenditures	-	1,948,785	1,870,446
Excess of Revenue Over (Under) Expenditures		1,601,270	2,024,710
Other Financing Sources (Uses):			
391.01 Transfers In	-	-	-
511 Transfers Out	-	1,870,000	(1,870,000)
391.02 Bond Issuance	-	-	-
391.02 Premium on Bond Issuance	-	-	-
Total Other Financing Sources (Uses)	-	1,870,000	(1,870,000)
Net Change in Fund Balances	-	3,471,270	154,710
Fund Balance - Beginning	17,181,332	17,181,332	17,181,332
FUND BALANCE- ENDING	\$ 17,181,332	\$ 20,652,602	\$ 17,336,042

The notes to the required supplementary information are an integral part of this statement.

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL (Budgetary Basis)</u>
Revenues:			
310 Taxes:			
311 General Property Taxes	\$ -	\$ -	\$ 1,350,167
340 Charges for Goods and Services:			
343 Public Works	-	-	-
360 Miscellaneous Revenue:			
361 Interest Earnings	-	-	38,123
Total Revenue	<u>-</u>	<u>-</u>	<u>1,388,289</u>
Expenditures:			
430 Public Works:			
431 Highways & Streets	-	-	-
43x Administration	-	-	-
470 Debt Service	-	-	60,500
485 Capital Outlay	-	-	-
490 Miscellaneous			
492 Other - Refunds	-	-	639,304
Total Expenditures	<u>-</u>	<u>-</u>	<u>699,804</u>
Excess of Revenue Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>688,485</u>
Other Financing Sources (Uses):			
391.01 Transfers In	-	-	-
511 Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	688,485
Fund Balance - Beginning	(648,753)	(648,753)	(648,753)
FUND BALANCE- ENDING	<u>\$ (648,753)</u>	<u>\$ (648,753)</u>	<u>\$ 39,732</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

The municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operation budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in Number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The following represents the overdrafts of the expenditures compared to appropriations for governmental funds. These overdrafts are primarily due to the purchase of the ladder truck for the Fire Department, accrued wages and benefits in the Recreation Department, refunds to Pennington County or payments to developers for receipt of property tax on tax increment districts, pass-through payment to the Convention and Visitors Bureau based on revenue received and greater than anticipated loans to employees for education expenses.

Fund:	Final Budget	Actual Expenditure	Overdraft
General Fund:			
Fire	\$7,244,652	\$7,392,137	\$147,485
Recreation	\$382,684	\$383,488	\$804
Tax Increment District Fund			
Debt Service	\$0	\$60,500	\$60,500
Other Expense	\$0	\$639,304	\$639,304
Occupancy Tax Fund			
Other Expense	\$922,564	\$923,526	\$962
Education Loan			
Capital Outlay	\$25,000	\$30,981	\$5,981

CITY OF RAPID CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2006

	Occupancy Tax Fund	Repair and Demolition Fund	Housing Projects Fund	Retired Senior Volunteer Fund	Community Development Fund
ASSETS:					
101 Cash and Cash Equivalents	\$ 58,914	\$ 105,887	\$ -	\$ 4,151	\$ 2,798
110 Property Tax Receivable	-	-	-	-	-
115 Accounts Receivable, Net	52,998	1,363	-	-	-
121 Special Assessments Receivable--Current	-	11,046	-	-	-
122 Special Assessments Receivable--Delinquent	-	5,990	-	-	-
123 Special Assessments Receivable--Deferred	-	8,819	-	-	-
132 Due from Other Government	-	-	-	7,469	-
135 Interest Receivable	120	214	-	-	-
TOTAL ASSETS	\$ 112,033	\$ 133,320	\$ -	\$ 11,620	\$ 2,798
LIABILITIES AND FUND BALANCES:					
Liabilities:					
201 Claims Payable	\$ 50,711	\$ -	\$ -	\$ 448	\$ 617
219 Amount Held for Others	-	-	-	-	-
2xx Wages Payable	-	-	-	1,332	1,735
224 Deferred Revenue	-	2,355	-	-	-
Total Liabilities	50,895	23,355	-	1,780	2,351
Fund Balances:					
262 Unreserved Fund Balances:					
262.04 Designated for Capital Replacements Special Revenue Funds	-	-	-	-	-
262.09 Undesignated, Reported in: Special Revenue Funds	61,137	109,964	-	9,840	447
Permanent Funds	-	-	-	-	-
Total Fund Balances	61,137	109,964	-	9,840	447
TOTAL LIABILITIES AND FUND BALANCES	\$ 112,033	\$ 133,320	\$ -	\$ 11,620	\$ 2,798

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

Education Loan Fund	Beautification Fund	Rehabilitation Loan/Grant Fund	Library Board Fund	Tax Increment Other	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ (1,837)	\$ 75,813	\$ 39,339	\$ 44,316	\$ 74,096	\$ 81,996	\$ 485,475
-	-	-	-	7,057	-	7,057
11,539	-	-	-	-	-	65,900
-	-	-	-	-	-	11,046
-	-	-	-	-	-	5,990
-	-	-	-	-	-	8,819
-	-	-	-	-	-	7,469
-	-	-	-	120	-	455
<u>\$ 9,702</u>	<u>\$ 75,813</u>	<u>\$ 39,339</u>	<u>\$ 44,316</u>	<u>\$ 81,273</u>	<u>\$ 81,996</u>	<u>\$ 592,211</u>

\$ 1,644	\$ -	\$ -	\$ -	\$ 62,868	\$ -	\$ 116,288
-	-	-	-	11,349	-	11,349
-	-	-	-	-	-	3,251
-	-	-	-	7,057	-	30,412
<u>1,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,273</u>	<u>-</u>	<u>\$ 161,300</u>

-	75,813	-	-	-	-	75,813
8,058	-	39,339	44,316	-	-	273,102
-	-	-	-	-	81,996	81,996
<u>8,058</u>	<u>75,813</u>	<u>39,339</u>	<u>44,316</u>	<u>-</u>	<u>81,996</u>	<u>430,911</u>
<u>\$ 9,702</u>	<u>\$ 75,813</u>	<u>\$ 39,339</u>	<u>\$ 44,316</u>	<u>\$ 81,273</u>	<u>\$ 81,996</u>	<u>\$ 592,211</u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

CITY OF RAPID CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Occupancy Tax Fund	Repair and Demolition Fund	Housing Projects Fund	Retired Senior Volunteer Fund	Community Development Fund	Education Loan Fund
Revenues:						
310 Taxes:						
311 General Property Taxes	\$ -	\$ -		\$ -	\$ -	\$ -
314 Occupancy Tax	981,573					
331 Federal Grants	-	-		50,531	657,234	-
340 Charges for Goods and Services:						
342 Public Safety	-	5,173		-	-	30,192
346 Culture and Recreation	-	-		-	-	-
348 Cemetery	-	-		-	-	-
349 Other-Conservation & Development	-	-		-	7,522	-
350 Fines and Forfeitures						
354 Library	-					
360 Miscellaneous Revenue:						
361 Investment Earnings	3,090	3,638		-	-	148
363 Special Assessments	-	19,511		-	-	-
367 Contributions and Donations	-	-	10,000	37,721	-	-
Total Revenue	<u>984,663</u>	<u>28,123</u>	<u>10,000</u>	<u>88,252</u>	<u>664,756</u>	<u>30,340</u>
Expenditures:						
420 Public Safety:						
421 Police				-	-	30,981
450 Culture and Recreation:						
455 Libraries				-	-	-
Retired Senior Volunteers				93,037	-	-
Cemetery				-	-	-
460 Conservation and Development:						
463 Community Development			10,000	-	668,196	-
490 Miscellaneous						
492 Other Expenditures	923,526					
Total Expenditures	<u>923,526</u>	<u>8,131</u>	<u>10,000</u>	<u>93,037</u>	<u>668,196</u>	<u>30,981</u>
Excess of Revenue Over (Under)						
Expenditures	61,137	20,192	-	(4,785)	(3,440)	(641)
Other Financing Sources (Uses):						
511 Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	61,137	20,192	-	(4,785)	(3,440)	(641)
Fund Balance - Beginning	-	89,772	-	14,625	3,887	8,699
FUND BALANCE- ENDING	<u>\$ 61,137</u>	<u>\$ 109,964</u>	<u>\$ -</u>	<u>\$ 9,840</u>	<u>\$ 447</u>	<u>\$ 8,058</u>

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change -
 Not to be Reproduced

Beautification Fund	Rehabilitation Loan/Grant Fund	Library Board Fund	Tax Increment Other	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 342,240	\$ -	\$ 342,240
-	-	-	-	-	981,573
-	-	-	-	-	707,765
-	-	-	-	-	35,366
-	-	-	-	-	-
-	-	-	-	3,020	3,020
-	65,178	-	-	-	72,701
-	-	107,830	-	-	107,830
-	35	-	1,973	-	8,885
-	-	-	-	-	19,511
-	-	-	-	-	47,721
-	65,214	107,830	344,213	3,020	2,326,617
-	-	-	-	-	39,119
-	-	82,242	-	-	82,242
-	-	-	-	-	93,037
-	-	-	-	1,926	1,926
-	58,271	-	344,213	-	1,080,681
-	-	-	-	-	923,526
-	58,271	82,242	344,213	1,926	2,220,524
-	6,943	25,588	-	1,094	106,087
-	-	(26,000)	-	(14,738)	(40,738)
-	-	(26,000)	-	(14,738)	(40,738)
-	6,943	(412)	-	(13,644)	65,349
75,813	32,396	44,728	-	95,640	365,560
\$ 75,813	\$ 39,339	\$ 44,316	\$ -	\$ 81,996	\$ 430,909

