

CITY OF KECHI, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
City of Kechi
Kechi, Kansas

We have audited the accompanying financial statements of the City of Kechi, Kansas, as of and for the year ended December 31, 2011, and the individual fund financial statements of the City as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements which were audited by other auditors whose report dated April 7, 2011, expressed an unqualified opinion that the financial statements were fairly presented in accordance with the cash basis and budget laws of the State of Kansas.

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

As described in Note 1, the City of Kechi, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Kechi, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Kechi, Kansas, as of December 31, 2011, and its cash receipts, cash disbursements and expenditures compared to budget, for the year then ended on the basis of accounting described in Note 1. Also, in our opinion, the individual fund financial statements as of and for the year ended December 31, 2011, present fairly, in all material respects, the unencumbered cash balances and cash receipts and expenditures, on the basis of accounting described in Note 1.

George, Bowerman & Noel, P.A.

Wichita, Kansas
May 10, 2012

CITY OF KECHI, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 83,649	\$ 853,527	\$ 778,402	\$ 158,774	\$ 1,612	\$ 160,386
Special Revenue Funds:						
Special Street and Highway	50,940	70,335	13,696	107,579	-	107,579
Debt Service Funds:						
Bond and Interest	7,621	888,598	882,302	13,917	-	13,917
Capital Project Funds:						
Rock Pointe Addition	11,874	2,866,575	2,878,449	-	-	-
Capital Improvement	21,679	20,000	-	41,679	-	41,679
Equipment Reserve	17,703	15,000	16,052	16,651	-	16,651
Enterprise Funds:						
Waterworks Utility	109,735	399,126	295,171	213,690	5,051	218,741
Sewer Utility	41,492	231,834	184,887	88,439	8,695	97,134
Gas Utility	27,142	426,650	453,328	464	-	464
Recycling	2,152	36,511	34,049	4,614	-	4,614
Solid Waste	1,712	68,069	66,248	3,533	-	3,533
Waterworks Reserve	18,869	15,000	-	33,869	-	33,869
Sewer Reserve	4,103	4,000	5,000	3,103	-	3,103
Gas Reserve	5,650	25,000	-	30,650	-	30,650
Total Primary Government (excluding agency funds)	404,321	5,920,225	5,607,584	716,962	15,358	732,320
Component Units:						
Kechi Public Building Commission	879	85,205	85,205	879	-	879
Total Reporting Entity (excluding agency funds)	\$ 405,200	\$ 6,005,430	\$ 5,692,789	\$ 717,841	\$ 15,358	\$ 733,199

CITY OF KECHI, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

Composition of Cash:	
Primary Government:	
Emprise Bank, Wichita, Kansas:	
General checking now account	\$ 763,434
Less Agency Funds	<u>(31,114)</u>
Total Primary Government (excluding agency funds)	732,320
Component Unit:	
Kechi Public Building Commission:	
Emprise Bank, Wichita, Kansas:	
General checking now account	<u>879</u>
Total Reporting Entity (excluding agency funds)	<u>\$ 733,199</u>

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

CITY OF KECHI, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For the year ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Fund	\$ 922,072	\$ -	\$ 922,072	\$ 778,402	\$ 143,670
Special Revenue Funds:					
Special Street and Highway	75,000	-	75,000	13,696	61,304
Debt Service Fund:					
Bond and Interest	701,540	191,725	893,265	889,302	3,963
Enterprise Funds:					
Waterworks Utility	340,000	-	340,000	295,171	44,829
Sewer Utility	233,000	-	233,000	184,887	48,113
Gas Utility	556,500	-	556,500	453,328	103,172
Recycling	35,000	-	35,000	34,049	951
Solid Waste	73,000	-	73,000	66,248	6,752

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

CITY OF KECHI, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES -
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 Actual	2011 Actual Budget		
Receipts:				
Ad valorem property tax	\$ 335,233	\$ 390,382	\$ 392,592	\$ (2,210)
Vehicle tax	59,728	49,060	81,401	(32,341)
Local sales tax	235,529	249,339	237,000	12,339
Franchise tax	52,113	55,233	48,000	7,233
Fines, fees and permits	59,784	47,281	67,000	(19,719)
Rents and other	40,878	33,513	46,280	(12,767)
Interest	813	836	-	836
Reimbursed expenditures	<u>49,391</u>	<u>27,883</u>	<u>15,000</u>	<u>12,883</u>
Total receipts	<u>833,469</u>	<u>853,527</u>	<u>\$ 887,273</u>	<u>\$ (33,746)</u>
Expenditures:				
Administration:				
Personal services	143,626	154,865	\$ 167,500	\$ 12,635
Contractual services	118,803	124,412	189,500	65,088
Commodities	45,853	42,364	63,000	20,636
Capital outlay	4,358	6,799	20,000	13,201
Debt service	14,691	14,898	-	(14,898)
Transfer to public building commission	46,469	62,633	-	(62,633)
Police and court:				
Personal services	269,860	211,824	310,000	98,176
Contractual services and other	56,570	56,172	70,000	13,828
Capital outlay	14,500	12,820	16,000	3,180
Debt service	7,973	-	-	-
Transfer to public building commission	22,952	22,572	22,572	-
Street lighting:				
Contractual services	13,081	9,739	13,500	3,761
Recycling and solid waste:				
Contractual services	-	9,304	-	(9,304)
Transfers to other funds	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total expenditures	<u>758,736</u>	<u>778,402</u>	<u>\$ 922,072</u>	<u>\$ 143,670</u>
Receipts over expenditures	74,733	75,125		
Unencumbered cash balance, beginning of year	<u>8,916</u>	<u>83,649</u>	<u>\$ 34,799</u>	<u>\$ 48,850</u>
Unencumbered cash balance, end of year	<u>\$ 83,649</u>	<u>\$ 158,774</u>		