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

**CITY OF RAPID CITY
BALANCE SHEET
NONMAJOR PROPRIETARY FUND
DECEMBER 31, 2006**

	Solid Waste Collection Fund	Solid Waste Disposal Fund	Executive Golf Course Fund	Cemetery Enterprise Fund
ASSETS:				
Current Assets:				
101 Cash and Cash Equivalents	\$ 161,569	\$ 2,836,527	\$ (73,381)	\$ 47,068
106 Cash with Fiscal Agent	-	-	-	-
107 Restricted Cash	-	2,213,242	-	-
115 Accounts Receivable	141,108	278,080	-	19,500
116 Estimated Uncollectable Accounts Receivable	1,331	(24,597)	-	-
131 Due from Other Funds	-	35,413	-	-
132 Due from Other Governments	-	217	-	-
135 Interest Receivable	217	10,289	2	325
Total Current Assets	<u>304,225</u>	<u>5,349,170</u>	<u>(73,379)</u>	<u>66,894</u>
Noncurrent Assets:				
133 Advance to Other Funds		74,587		
Capital Assets:				
160 Land	138,430	1,956,983	596,356	24,151
162 Buildings	-	411,873	148,612	22,954
164 Improvements Other than Bldg	684,356	490,715	1,128,681	512,696
164 Furniture & Equipment	-	23,656	6,791	7,408
166 Machinery and Equipment	1,853,867	158,893	77,066	217,847
168 Construction Work in Progress	-	-	-	-
Less: Accumulated Depreciation	(1,216,280)	(348,618)	(698,886)	(380,998)
Total Noncurrent Assets	<u>1,400,167</u>	<u>3,184,090</u>	<u>1,258,620</u>	<u>404,059</u>
TOTAL ASSETS	<u>\$ 1,764,393</u>	<u>\$ 8,533,260</u>	<u>\$ 1,185,241</u>	<u>\$ 470,952</u>
LIABILITIES:				
Current Liabilities:				
202 Accounts Payable	\$ 13,519	\$ 18,418	\$ 1,095	\$ 2,016
208 Due to Other Funds	62,777	-	-	-
2xx Wages Payable	10,552	5,479	1,499	1,890
226 Bonds Payable Current:	-	97,761	-	-
226 Capital Lease Payable Current	346,748	67,894	-	-
Total Current Liabilities	<u>433,595</u>	<u>189,552</u>	<u>2,595</u>	<u>3,906</u>
Noncurrent Liabilities:				
209 Advance from Other Funds	132,223	-	-	-
231 Bonds Payable:	-	207,592	-	-
231 Capital Lease Payable	-	144,106	-	-
233 Accrued Leave Payable	36,726	11,602	2,801	5,526
235 Accrued Landfill Closure and Postclosure	-	2,213,242	-	-
Total Noncurrent Liabilities	<u>168,949</u>	<u>2,576,542</u>	<u>2,801</u>	<u>5,526</u>
NET ASSETS:				
253.10 Invested in Capital Assets, Net of Related Debt	1,113,419	2,666,737	1,258,620	404,059
253.20 Restricted Net Assets, Restricted for:				
253.22 Revenue Bond Retirement	-	-	-	-
253.90 Unrestricted Net Assets	48,428	3,100,429	(78,775)	57,461
Total Net Assets	<u>1,161,848</u>	<u>5,767,166</u>	<u>1,179,845</u>	<u>461,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,764,393</u>	<u>\$ 8,533,260</u>	<u>\$ 1,185,241</u>	<u>\$ 470,952</u>

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change
 Not to be Reproduced

Enterprise Funds

Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund	Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$ 199,261	\$ 1,304,865	\$ (154,347)	\$ 948,926	\$ 76,923	\$ 5,347,411
-	158,455	-	25,462	-	183,917
-	-	-	-	-	2,213,242
-	-	63,065	2,881,494	-	3,383,247
-	-	-	(2,012,865)	-	(2,036,131)
-	-	-	-	-	35,413
-	64	-	-	-	280
461	3,464	-	1,814	195	16,766
199,723	1,466,847	(91,282)	1,844,831	77,118	9,144,146
					74,587
1,424,242	2,212,499	-	-	257,507	6,620,228
1,505,899	2,079,329	776,571	30,659	916,934	8,898,831
1,515,983	487,833	-	-	7,439	4,827,703
-	-	42,283	-	-	80,138
654,455	16,025	54,216	911,638	-	6,609,802
-	-	-	-	-	-
(1,379,739)	(752,455)	(431,073)	(383,570)	(392,156)	(8,104,314)
3,720,840	4,043,231	441,457	694,727	799,784	16,006,975
\$ 3,920,562	\$ 5,510,078	\$ 350,175	\$ 2,539,559	\$ 876,902	\$ 25,151,121
\$ 3,792	\$ 2,244	\$ 8,493	\$ 24,888	\$ 244	\$ 74,709
36,129	-	-	42,528	-	141,434
3,427	2,475	5,731	2,121	-	33,174
-	100,000	-	-	-	197,761
5,795	-	-	173,478	-	593,915
49,143	104,720	14,224	243,015	244	1,040,993
146,984	-	-	301,113	-	580,320
-	1,255,000	-	-	-	1,462,592
132,633	-	-	387,620	-	664,359
17,343	9,384	17,940	49,035	-	150,357
-	-	-	-	-	2,213,242
296,960	1,264,384	17,940	737,768	-	5,070,870
3,582,412	2,688,231	441,457	133,629	799,784	13,088,348
-	158,455	-	-	-	158,455
(7,952)	1,294,289	(123,446)	1,425,147	76,874	5,792,455
3,574,460	4,140,974	318,011	1,558,776	876,658	19,039,258
\$ 3,920,562	\$ 5,510,078	\$ 350,175	\$ 2,539,559	\$ 876,902	\$ 25,151,121

PRELIMINARY DRAFT
 Subject to Review and Discussion
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

	Solid Waste Collection Fund	Solid Waste Disposal Fund	Executive Golf Course Fund	Cemetery Enterprise Fund
Operating Revenue:				
380 Charges for Goods and Services	\$ 1,756,437	\$ 1,814,979	\$ 131,362	\$ 165,945
381 Revenues used as Security for Revenue Bonds	-	-	-	-
Total Operating Revenue	1,756,437	1,814,979	131,362	165,945
Operating Expenses:				
410 Personal Services	695,663	365,399	125,354	144,635
420 Other Current Expense	824,455	970,080	115,171	60,598
426.2 Materials (Cost of Goods Sold)	-	-	-	-
457 Depreciation	194,275	201,387	29,105	36,553
Total Operating Expenses	1,714,393	1,536,866	269,630	241,786
Operating Income (Loss)	42,044	278,112	(138,268)	(75,841)
Nonoperating Revenue (Expense):				
361 Investment Earnings	998	90,138	248	5,227
470 Interest Expense and Fiscal Charges	(24,724)	(25,099)	-	-
(492)366 Gain (Loss) on Disposition of Capital Assets	2,000	(10,568)	-	-
Total Nonoperating Revenue (Expense)	(22,126)	53,820	248	5,227
Income (Loss) Before Transfers	19,918	331,933	(138,020)	(70,614)
369.1 Contributions from Others	-	890	-	-
391.1 Transfers In	-	5,488	27,750	202,289
511 Transfers Out	(90)	(8,454)	(11,667)	(748)
Net Contributions and Transfers	(90)	(2,077)	16,083	201,541
Change in Net Assets	19,828	329,856	(121,937)	130,927
Net Assets - Beginning	1,142,020	5,437,310	1,301,782	330,593
NET ASSETS - ENDING	\$ 1,161,848	\$ 5,767,166	\$ 1,179,845	\$ 461,520

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change -
 Not to be Reproduced

Enterprise Funds

Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund	Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$ 777,777	\$ -	\$ 303,371	\$ 2,337,896	\$ 30,494	\$ 7,318,261
-	532,415	-	-	-	532,415
777,777	532,415	303,371	2,337,896	30,494	7,850,675
351,005	159,074	340,156	1,322,584	-	3,503,870
324,844	243,729	(16,187)	434,110	67,499	3,024,298
-	-	-	-	-	-
80,100	40,648	15,328	136,069	16,517	749,981
755,948	443,450	339,298	1,892,763	84,016	7,278,150
21,829	88,964	(35,926)	445,137	(8,522)	572,525
5,136	52,876	-	34,702	3,190	191,924
(25,269)	(52,770)	-	(25,936)	-	(154,448)
2,676	-	-	-	-	(5,892)
(17,457)	106	-	8,575	3,190	31,584
4,372	89,070	(35,926)	63,209	(50,332)	604,109
-	-	-	5,000	-	5,890
149,128	-	-	-	43,260	427,914
(62,766)	(28,523)	(2,967)	-	(4,389)	(119,604)
86,362	(28,523)	(2,967)	5,000	38,871	314,201
90,734	60,547	(38,893)	458,709	(11,461)	918,310
3,483,725	4,080,427	356,905	1,100,067	888,119	18,120,948
\$ 3,574,459	\$ 4,140,974	\$ 318,012	\$ 1,558,776	\$ 876,658	19,039,258

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

	Solid Waste Collection Fund	Solid Waste Disposal Fund	Executive Golf Course Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipt from Customers	\$1,738,321	\$1,796,120	\$131,367
Payments to Suppliers	(819,272)	(1,013,972)	(114,852)
Payments to Employees	(669,835)	(358,665)	(122,846)
Internal Activity - Payment to Other Funds	195,000	(110,000)	-
Increase in Closure/Postclosure	-	71,759	-
Net Cash Provided (Used) by Operating Activities	444,214	385,242	(106,331)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Subsidies	-	-	-
Transfers In	-	5,488	27,750
Transfers Out	(90)	(8,454)	(11,667)
Net Cash Provided (Used) by Operating Subsidies and Transfers	(90)	(2,967)	16,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of Capital Debt	-	-	-
Purchase of Capital Assets	(96,622)	(10,975)	-
Principal Paid on Capital Debt	(37,267)	(159,210)	-
Interest Paid on Capital Debt	(24,724)	(25,749)	-
Proceeds from Sale of Assets	2,000	-	-
Net Cash (Used) by capital and related financing activities	(156,613)	(195,934)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Earnings	598	90,138	248
(Increase) Decrease in Restricted Cash	-	-	-
Net Cash Provided by Investing Activities	598	90,138	248
Net Increase (Decrease) in Cash and Cash Equivalents	(7,455)	276,479	(90,000)
Balances - Beginning	169,026	4,773,290	16,618
Balances- Ending	161,571	5,049,769	(73,382)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	42,044	278,112	(138,268)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	194,275	201,387	29,105
Closure/Postclosure costs	-	71,759	-
Change in Assets and Liabilities:			
Receivables	(18,116)	(18,858)	5
Due to Other Funds	195,000	(110,000)	-
Accounts and Other Payables	5,183	(43,892)	319
Accrued Wages Payable	235	155	464
Accrued Leave Payable	25,593	6,579	2,044
Net Cash Provided (Used) by Operating Activities	\$444,214	\$385,242	(\$106,331)
Noncash Investing, Capital and Financing Activities:			
Loss on Disposal of Capital Assets Not Affecting Operating Income	\$ -	\$ (10,568)	-
Transfer/Contribution of Assets	-	890	-

PRELIMINARY DRAFT
 for Review and Discussion
 - Subject to Change -
 Not to be Reproduced

Enterprise Funds

Cemetery Enterprise Fund	Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund	Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$159,665	\$777,464	\$531,626	\$324,318	\$2,233,351	\$30,479	\$7,722,711
(62,080)	(324,669)	(243,799)	(1,092)	(431,586)	(67,894)	(3,079,216)
(142,030)	(339,853)	(151,832)	(332,766)	(1,322,903)	-	(3,440,730)
-	(35,004)	-	-	(40,599)	-	9,397
-	-	-	-	-	-	71,759
(44,445)	77,938	135,995	(9,540)	438,263	(37,415)	1,283,921
-	-	-	-	-	-	-
202,289	149,128	-	-	-	43,260	427,915
(748)	(62,766)	(28,523)	(2,967)	-	(4,389)	(119,604)
201,541	86,362	(28,523)	(2,967)	-	38,871	308,311
-	-	-	-	-	-	-
(148,008)	(14,923)	-	-	561,098	-	561,098
-	(5,246)	(100,000)	-	(877,082)	-	(847,615)
-	(25,269)	(52,779)	-	(200,644)	-	(797,926)
-	5,000	-	-	(25,936)	-	(154,448)
-	-	-	-	-	-	7,000
(148,008)	(40,438)	(152,779)	-	(22,564)	-	(1,231,891)
5,227	5,136	52,810	-	34,512	3,190	191,925
-	-	(5,436)	-	(25,462)	-	(30,618)
5,227	5,136	-	-	9,050	3,190	161,307
14,315	128,999	2,422	(12,507)	204,749	4,646	521,647
32,753	70,262	1,302,442	(141,839)	744,178	72,278	7,039,008
47,068	199,261	1,304,864	(154,346)	948,927	76,924	7,560,655
(75,841)	21,829	88,964	(35,926)	445,133	(53,522)	572,525
36,553	80,100	40,648	15,328	136,069	16,517	749,981
-	-	-	-	-	-	71,759
(6,280)	(314)	(789)	20,947	(104,545)	(15)	(127,965)
-	(35,004)	-	-	(40,599)	-	9,397
(1,482)	175	(70)	(17,279)	2,524	(395)	(54,917)
29	(281)	141	428	(134)	-	1,037
2,576	11,433	7,101	6,962	(185)	-	62,103
(\$44,445)	\$77,938	\$135,995	(\$9,540)	\$438,263	(\$37,415)	\$1,283,921
\$	(2,324)	-	\$	-	\$	(12,892)
-	-	-	-	5,000	-	5,890

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

CITY OF RAPID CITY
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2006

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Dental Insurance Fund	Workers Compensation Fund	Totals
ASSETS:						
Current Assets:						
101 Cash and Cash Equivalents	\$ 1,792,707	\$ 1,032,853	\$ 289,313	\$ 113,928	\$ 2,346,527	\$ 5,575,328
135 Interest Receivable	3,666	1,378	-	229	4,542	9,816
TOTAL ASSETS	\$ 1,796,373	\$ 1,034,232	\$ 289,313	\$ 114,157	\$ 2,351,069	\$ 5,585,144
LIABILITIES:						
Current Liabilities:						
202 Accounts Payable	\$ 561,738	\$ 205,290	\$ 3,504	\$ 1,700	\$ 932,126	\$ 1,704,359
Total Current Liabilities	561,738	205,290	3,504	1,700	932,126	1,704,359
NET ASSETS:						
253.90 Unrestricted Net Assets	1,234,635	828,942	285,809	112,457	1,418,943	3,880,786
TOTAL LIABILITIES AND NET ASSETS	\$ 1,796,373	\$ 1,034,232	\$ 289,313	\$ 114,157	\$ 2,351,069	\$ 5,585,144

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

CITY OF RAPID CITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Dental Insurance Fund	Workers Compensation Fund	Totals
Operating Revenue:						
380 Charges for Goods and Services	\$ 4,732,982	\$ 1,360,756	\$ 100,000	\$ 107,774	\$ 161,775	\$ 6,463,287
Operating Expenses:						
420 Other Current Expense	4,409,314	1,096,754	25,479	116,548	735,497	6,383,592
Operating Income (Loss)	323,668	264,003	74,521	(8,775)	(573,722)	79,695
Nonoperating Revenue (Expense):						
361 Investment Earnings (Loss)	51,778	37,663	-	4,147	92,336	185,924
360 Transfer In/Out	300,000	-	-	-	(300,000)	-
Change in Net Assets	675,446	301,666	74,521	(4,627)	(781,386)	265,619
Net Assets - Beginning	559,189	527,276	211,288	117,084	2,200,329	3,615,166
NET ASSETS - ENDING	\$ 1,234,635	\$ 828,942	\$ 285,809	\$ 112,457	\$ 1,418,943	\$ 3,880,785

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

CITY OF RAPID CITY
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Dental Insurance Fund	Workers Compensation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Interfund Services Provided	\$ 4,731,166	\$ 1,359,921	\$ 100,000	\$ 107,778	\$ 163,451	\$ 6,462,316
Payments for Claims & Services	(4,206,150)	(1,073,113)	(31,643)	(116,427)	(811,907)	(6,239,240)
Net Cash Provided (Used) by Operating Activities	525,016	286,808	68,357	(8,649)	(648,456)	223,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers In	300,000	-	-	-	-	300,000
Transfers Out	-	-	-	-	(300,000)	(300,000)
Net Cash Provided (Used) by Operating Transfers	300,000	-	-	-	(300,000)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Earnings	51,778	37,663	-	4,147	92,336	185,924
Net Cash Provided by Investing Activities	51,778	37,663	-	4,147	92,336	185,924
Net Increase (Decrease) in Cash and Cash Equivalents	876,794	324,471	68,357	(4,502)	(856,120)	409,000
Balances - Beginning	915,912	788,382	220,256	118,430	3,202,647	5,166,327
Balances- Ending	1,792,706	1,112,853	288,613	113,928	2,346,527	5,575,327
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (Loss)	323,607	264,003	76,891	(8,775)	(573,722)	79,695
Adjustments to Reconcile Operating Income to Change in Assets and Liabilities:						
Interest Receivable	(4,818)	(836)	-	4	1,676	(972)
Accounts Payables	203,109	28,647	(6,164)	122	(76,410)	144,353
Net Cash Provided (Used) by Operating Activities	\$ 525,016	\$ 286,808	\$ 68,357	\$ (8,649)	\$ (648,456)	\$ 223,076

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

CITY OF RAPID CITY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2006

	Deposits Held In Trust Fund	Payroll Withholding Fund	Section 125 Fund	Total
ASSETS:				
Cash and Cash Equivalents	\$ 796,866	\$ 286,476	\$ 32,654	\$ 1,115,996
TOTAL ASSETS	\$ 796,866	\$ 286,476	\$ 32,654	\$ 1,115,996
LIABILITIES:				
Due to Other Organizations	\$ 796,866	\$ 286,476	\$ 32,654	\$ 1,115,996
Total Liabilities	\$ 796,866	\$ 286,476	\$ 32,654	\$ 1,115,996