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part of the financial statements.

CITY OF KECHI, KANSAS

SPECIAL STREET AND HIGHWAY FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	2011 <u>Actual</u> <u>Budget</u>		
Cash receipts:				
State payments-gasoline tax	\$ 47,668	\$ 48,346	\$ 47,420	\$ 926
County treasurer-highway fund	<u>22,412</u>	<u>21,989</u>	<u>22,280</u>	<u>(291)</u>
Total cash receipts	<u>70,080</u>	<u>70,335</u>	<u>\$ 69,700</u>	<u>\$ 635</u>
Expenditures:				
Personal services	–	800	\$ –	\$ (800)
Contractual services	19	–	5,000	5,000
Commodities	25,746	12,896	20,000	7,104
Capital outlay	<u>3,000</u>	<u>–</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures	<u>28,765</u>	<u>13,696</u>	<u>\$ 75,000</u>	<u>\$ 61,304</u>
Cash receipts over expenditures	41,315	56,639		
Unencumbered cash balance, beginning of year	<u>9,625</u>	<u>50,940</u>	<u>\$ 43,075</u>	<u>\$ 7,865</u>
Unencumbered cash balance, end of year	<u>\$ 50,940</u>	<u>\$ 107,579</u>	<u>\$ 37,775</u>	<u>\$ 69,804</u>

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

CITY OF KECHI, KANSAS

BOND AND INTEREST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Revenues:				
Ad valorem and vehicle tax	\$ 179,831	\$ 156,810	\$ 130,236	\$ 26,574
Special assessments	445,577	401,514	448,854	(47,340)
Debt issue proceeds	1,540,000	191,725	–	191,725
Transfers from other funds	<u>55,000</u>	<u>138,549</u>	<u>115,000</u>	<u>23,549</u>
Total cash receipts	<u>2,220,408</u>	<u>888,598</u>	<u>\$ 694,090</u>	<u>\$ 194,508</u>
Expenditures:				
Principal	1,915,000	658,000	\$ 450,000	\$ (208,000)
Interest	296,780	224,287	251,515	27,228
Bond issue costs	2,585	–	–	–
Commission and postage	<u>5</u>	<u>15</u>	<u>25</u>	<u>10</u>
	2,214,370	882,302	701,540	(180,762)
Adjustment for qualifying budget credits	<u>–</u>	<u>–</u>	<u>191,725</u>	<u>191,725</u>
Total expenditures	<u>2,214,370</u>	<u>882,302</u>	<u>\$ 893,265</u>	<u>\$ 10,963</u>
Cash receipts over expenditures	6,038	6,296		
Unencumbered cash balance, beginning of year	<u>1,583</u>	<u>7,621</u>	<u>\$ 7,450</u>	<u>\$ 171</u>
Unencumbered cash balance, end of year	<u>\$ 7,621</u>	<u>\$ 13,917</u>		

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part of the financial statements.

CITY OF KECHI, KANSAS

ROCK POINTE ADDITION FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	Year ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Debt issue proceeds	\$1,817,675	\$2,703,000
Property owner payments	<u>1,048,900</u>	<u>6,000</u>
Total cash receipts	<u>2,866,575</u>	<u>2,709,000</u>
Expenditures:		
Debt issue costs	48,025	28,709
Repayment of temporary notes	2,806,875	2,704,595
Transfer to other funds	<u>23,549</u>	<u>13,363</u>
Total expenditures	<u>2,878,449</u>	<u>2,746,667</u>
Expenditures over cash receipts	(11,874)	(37,667)
Unencumbered cash balance, beginning of year	<u>11,874</u>	<u>49,541</u>
Unencumbered cash balance, end of year	<u>\$ —</u>	<u>\$ 11,874</u>