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

OTHER

SUPPLEMENTARY

INFORMATION

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
OCCUPANCY TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
314 Occupancy Tax	\$ 922,564	\$ 981,573
340 Charges for Goods and Services:		
342 Public Safety	-	-
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	3,090
363 Special Assessments	-	-
Total Revenue	<u>922,564</u>	<u>984,663</u>
Expenditures:		
490 Other Expenditures		
492 Other Expenditures	922,564	923,526
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	<u>922,564</u>	<u>923,526</u>
Excess of Revenue Over (Under) Expenditures	<u>-</u>	<u>61,137</u>
Other Financing Sources (Uses):		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	61,137
Fund Balance - Beginning	-	-
FUND BALANCE- ENDING	<u>\$ -</u>	<u>\$ 61,137</u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
REPAIR AND DEMOLITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
340 Charges for Goods and Services:		
342 Public Safety	50,000	5,173
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	3,638
363 Special Assessments	-	19,511
Total Revenue	<u>50,000</u>	<u>28,323</u>
Expenditures:		
420 Public Safety		
421 Police	50,000	8,131
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	<u>50,000</u>	<u>8,131</u>
Excess of Revenue Over (Under) Expenditures	-	20,192
Other Financing Sources (Uses):		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	20,192
Fund Balance - Beginning	89,772	89,772
FUND BALANCE- ENDING	<u>\$ 89,772</u>	<u>\$ 109,964</u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
HOUSING PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
331 Federal Grants		-
340 Charges for Goods and Services:		
342 Public Safety	-	-
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	-
367 Contributions and Donations	10,000	10,000
Total Revenue	10,000	10,000
Expenditures:		
460 Conservation and Development		
463 Community Development	0,000	10,000
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	10,000	10,000
Excess of Revenue Over (Under)		
Expenditures	-	-
Other Financing Sources (Uses):		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Balance - Beginning		-
FUND BALANCE- ENDING	\$ -	\$ -

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
RETIRED SENIOR VOLUNTEER FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
331 Federal Grants	108,696	50,531
340 Charges for Goods and Services:		
342 Public Safety	-	-
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	-
367 Contributions and Donations	-	37,721
Total Revenue	108,696	88,252
Expenditures:		
450 Culture and Recreation		
4xx Retired Senior Volunteers	108,696	93,037
43x Administration	-	-
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	108,696	93,037
Excess of Revenue Over (Under)		
Expenditures	-	(4,785)
Other Financing Sources (Uses):		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	(4,785)
Fund Balance - Beginning	14,625	14,625
FUND BALANCE- ENDING	\$ 14,625	\$ 9,840

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
331 Federal Grant	699,500	657,234
340 Charges for Goods and Services:		
342 Public Safety	-	-
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	25,690	7,522
360 Miscellaneous Revenue:		
361 Interest Earnings	-	-
Total Revenue	<u>725,190</u>	<u>664,756</u>
Expenditures:		
460 Community Development:		
463 Community Development	703,555	668,196
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	<u>703,555</u>	<u>668,196</u>
Excess of Revenue Over (Under)		
Expenditures	<u>21,635</u>	<u>(3,440)</u>
Other Financing Sources (Uses):		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	21,635	(3,440)
Fund Balance - Beginning	3,887	3,887
FUND BALANCE- ENDING	<u><u>\$ 25,522</u></u>	<u><u>\$ 447</u></u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
EDUCATION LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
340 Charges for Goods and Services:		
342 Public Safety	25,000	30,192
343 Public Works	-	-
345 Health and Welfare	-	-
346 Culture and Recreation	-	-
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	148
Total Revenue	<u>25,000</u>	<u>30,340</u>
Expenditures:		
420 Public Safety		
421 Police	25,000	30,981
470 Debt Service		-
485 Capital Outlay		-
Total Expenditures	<u>25,000</u>	<u>30,981</u>
Excess of Revenue Over (Under)		
Expenditures	-	(641)
Other Financing Sources (Uses)		
511 Transfers Out	-	-
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(641)
Fund Balance - Beginning	8,699	8,699
FUND BALANCE- ENDING	<u>\$ 8,699</u>	<u>\$ 8,058</u>

PRELIMINARY DRAFT
 For Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
LIBRARY BOARD FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
340 Charges for Goods and Services:		
346 Culture and Recreation		-
350 Fine and Forfeitures	-	-
354 Library	88,450	107,830
360 Miscellaneous Revenue:		
361 Interest Earnings	-	-
Total Revenue	<u>88,450</u>	<u>107,830</u>
Expenditures:		
450 Culture and Recreation		
455 Library	118,450	82,242
470 Debt Service		-
485 Capital Outlay		-
Total Expenditures	<u>118,450</u>	<u>82,242</u>
Excess of Revenue Over (Under)		
Expenditures	(30,000)	25,588
Other Financing Sources (Uses)		
511 Transfers Out	-	(26,000)
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(26,000)</u>
Net Change in Fund Balances	(30,000)	(412)
Fund Balance - Beginning	44,728	44,728
FUND BALANCE- ENDING	<u>\$ 14,728</u>	<u>\$ 44,316</u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

**CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Revenues:		
310 Taxes:		
313 General Sales and Use Taxes	\$ -	\$ -
340 Charges for Goods and Services:		
342 Public Safety	-	-
343 Public Works	-	-
345 Health and Welfare	-	-
348 Cemetery	20,500	3,020
349 Conservation and Development	-	-
360 Miscellaneous Revenue:		
361 Interest Earnings	-	-
Total Revenue	<u>20,500</u>	<u>3,020</u>
Expenditures:		
437 Cemetery	20,500	1,926
470 Debt Service	-	-
485 Capital Outlay	-	-
Total Expenditures	<u>20,500</u>	<u>1,926</u>
Excess of Revenue Over (Under)		
Expenditures	-	1,094
Other Financing Sources (Uses):		
511 Transfers Out	-	(14,738)
391.03 Sale of Municipal Property	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(14,738)</u>
Net Change in Fund Balances	-	(13,644)
Fund Balance - Beginning	95,640	95,640
FUND BALANCE- ENDING	<u>\$ 95,640</u>	<u>\$ 81,996</u>

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

STATISTICAL SECTION

This part of the City of Rapid City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents:

Financial Trends

These schedules contain trend information to assist the reader to understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, property and sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to assist the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service data to assist the reader understand how the information in the City's financial report relates to services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years. The City of Rapid City implemented GASB 34 in 2001 and schedules presenting government-wide data include information beginning in that year.

TABLE 1

CITY OF RAPID CITY
 NET ASSETS BY COMPONENT
 LAST FIVE FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Governmental Activities						
Invested in capital assets, net of related debt	\$103,023,640	\$129,638,772	\$144,262,639	\$160,503,057	\$132,910,951	\$143,729,290
Restricted	51,629,148	33,357,099	29,457,859	6,682,629	53,279,376	47,176,384
Unrestricted	23,135,428	32,746,186	24,352,521	45,050,470	46,666,209	51,199,627
Total governmental activities net assets	177,788,216	189,742,057	198,073,019	212,236,156	232,856,535	\$242,105,301
Business-type activities						
Invested in capital assets, net of related debt	128,415,997	139,162,346	149,103,293	158,723,257	169,802,852	188,750,708
Restricted	1,199,214	1,083,752	1,427,277	1,411,216	1,393,171	733,070
Unrestricted	14,353,546	14,422,444	15,414,180	14,418,186	18,455,480	18,759,835
Total business-type activities net assets	143,966,557	164,924,542	165,944,750	174,552,659	189,651,502	208,243,613
Primary government						
Invested in capital assets, net of related debt	231,437,437	262,831,118	293,365,933	319,226,314	302,713,802	332,479,998
Restricted	52,828,362	34,643,851	36,885,136	8,093,845	54,672,546	47,909,454
Unrestricted	37,488,974	46,921,630	39,766,701	59,468,656	65,121,689	69,959,462
Total primary government net assets	\$321,754,773	\$344,363,609	\$364,017,770	\$386,788,815	\$422,508,037	\$450,348,914