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

CITY OF KECHI, KANSAS

CAPITAL IMPROVEMENT FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	Year ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ <u>20,000</u>	\$ <u>26,500</u>
Expenditures:		
Contractual services	—	14,334
Commodities	<u>—</u>	<u>5,935</u>
Total expenditures	<u>—</u>	<u>20,269</u>
Cash receipts over expenditures	20,000	6,231
Unencumbered cash balance, beginning of year	<u>21,679</u>	<u>15,448</u>
Unencumbered cash balance, end of year	<u>\$ 41,679</u>	<u>\$ 21,679</u>

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

CITY OF KECHI, KANSAS

EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ <u>15,000</u>	\$ <u>16,000</u>
Expenditures:		
Contractual services	2,000	-
Capital outlay	3,000	9,385
Debt service	<u>11,052</u>	<u>-</u>
Total expenditures	<u>16,052</u>	<u>9,385</u>
Cash receipts over (under) expenditures	(1,052)	6,615
Unencumbered cash balance, beginning of year	<u>17,703</u>	<u>11,088</u>
Unencumbered cash balance, end of year	\$ <u>16,651</u>	\$ <u>17,703</u>

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

CITY OF KECHI, KANSAS

WATERWORKS UTILITY FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 Actual	Actual	2011 Budget	
Cash receipts:				
Sales of services	\$ 346,938	\$ 392,405	\$ 325,000	\$ 67,405
Connection fees	3,058	3,900	3,000	400
Other	<u>3,212</u>	<u>2,821</u>	<u>–</u>	<u>2,821</u>
Total cash receipts	<u>353,208</u>	<u>399,126</u>	<u>\$ 328,500</u>	<u>\$ 70,626</u>
Expenditures:				
Personal services	81,099	81,749	\$ 105,000	\$ 23,251
Water purchases	101,180	121,671	115,000	(6,671)
Contractual services	10,209	16,832	20,000	3,168
Commodities	14,791	17,650	25,000	7,350
Capital outlay	543	18,412	25,000	6,588
Employee benefits	26,289	23,857	35,000	11,143
Transfers to other funds	<u>20,000</u>	<u>15,000</u>	<u>15,000</u>	<u>–</u>
Total expenditures	<u>254,111</u>	<u>295,171</u>	<u>\$ 340,000</u>	<u>\$ 44,829</u>
Cash receipts over expenditures	99,097	103,955		
Unencumbered cash balance, beginning of year	<u>10,638</u>	<u>109,735</u>	<u>\$ 21,388</u>	<u>\$ 88,347</u>
Unencumbered cash balance, end of year	<u>\$ 109,735</u>	<u>\$ 213,690</u>	<u>\$ 9,888</u>	<u>\$ 203,802</u>

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

CITY OF KECHI, KANSAS

SEWER UTILITY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Sales of services	\$ 218,997	\$ 227,834	\$ 222,000	\$ 5,834
Connection fees	<u>2,500</u>	<u>4,000</u>	<u>--</u>	<u>4,000</u>
Total cash receipts	<u>221,497</u>	<u>231,834</u>	<u>\$ 222,000</u>	<u>\$ 9,834</u>
Expenditures:				
Personal services	32,700	32,299	\$ 50,500	\$ 18,201
Contracted waste water treatment	51,817	45,676	72,000	26,324
Contractual services	19,149	15,236	20,000	4,764
Commodities	6,959	14,795	8,500	(6,295)
Capital outlay	5,598	2,093	5,000	2,907
Employee benefits	12,379	10,788	17,000	6,212
Transfers to other funds	<u>55,000</u>	<u>64,000</u>	<u>60,000</u>	<u>(4,000)</u>
Total expenditures	<u>183,602</u>	<u>184,887</u>	<u>\$ 233,000</u>	<u>\$ 48,113</u>
Cash receipts over expenditures	37,895	46,947		
Unencumbered cash balance, beginning of year	<u>3,597</u>	<u>41,492</u>	<u>\$ 13,597</u>	<u>\$ 27,895</u>
Unencumbered cash balance, end of year	<u>\$ 41,492</u>	<u>\$ 88,439</u>	<u>\$ 2,597</u>	<u>\$ 85,842</u>