TABLE 2

CITY OF RAPID CITY
CHANGE IN NET ASSETS
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Expenses						
Governmental Activities						
General government	\$1,628,235	\$2,375,909	\$2,473,998	\$2,571,017	\$2,762,455	\$2,668,062
Public Safety	14,169,642	16,278,315	17,202,666	17,561,359	17,562,771	18,602,753
Public Works	7,947,188	11,400,648	13,000,716	13,298,573	12,571,139	13,607,081
Health and Welfare	1,494,006	2,161,437	1,700,072	1,784,414	1,997,014	2,164,755
Culture, Recreation	1,211,002	3,178,909	6,589,028	7,593,391	8,259,883	8,811,502
Conservation and Development	516,774	2,529,571	2,570,409	1,412,439	4,299,606	4,026,988
Interest on Long Term Debt	200,703	2,542,977	1,768,427	1,401,019	1,305,823	2,762,963
Miscellaneous Expenditures	304,379	1,161,300	363	841,713	452,179	3,406,407
Total governmental activities expenses	34,446,891	37,944,266	45,305,679	46,463,925	49,210,870	56,050,511
Business-type activities						
Water	4,810,038	5,371,019	5,308,407	5,660,967	6,312,383	7,193,375
Water Reclamation	3,103,449	3,892,913	4,333,321	5,094,496	5,524,521	6,329,099
Airport	3,318,293	4,034,760	3,850,454	4,122,545	4,501,446	4,942,984
Solid Waste Disposal	1,330,223	1,187,303	1,180,332	1,531,212	1,473,722	1,562,615
Solid Waste MRF	2,250,805	2,126,261	3,045,115	2,692,254	2,648,085	2,678,829
Civic Center	4,851,138	5,382,287	5,385,512	5,941,291	6,082,438	6,346,398
Solid Waste Collection	1,295,012	1,283,694	1,597,320	1,515,099	1,624,172	1,739,117
Executive Golf Course	294,414	388,184	334,131	256,268	265,590	269,630
Cemetery	197,382	205,236	241,376	257,614	247,501	241,786
Golf Course	714,682	640,032	917,716	786,569	767,098	781,217
Parking Lot and Area	451,355	531,941	475,762	417,396	421,837	496,220
Energy Plant	224,255	256,976	244,835	247,386	286,218	339,298
Ambulance	0	0	1,483,188	1,885,619	1,877,522	1,918,699
Transportation Terminal	70,244	72,038	73,520	66,387	74,275	84,016
Total business-type activities expenses	22,911,290	25,442,174	27,470,989	30,475,103	32,106,808	34,923,283
Total primary government expenses	\$57,353,181	\$63,386,440	\$72,776,668	\$76,939,028	\$81,317,678	\$90,973,794

Program Revenues:									
Governmental Activities									
General government	\$1,535,236	\$1,999,199	\$1,623,555	\$2,249,915	\$2,318,659	2,291,651			
Public Safety	624,170	703,490	871,023	778,487	819,212	1,034,516			
Public Works	45,249	427,115	2,711,044	1,007,620	2,869,211	1,579,149			
Health and Welfare	313,938	199,885	250,525	223,463	233,081	283,795			
Culture, Recreation	528,483	1,145,509	1,080,690	1,181,478	1,343,438	1,492,145			
Conservation and Development	100,000	204,425	31,103	172,473	139,406	72,701			
Operating Grants and Contributions	4,209,762	2,430,571	2,140,864	2,004,095	2,068,813	2,785,807			
Capital Grants and Contributions	95,000	0	3,917,163	9,150,725	9,709,472	1,586,051			
Total governmental activities	7,451,838	7,110,194	12,625,967	16,768,256	19,501,292	11,125,815			

Business-type activities						
Water	6,886,304	9,181,214	8,833,047	8,159,633	9,413,770	10,041,912
Water Reclamation	4,168,699	4,444,808	4,599,303	4,782,545	6,226,225	6,887,604
Airport	2,817,732	3,289,565	3,329,929	3,541,939	4,053,585	3,835,585
Solid Waste Disposal	175,162	1,694,972	1,676,636	1,532,669	1,548,491	1,814,979
Solid Waste MRF	2,323,340	2,212,296	2,754,032	3,238,640	3,413,875	3,354,528
Civic Center	2,321,799	2,809,576	2,995,192	3,140,706	3,525,052	3,082,211
Solid Waste Collection	1,206,025	1,526,468	1,508,526	1,571,225	1,685,053	1,756,437
Executive Golf Course	204,246	276,734	156,776	126,587	120,435	131,362
Cemetery	136,225	177,605	140,694	133,244	156,458	165,945
Golf Course	727,101	791,025	894,044	787,790	731,191	777,777
Parking Lot and Area	520,281	522,246	591,889	566,165	528,082	532,415
Energy Plant	199,631	228,889	198,671	201,643	328,026	303,371
Ambulance	0	0	1,656,598	2,310,001	2,363,240	2,337,896
Transportation Terminal	29,544	59,083	28,867	32,570	33,387	30,494
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	1,856,610	598,981	2,627,049	5,382,212	9,257,768	10,439,307
Total business-type activities	25,185,836	30,388,949	31,991,253	35,507,569	43,374,638	45,491,823

Total primary government program revenue	\$32,637,674	\$37,499,143	\$44,617,220	\$52,275,825	\$62,875,930	56,617,638
--	--------------	--------------	--------------	--------------	--------------	------------

Net (Expense) Revenue						
Governmental Activities	(\$26,990,053)	(\$30,834,072)	(\$32,679,712)	(\$29,695,669)	(\$29,709,578)	(44,924,698)
Business-type Activities	2,274,546	4,946,775	4,520,264	5,032,466	11,267,830	10,568,539
Total primary government net expenses	(\$24,715,507)	(\$25,887,297)	(\$28,159,448)	(\$24,663,203)	(\$18,441,748)	(34,356,158)

General Revenue and other changes net assets

Governmental activities:									
Taxes:									
Property Taxes	\$8,651,343	\$9,274,656	\$9,032,940	\$9,074,257	\$11,132,203	12,258,052			
Sales Taxes	27,764,545	27,774,001	32,048,237	32,484,575	35,652,430	38,875,471			
Other Taxes	352,647	1,505,890	570,792	252,291	760,324	1,791,451			
State Shared Revenue	823,628	1,019,875	881,196	1,013,404	888,271	1,101,198			
County Shared Revenue	231,365	222,960	232,901	241,368	241,891	246,342			
Non-program Grants and Contributions	54,501	245,602	135,654	60,571	40,574	47,801			
Unrestricted Investment Earnings	3,246,197	2,671,849	1,105,617	1,160,917	1,290,324	4,459,221			
Miscellaneous Revenue	1,329,151	1,014,342	328,199	229,443	154,137	163,020			
Gain (Loss) on disposal of Capital Assets	0	0	(93,316)	115,937	569,595	(248,867)			
Transfers	(805,085)	(1,241,262)	(1,058,976)	(773,944)	(772,400)	(4,520,224)			
Total Governmental activities	41,648,292	42,487,913	43,183,244	43,858,819	49,957,348	54,173,465			

Business-type activities:						
Taxes						
Sales Taxes	2,000,389	2,143,193	2,331,448	2,332,024	2,498,853	2,634,751
Other Taxes	174,279	419,215	180,569	152,877	293,088	169,500
Unrestricted Investment earnings	656,552	304,233	369,269	375,062	358,223	691,989
Miscellaneous Revenue	1,002,208	1,002,208	2,410,139	(88,300)	191,356	13,892
Gain (Loss) on disposal of Capital Assets	0	0	(132,151)	29,836	(219,115)	(6,785)
Transfers	805,085	1,241,262	1,058,976	773,944	772,400	4,520,225
Total Business-type activities	3,579,105	6,908,011	6,218,250	3,575,443	3,894,806	8,023,571
Total Primary Government	\$45,227,397	\$49,395,924	\$49,401,494	\$47,434,262	\$53,852,154	\$62,197,035

Change in Net Assets						
Governmental Activities	\$14,658,239	\$17,653,341	\$10,503,532	\$14,163,150	\$20,247,770	9,248,767
Business-type Activities	5,853,651	10,954,886	10,738,514	8,607,907	15,162,636	18,592,110
Total Primary Government	\$20,511,890	\$28,608,227	\$21,242,046	\$22,771,057	\$35,410,406	27,840,877

TABLE 3

CITY OF RAPID CITY
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002*	2003	2004	2005	2006
General Fund										
Reserved	\$687	\$1,194	\$1,076	\$1,974	\$963	\$40	\$509	\$751	\$1,072	\$920
Unreserved	8,134	8,939	11,655	13,732	16,259	17,840	17,815	17,409	17,470	16,792
Total general fund	\$8,821	\$10,133	\$12,731	\$15,306	\$17,222	\$17,880	\$18,324	\$18,160	\$18,542	\$17,712
All Other Governmental Funds										
Reserved	\$13,111	\$13,838	\$13,209	\$15,207	\$19,786	\$10,158	\$8,449	\$9,441	\$55,241	48,454
Unreserved, reported in										
Special Revenue	19,512	19,736	20,171	23,008	30,376	31,486	22,269	19,069	22,985	28,999
Capital Projects	8,146	9,280	1,264	8,233	0	0	0	0	0	0
Total All Other Governmental Funds	\$40,769	\$42,854	\$34,644	\$46,448	\$50,162	\$41,644	\$30,718	\$28,510	\$78,226	95,165

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change -
 Not to be Reproduced

* Implementation of GASB 34 changed the nature of reserved funds

TABLE 4

CITY OF RAPID CITY
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$28,127	\$29,961	\$33,653	\$34,533	\$36,341	\$37,021	\$41,482	\$42,391	\$47,078	52,279
Licenses and Permits	749	961	1,047	1,110	1,345	1,440	1,414	1,874	2,048	2,019
Intergovernmental	3,886	4,234	3,410	3,857	3,278	3,591	3,293	3,259	3,139	4,134
Charges for Services	578	708	680	849	1,805	3,098	4,963	3,500	5,616	4,503
Fines and Forfeits	57	47	76	140	173	157	190	240	158	231
Miscellaneous	4,321	4,182	3,861	5,974	3,153	4,740	1,837	1,703	1,866	4,792
Total Revenues	37,718	40,093	42,727	46,438	49,995	50,047	53,179	52,967	59,905	67,958
Expenditures:										
General government	1,139	1,222	1,264	1,339	1,768	1,814	1,914	2,092	2,283	2,215
Public Safety	12,620	13,151	13,821	13,592	14,534	15,219	15,884	16,531	16,938	18,022
Public Works	9,267	7,366	15,102	10,734	11,331	4,181	7,159	7,267	5,782	6,306
Health and Welfare	1,106	1,262	1,498	1,395	1,893	2,970	1,515	1,639	1,868	2,007
Culture and Recreation	8,236	4,007	7,792	5,541	14,194	5,055	5,507	6,498	6,988	7,497
Development	4,593	3,244	2,251	3,717	3,468	2,460	2,518	1,397	4,252	4,007
Debt Service										
Interest	2,124	1,926	1,750	1,638	2,369	2,584	1,830	1,463	1,376	2,842
Principal	4,355	4,635	4,951	4,326	5,111	5,342	6,716	5,392	5,987	7,264
Capital Outlay	0	0	0	0	0	1,172	20,270	11,982	10,861	11,479
Miscellaneous	327	331	279	0	6	1,052	0	842	452	3,406
Total Expenditures	43,767	37,144	48,708	42,282	58,469	56,932	63,313	55,103	56,787	65,045
Excess of Revenue Over(Under) Expenditures	(6,049)	2,949	(5,981)	4,156	(9,374)	(6,885)	(10,134)	(2,136)	3,118	2,913
Other Financing Sources (Uses)										
Transfers In	5,335	5,339	9,840	8,522	14,089	12,564	3,027	1,060	1,539	1,550
Transfers Out	(5,248)	(5,031)	(9,642)	(8,305)	(14,894)	(13,805)	(4,086)	(1,834)	(2,011)	(6,070)
Payment to Bond Agent	0	0	0	0	0	(13,424)	0	0	0	0
Proceeds for borrowing	400	82	135	10,000	14,405	13,314	0	160	46,824	0
Sales of Property	323	56	38	6	123	377	20	378	629	4
Total Other Financing										

Sources (Uses)	810	446	371	10,223	13,723	(974)	(1,039)	(236)	46,981	(4,517)
----------------	-----	-----	-----	--------	--------	-------	---------	-------	--------	---------

CITY OF RAPID CITY
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued)
 LAST TEN FISCAL YEARS (UNAUDITED)
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net Change in Fund Balance	\$5,239	\$3,395	(\$5,610)	\$14,739	\$4,349	(\$7,859)	(\$11,173)	(\$2,372)	\$50,099	(\$1,604)
Debt Services as a Percentage of Noncapital Expenditures	14.8%	17.7%	13.8%	14.1%	13.3%	19.4%	19.9%	15.9%	16.0%	18.9%

PRELIMINARY
 for Review
 Subject to Change
 Not for Distribution

CITY OF RAPID CITY
 GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bank Franchise Tax	Liquor Tax	Amusement Tax	Gross Receipts Tax	Total
1997	6,559	21,369	189	43	267	10	0	28,437
1998	7,016	22,729	205	71	268	11	0	30,300
1999	7,379	26,042	220	57	272	11	0	33,981
2000	7,940	26,286	296	73	293	11	0	34,899
2001	8,224	27,764	311	62	277	42	0	36,680
2002	8,938	27,774	265	87	294	43	0	37,401
2003	9,077	32,048	356	38	295	0	0	41,814
2004	9,622	32,484	284	92	339	0	0	42,821
*2005	11,063	35,652	362	74	309	0	0	47,460
2006	12,011	38,875	410	58	333	0	77	51,764

* first year developer funded Tax Increment Districts part of governmental funds

CITY OF RAPID CITY
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Real Property		Personal Property		Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value (2)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value						
1997	1,786,328,551	1,984,809,501	(1)	(1)	1,786,328,551	1,984,809,501			.90	
1998	1,874,317,559	2,082,575,065	(1)	(1)	1,874,317,559	2,082,575,065			.90	
1999	2,075,593,779	2,441,875,034	(1)	(1)	2,075,593,779	2,441,875,034			.85	
2000	2,227,338,452	2,620,397,647	(1)	(1)	2,227,338,452	2,620,397,647			.85	
2001	2,316,510,219	2,725,306,140	(1)	(1)	2,316,510,219	2,725,306,140			.85	
2002	2,628,305,467	3,092,124,079	(1)	(1)	2,628,305,467	3,092,124,079			.85	
2003	2,914,381,622	3,428,684,261	(1)	(1)	2,914,381,622	3,428,684,261			.85	
2004	3,220,316,408	3,788,607,539	(1)	(1)	3,220,316,408	3,788,607,539			.85	
2005	3,438,568,538	4,045,374,751	(1)	(1)	3,438,568,538	4,045,374,751			.85	
2006	3,727,410,934	4,385,189,334	(1)	(1)	3,727,410,934	4,385,189,334			.85	

PRELIMINARY DRAFT
 for Review and Discussion
 Subject to Change
 Not to be Reproduced

SOURCE: Pennington County Auditor, Director of Equalization and South Dakota Department of Revenue

- (1) No personal property assessed in state.
- (2) Ratio percentage indicates full and true assessed value of real property only versus estimated actual value.

The City has no General Obligation Bonded Debt; therefore, no statistics are provided G.O. bonded debt to assessed value.

CITY OF RAPID CITY
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Commercial Construction		Residential Construction	
	No. of Permits	Value	No of Permits	Value
1997	113	33,594,795	121	13,565,401
1998	104	32,258,389	148	29,963,485
1999	189	37,063,182	144	19,312,876
2000	91	38,721,168	146	18,483,752
2001	146	37,405,560	201	25,505,215
2002	48	42,644,786	312	55,656,291
2003	47	22,750,813	376	55,749,978
2004	79	33,144,799	456	77,101,976
2005	60	34,755,729	475	70,648,172
2006	82	55,259,062	355	66,530,424

PRELIMINARY DRAFT
for Review and Discussion
Subject to Change
Not to be reproduced

(1) Source: Pennington County Auditor and Director of Equalization. Values are not assigned to exempt (nontaxable) property.

TABLE 6

ASSESSED		
COMMERCIAL (1)	PROPERTY VALUE RESIDENTIAL (1)	NONTAXABLE (1)
740,883,494	1,045,445,057	N/A
723,023,877	1,151,293,682	N/A
839,782,116	1,235,811,663	N/A
976,300,331	1,251,038,121	N/A
1,178,585,340	1,137,924,879	N/A
1,079,998,360	1,548,307,107	N/A
1,216,205,021	1,698,176,501	N/A
1,376,532,288	1,843,784,120	N/A
1,422,673,534	2,015,895,004	N/A
1,504,953,522	2,222,457,412	N/A

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

CITY OF RAPID CITY
 PROPERTY TAX RATES – ALL OVERLAPPING GOVERNMENTS
 (PER \$1000 OF ASSESSED VALUATION)
 LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	City						Total
	General Fund	Special Revenue Funds	Debt Service Funds	Total	School District	County	
1997	3.64	.00	.00	3.64	20.57	5.82	30.03
1998	3.66	.00	.00	3.66	20.68	5.75	30.09
1999	3.48	.00	.00	3.48	20.65	5.49	29.62
2000	3.42	.00	.00	3.42	18.72	5.39	27.53
2001	3.47	.00	.00	3.47	18.73	5.44	27.64
2002	3.30	.00	.00	3.30	17.71	5.18	26.19
2003	3.15	.00	.00	3.15	16.82	4.94	25.01
2004	3.06	.00	.00	3.06	16.40	4.73	24.19
2005	3.03	.00	.00	3.03	16.01	4.70	23.74
2006	2.97	.00	.00	2.97	15.16	4.58	22.71

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

TABLE 8

CITY OF RAPID CITY
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
 DECEMBER 31, 2006

Taxpayer	Type of Business	2006 Assessed Valuation	Percent of Total Assessed Valuation
SM Rushmore Mall	Shopping Mall	\$46,786,000	1.26%
Wal-Mart	Discount Retail	\$17,591,000	.47%
Rushmore Plaza	Holiday Inn Motel	\$15,361,200	.41%
Perkins Delaware LLC	Shopping Center	\$14,471,600	.39%
Regency Rapid City	Ramada Inn Convention Center	\$12,734,500	.34%
LaCrosse Investors LLP	Apartment Complex	\$10,600,000	.28%
Lowes Home Center Inc.	Retail	\$10,488,000	.28%
Sam's Real Estate	Retail (Sam's Club)	\$10,469,500	.28%
Physician's Real Estate LLC	Medical Clinic	\$10,381,900	.28%
Menard Inc	Retail	\$10,369,300	.28%
		\$159,253,000	4.27%

CITY OF RAPID CITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1997	6,093,244	5,981,462	98.2	216,049
1998	6,497,261	6,459,222	99.4	159,778
1999	6,851,362	6,715,864	98.0	190,486
2000	7,230,027	7,083,521	98.0	247,413
2001	7,656,404	7,431,485	97.0	54,709
2002	8,034,700	7,914,265	98.5	195,193
2003	8,681,463	8,578,222	98.8	195,258
2004	9,250,197	9,050,289	97.8	162,855
2005	9,858,569	9,723,319	98.6	118,992
2006	10,509,138	10,113,356	97.3	205,243

PRELIMINARY DRAFT
for Review and Discussion
Subject to Change —
Not to be Reproduced

(1) Outstanding delinquent taxes, although relatively minor, are not known by the City and assumed to be negligible.

N/A Not Available

TABLE 9

Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes To Tax Levy
6,197,511	101.7	(1)	(1)
6,619,000	102.5	(1)	(1)
6,906,350	100.8	(1)	(1)
7,330,934	101.4	(1)	(1)
7,486,194	97.8	(1)	(1)
8,109,458	100.9	(1)	(1)
8,773,980	101.1	(1)	(1)
9,213,144	98.9	(1)	(1)
9,842,302	99.8	(1)	(1)
10,318,598	98.2	(1)	(1)

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

TABLE 10

CITY OF RAPID CITY
 TAXABLE SALES BY CATEGORY
 LAST TEN FISCAL YEARS (UNAUDITED)
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
A. Agriculture, Forestry	\$8,658	\$9,064	\$9,598	\$10,399	\$11,692	\$12,181	\$14,167	\$15,255	\$16,533	17,372
B. Mining	9,805	8,594	10,143	14,045	11,881	12,365	13,074	12,251	14,518	17,175
C. Construction	4,365	4,537	3,794	4,519	5,148	4,723	3,469	3,137	3,096	2,866
D. Manufacturing	38,604	36,155	34,857	39,681	42,884	59,508	57,201	56,610	61,712	74,599
E. Transportation & Utility	123,834	124,934	133,779	139,929	149,406	185,955	170,370	189,469	180,379	197,472
F. Wholesale Trade	116,384	114,595	120,555	122,244	125,566	130,912	124,906	127,620	93,439	99,669
G. Retail Trade	773,760	803,704	840,496	894,426	912,409	896,949	1,014,298	1,100,896	1,218,739	1,141,396
H. Finance, Insurance	16,175	16,472	18,683	19,763	20,608	23,656	30,653	39,245	42,497	40,047
I. Services	238,189	239,430	247,537	252,819	270,043	278,365	297,209	307,191	321,978	347,832
J. Public Administration	0	0	0	0	0	53	47	0	0	0
K. Other	483	487	297	0	0	0	0	0	42	63
Total	1,330,257	1,357,972	1,419,714	1,507,830	1,566,080	1,604,667	1,725,394	1,851,674	1,952,933	1,938,491

Source: SD Department of Revenue

CITY OF RAPID CITY
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2006 (UNAUDITED)

<u>ASSESSED VALUE OF TAXABLE PROPERTY (1)</u>	<u>\$3,727,410,934</u>
DEBT LIMITS – General Purposes	
Debt Limitation – 5% of Assessed Value	186,370,547
Utilities (Water & Sewer) – 10% of Assessed Value	372,741,093
Streets, Railways or Electric – 8% of Assessed Value	<u>298,192,875</u>
Total Debt Limit	<u>857,304,515</u>
DEBT APPLICABLE TO LIMITATION	
General Purpose (5%)	
Sales Tax Bonds	64,036,300
Parking Revenue Bonds	1,355,000
Airport Certificate of Participation	1,100,000
SRF Loans	<u>13,227,256</u>
	79,718,556
Utilities (10%)	
Outstanding Debt	000
Street Railways or Electric (8%)	
Outstanding Debt	<u>000</u>
Total Applicable Debt	79,718,556
LONG TERM OBLIGATIONS NOT SUBJECT TO LIMITATION	<u>1,630,000</u>
TOTAL DEBT AND LONG TERM OBLIGATIONS	<u>\$81,348,556</u>

Source: Pennington County Auditor (includes Railroads and Utilities)

CITY OF RAPID CITY
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS (UNAUDITED)
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$410,856	\$431,093	\$477,386	\$512,285	\$632,797	\$634,358	\$670,608	\$740,673	\$790,871	\$857,305
Total net debt applicable to limit	51,033	45,941	41,328	48,196	55,984	55,984	55,000	49,509	87,400	79,719
Legal debt margin	\$359,823	\$385,152	\$436,058	\$466,089	\$576,813	\$578,374	\$615,608	\$691,164	\$703,471	\$777,586
Total net debt applicable to the limit as a percentage of debt limit	12.42%	10.66%	8.66%	9.02%	10.51%	8.83%	8.20%	6.68%	11.05%	9.30%

PRELIMINARY DRAFT
 Subject to Review and Discussion
 Not to be Reproduced

CITY OF RAPID CITY
 REVENUE BOND COVERAGE
 WATER, WASTEWATER, AIRPORT AND PARKING BONDS
 LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses	Net Revenue Available for Debt Service
1997	10,937,584	6,671,298	4,266,286
1998	11,851,295	7,096,416	4,754,879
1999	12,403,076	7,257,214	5,145,862
2000	14,104,444	7,634,291	6,470,153
2001	16,692,689	8,195,696	8,496,993
2002	21,527,982	9,640,108	11,887,874
2003	14,192,199 (1)	6,997,315 (1)	7,194,884
2004	17,449,743	10,362,410	7,087,331
2005	20,928,615	11,650,025	9,278,590
2006	21,885,948	13,805,413	8,080,535

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

(1) Does not include Airport information as debt has been serviced.
 (2) Does not include capital grants or capital contributions.

TABLE 13

Debt Service Requirements			
<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>COVERAGE</u>
710,977	696,131	1,407,108	3.03
942,063	749,691	1,691,754	2.81
948,111	743,745	1,691,856	3.04
890,062	582,068	1,472,130	4.39
1,019,057	500,275	1,519,332	5.59
993,108	675,897	1,669,005	7.12
1,071,672	(3) 739,994	1,811,666	2.52
1,147,940	785,442	1,933,382	2.73
1,488,399	950,452	2,439,751	2.63
1,558,739	776,582	2,335,321	2.89

(3) Parking debt was refunded. Principal payment was netted to refunding proceeds.

TABLE 14

CITY OF RAPID CITY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Population	Per Capita Income (1)	Median Age (4)	School Enrollment (2)	Unemployment Rate (1)
1997	54,523 (3)	21,076	N/A	13,960	3.1%
1998	54,523 (3)	23,858	N/A	13,629	2.5%
1999	54,523 (3)	25,088	N/A	13,733	2.5%
2000	59,607 (4)	24,341	34.8	13,335	2.0%
2001	60,318 (5)	27,181	34.8	13,033	3.1%
2002	61,435(5)	26,431	34.8	12,832	2.9%
2003	62,552 (5)	27,122	34.8	12,657	3.7%
2004	64,021 (5)	27,945	34.8	12,914	3.3%
2005	65,891 (5)	28,758	34.8	12,932	3.7%
2006	67,447 (5)	N/A	34.8	13,018	3.1%

(1) Pennington County. Statistics per S.D. Department of Labor

(2) Rapid City Independent School District

(3) Official 1990 Census

(4) Official 2000 Census

(5) Estimate provide by the City Transportation Planner

N/A Not Available

TABLE 15

CITY OF RAPID CITY
PRINCIPAL EMPLOYERS (UNAUDITED)
DECEMBER 31, 2006

Employer	Employees	Rank	Percentage Of Employed Work Force
Ellsworth AFB	4,525	1	8.60%
Rapid City Regional Hospital	2,824	2	5.37%
Rapid City Area School District	1,619	3	3.08%
Black Hills Corporation	750	4	1.43%
City of Rapid City	685	5	1.30%
Sanmina – SCI	660	6	1.25%
Pennington County	525	7	.99%
Riddles Jewelry	500	8	.95%
Green Tree Servicing	470	9	.89%
Family Thrift Center	350	10	.67%
	12,908		24.53%

Resource: Rapid City Area Chamber of Commerce

CITY OF RAPID CITY
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
 DECEMBER 31, 2006

Function:	2006	2005	2004	2003	2002	2001
General Government	30	29	29	28	28	28
Public Safety:						
Police	131	129	128	128	123	123
Fire	106	106	112	111	99	111
Code Enforcement	3	3	3	3	3	3
Advocates for Community	1	2	2	2	2	0
Public Works:						
Streets	50	50	50	50	50	45
Public Works Administration	25	24	24	24	23	23
Water Operations	36	36	36	36	36	36
Wastewater Operations	28	27	27	27	25	24
Solid Waste Collection	12	12	12	12	19	19
Solid Waste Disposal	8	7	7	7	7	7
Waste Municipal Recycling	24	23	23	23	13	11
Health and Welfare:						
Ambulance	4	4	4	17	0	0
Public Transit	23	20	19	19	19	19
Air Quality	7	1	1	1	1	1
Culture and Recreation:						
Recreation	3	3	4	4	3	3
Ice Arena	4	4	4	4	3	0
Golf Course	7	6	6	6	6	6
Parks	20	20	20	20	19	17
Swimming Pools	6	6	6	2	2	2
Cemetery	3	3	3	3	2	2
Library	33	33	33	33	28	22
Parks & Rec. Administration	2	2	2	0	0	0
Civic Center	33	33	33	33	33	32
Energy Plant	7	7	7	7	7	6
RSVP	2	2	2	2	2	2
Airport Operations	19	18	17	17	17	17
Conservation and Development:						
GIS Mapping	4	4	4	4	4	4
Growth Management	30	29	29	29	29	29
Transportation Planning	4	4	4	4	4	4
Community Development	2	2	2	2	2	2
Parking Lot & Area	4	4	4	4	4	4
	685	672	670	662	613	602

Based on Permanent Budgeted Employees

CITY OF RAPID CITY
MISCELLANEOUS STATISTICS (UNAUDITED)
DECEMBER 31, 2006

Date of Incorporation -- February 1883

Form of government -- Mayor/Council

Area -- Square Miles -- 50.132

Miles of Streets -- 435.35
Number of Street Lights -- 3,717

Fire Protection
 Number of Stations -- 6
 Number of Fire Fighters and Officers (including EMS) -- 130
 Fire Hydrants -- 3,587

Police Protection
 Number of Stations -- 1
 Number of Police and Officers -- 141

Education (Elementary Only)
 Attendance Centers -- 16
 Number of Students -- 5,975

Municipal Water Department
 Number of Residential Consumers -- 20,285
 Average Residential Monthly Consumption -- 8,228 gallons
 Miles of Water Main -- 397

Sewers
 Miles of Sanitary Sewer -- 308
 Miles of Storm Sewer -- 139.55

Building Permits Issued (including Remodeling and Repair) -- 2,940

Recreation and Culture
 Number of Parks -- 29 (Consisting of 1,650 acres)
 Number of Libraries -- 1
 Number of Volumes -- 100,000

City Employees -- 685.25

Total Salaries -- \$30,587,866

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

CITY OF RAPID CITY
 SURETY BONDS (UNAUDITED)
 DECEMBER 31, 2006

Finance Officer

Bonding Company:	Western Surety Company	
Bond Number:	5712517	
Expiration Date:	Continued until Canceled	
Coverage	James Preston	\$ 250,000

ADDITIONAL COVERAGE

Bonding Company	Western Surety Company	
Bond Number:	5131714	
Expiration Date:	Continued Until Canceled	
Coverage:	All Officers and Employees	
	Except Finance Officer	5,000
	Assistant Finance Officer	125,000
	Civic Center Manager	100,000
	Civic Center Business Manager	100,000
	Civic Center Admin. Secretary	100,000
	Administrator, Computer Services	50,000
	Civic Center Concession Manager	50,000

PRELIMINARY DRAFT
 for Review and Discussion
 — Subject to Change —
 Not to be Reproduced

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

Alan Hanks, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

We have audited 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 Rapid City (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated _____. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2006-1 to be a significant deficiency in internal control over financial reporting.

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, city council, others within the entity, and Department of Legislative Audit and is not intended to be, and should not be, used by anyone other than those specified parties. However, as required by OMB Circular A-133 and South Dakota Codified Law 4-11-11 this report is a matter of public record and its distribution should not be limited.

KETEL THORSTENSON, LLP
Certified Public Accountants

_____, 2007

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Alan Hanks, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

Compliance

We have audited the compliance of the **CITY OF RAPID CITY** (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliances. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as 2006-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is solely intended for the information of the Mayor, Common Council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, as required by OMB Circular A-133 and South Dakota Codified Law 4-11-11 this report is a matter of public record and its distribution should not be limited.

PRELIMINARY DRAFT
for Review and Discussion
— Subject to Change —
Not to be Reproduced

KETEL THORSTENSON, LLP
Certified Public Accountants

_____, 2007

CITY OF RAPID CITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	CFDA Numbers	Amount
U.S. Department of Housing and Urban Development:		
<i>Direct Federal Funding:</i>		
Community Development Block Grant/Entitlement	14.218	\$ 657,234
EDI Special Purpose Grant	14.251	447,075
Total U.S. Department of Housing and Urban Development		1,104,309
U.S. Department of the Interior:		
<i>Pass-Through the SD Department of Education and Cultural Affairs:</i>		
Historic Preservation Fund Grant-in-Aid	15.904	9,259
U.S. Department of Justice:		
<i>Direct Federal Funding:</i>		
Supplemental Police Hiring	16.580	8,933
Community Capacity Development Office Program	16.595	129,916
Bullet Proof Vest Partnership Program	16.607	1,498
<i>Pass-Through the S.D. Department of Commerce and Regulation:</i>		
Enforcing Underage Drinking Laws Program	16.727	2,074
FBI - National Incident Based Reporting System Grant	16.733	14,297
Coverdell Forensic Science Grant	16.742	20,230
Total U.S. Department of Justice		176,948
U.S. Department of Transportation:		
<i>Pass-Through the S.D. Department of Transportation:</i>		
Airport Improvement Program	20.106	9,287,874
Highway Planning and Construction	20.205	193,261
Federal Transit - Metropolitan Planning Grants	20.505	19,335
<i>Pass-Through the S.D. Department of Public Safety:</i>		
Over Time/Bill Board Grant	20.660	4,858
Serious Traffic Offender Programs	20.608	99,214
<i>Direct Federal Funding:</i>		
Federal Transit - Capital and Operating Assistance Federal Grant	20.507	1,067,717
Interagency Hazardous Material Public Sector Training and Planning Grant	20.703	12,432
Total U.S. Department of Transportation		10,684,691
U.S. General Services Administration:		
<i>Pass-Through the S.D. Federal Property Agency:</i>		
Donation of Federal Surplus Personal Property	39.003	66,114
National Foundation of the Arts and Humanities		
<i>Pass-Through S.D. Arts Council</i>		
Promotion of the Arts and Humanities Grant	45.025	1,500
U.S. Environmental Protection Agency:		
<i>Direct Federal Funding:</i>		
Congressional Mandated Projects	66.202	622,805
Air Quality Grant Performance Partnership Grant	66.605	50,993
Total U.S. Environmental Protection Agency		673,798
Corporation for National and Community Service:		
<i>Direct Federal Funding:</i>		
Retired and Senior Volunteer Program	94.002	43,062
U.S. Department of Homeland Security		
<i>Pass-Through the S.D. Department of Public Safety</i>		
Assistance to Firefighter Grant	97.044	28,100
HLS Training	97.067	7,319
Total U.S. Department of Homeland Security		35,418
Total		\$ 12,795,099

Note 1 - Basis of Accounting - This schedule is prepared on the accrual basis of accounting

CITY OF RAPID CITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Rapid City (the City).
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards. The significant deficiency is not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. The significant deficiency is not considered a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs.
7. The programs tested as major programs were the U.S. Department of Housing and Urban Development, CFDA# 14.251, EDI Special Purpose Grants, the U.S. Department of Transportation, CFDA# 20.106, Airport Improvement Program, and the U.S. Environmental Protection Agency, CFDA # 66.202, Congressional Mandated Projects.
8. The threshold for distributing types A and B programs was \$383,853.
9. The City was considered a low risk auditee under the criteria established in OMB Circular A-133.

B. Findings -- Financial Statement Audit

Significant Deficiency -- Not Considered a Material Weakness

2006-1: Audit Adjustments

Finding and Analysis: During the course of our audit engagement, we proposed material audit adjustments that resulted in approximately a \$700,000 increase in the reported change in net assets. Adjustments included recording additional sales tax receivable, increase the allowance for doubtful accounts, adjustments to net asset classifications, and recording unrecorded accounts payable. In addition, various entries were proposed as a part of the audit, but were not recorded due to the overall insignificance on the financial statements. These adjustments would not have been identified as a result of the Company's existing internal controls, and therefore, could have resulted in a material misstatement of the Company's financial statements. Under the new Statement of Auditing Standards (SAS) 112, *Communicating Internal Control Related Matters Identified in an Audit*, this becomes a significant deficiency that is required to be reported.

Recommendations: Accounting staff should ensure that year-end cutoff for sales tax receivable and accounts payable are proper. The allowance for doubtful accounts should be evaluated at least annually. Net asset classifications should be reviewed during the preparation of the financial statements. In addition, we recommend changes in operations be continually reviewed for potential changes in accounting so that the appropriate entries can be made throughout the year.

CITY OF RAPID CITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

B. Findings -- Financial Statement Audit (Continued)

Significant Deficiency -- Not Considered a Material Weakness (Continued)

2006-1: Audit Adjustments (Continued)

Corrective Action Plan: Due to the compressed time frame to prepare and produce financial statements, obtaining accurate accruals is a challenge. Migration to a new accounting system in July of 2007, should produce a time savings that will allow for better review and monitoring of payables and receivables.

C. Findings and Questioned Costs -- Major Federal Award Program Audit

Significant Deficiency -- Not Considered a Material Weakness

2006-2: Subrecipient Monitoring

Finding and Analysis:

The City, as a pass-through entity for certain federal grants, has several compliance requirements under OMB Circular A-133. These compliance requirements include award identification, during-the-award monitoring, and subrecipient audits. We identified no noncompliance with subrecipient compliance requirements for the year ended December 31, 2006. However, during our audit engagement, we noted that the City does not have formal internal control processes to identify all subgrants or to determine that subrecipient compliance requirements are met.

Effect: If the City does not identify subgrants and determine that compliance requirements are met, the subrecipient may be noncompliant resulting in questioned costs and a possible liability to return the federal grant funding.

Recommendations:

The City should establish an internal control process to identify all subgrants and to determine that subrecipient compliance requirements are monitored and met.

Corrective Action Plan: We will make every effort to educate staff and administration of the importance of following proper procedures that are currently in place (committee recommendation and Council approval) in applying for and accepting grant funds.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings in the December 31, 2005, audit.