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

CITY OF KECHI, KANSAS

GAS UTILITY FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES -
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	2011 <u>Actual</u> <u>Budget</u>		
Cash receipts:				
Sales of services	\$ 456,163	\$ 420,577	\$ 600,000	\$(179,423)
Connection fees	2,799	1,625	3,500	(1,875)
Other	4,990	4,448	5,000	(552)
Transfers from other funds	<u>13,363</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cash receipts	<u>477,315</u>	<u>426,650</u>	<u>\$ 608,500</u>	<u>\$(181,850)</u>
Expenditures:				
Personal services	92,364	90,997	\$ 111,500	\$ 20,503
Gas purchased	247,967	217,706	260,000	42,294
Contractual services	23,524	23,047	25,000	1,953
Commodities	32,610	31,280	35,000	3,720
Capital outlay	9,333	2,184	25,000	22,816
Employee benefits	30,490	28,114	40,000	11,886
Transfers to other funds	<u>35,000</u>	<u>60,000</u>	<u>60,000</u>	<u>—</u>
Total expenditures	<u>471,288</u>	<u>453,328</u>	<u>\$ 556,500</u>	<u>\$ 103,172</u>
Cash receipts over (under) expenditures	6,027	(26,678)		
Unencumbered cash balance, beginning of year	<u>21,115</u>	<u>27,142</u>	<u>\$ 23,475</u>	<u>\$ 3,667</u>
Unencumbered cash balance, end of year	<u>\$ 27,142</u>	<u>\$ 464</u>	<u>\$ 75,475</u>	<u>\$ (75,011)</u>

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

CITY OF KECHI, KANSAS

RECYCLING FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	2011 <u>Budget</u>	
Cash receipts:				
Sales of services	\$ <u>34,360</u>	\$ <u>36,511</u>	\$ <u>37,000</u>	\$ <u>(489)</u>
Expenditures:				
Contractual services	<u>36,650</u>	<u>34,049</u>	\$ <u>35,000</u>	\$ <u>951</u>
Cash receipts over (under) expenditures	(2,290)	2,462		
Unencumbered cash balance, beginning of year	<u>4,442</u>	<u>2,152</u>	\$ <u>6,442</u>	\$ <u>(4,290)</u>
Unencumbered cash balance, end of year	\$ <u>2,152</u>	\$ <u>4,614</u>	\$ <u>8,442</u>	\$ <u>(3,828)</u>

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

CITY OF KECHI, KANSAS

SOLID WASTE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Sales of services	\$ <u>63,946</u>	\$ <u>68,069</u>	\$ <u>75,000</u>	\$ <u>(6,931)</u>
Expenditures:				
Contractual services	<u>64,618</u>	<u>66,248</u>	\$ <u>73,000</u>	\$ <u>6,752</u>
Cash receipts over (under) expenditures	(672)	1,821		
Unencumbered cash balance, beginning of year	<u>2,384</u>	<u>1,712</u>	\$ <u>3,384</u>	\$ <u>(1,672)</u>
Unencumbered cash balance, end of year	\$ <u>1,712</u>	\$ <u>3,533</u>	\$ <u>5,384</u>	\$ <u>(1,851)</u>

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

CITY OF KECHI, KANSAS

WATERWORKS RESERVE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers from other funds	\$ 15,000	\$ 7,500
Expenditures:		
Capital outlays	<u> —</u>	<u> —</u>
Cash receipts over expenditures	15,000	7,500
Unencumbered cash balance, beginning of year	<u>18,869</u>	<u>11,369</u>
Unencumbered cash balance, end of year	<u>\$33,869</u>	<u>\$18,869</u>

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

CITY OF KECHI, KANSAS

SEWER RESERVE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers from other funds	\$ 4,000	\$ 4,000
Expenditures:		
Transfers to other funds	<u>5,000</u>	<u>—</u>
Cash receipts over (under) expenditures	(1,000)	4,000
Unencumbered cash balance, beginning of year	<u>4,103</u>	<u>103</u>
Unencumbered cash balance, end of year	<u>\$ 3,103</u>	<u>\$ 4,103</u>

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

CITY OF KECHI, KANSAS

GAS RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers from other funds	\$ 25,000	\$ 5,000
Expenditures:		
Capital outlays	<u> --</u>	<u> --</u>
Cash receipts over expenditures	25,000	5,000
Unencumbered cash balance, beginning of year	<u>5,650</u>	<u>650</u>
Unencumbered cash balance, end of year	<u>\$ 30,650</u>	<u>\$ 5,650</u>

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

CITY OF KECHI, KANSAS

KECHI PUBLIC BUILDING COMMISSION

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers from the City of Kechi	\$ 85,205	\$ 69,421
Debt issue proceeds	<u> -</u>	<u>746,098</u>
Total cash receipts	<u>85,205</u>	<u>815,519</u>
Expenditures:		
Debt issue costs	-	6,691
Principal	45,000	760,000
Interest	<u>40,205</u>	<u>48,828</u>
Total expenditures	<u>85,205</u>	<u>815,519</u>
Cash receipts over expenditures	-	-
Unencumbered cash balance, beginning of year	<u>879</u>	<u>879</u>
Unencumbered cash balance, end of year	<u>\$ 879</u>	<u>\$ 879</u>

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

CITY OF KECHI, KANSAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS -
ALL AGENCY FUNDS

Year ended December 31, 2011

	Beginning Cash Balance January 1, <u>2011</u>	Cash Receipts	Cash Disbursements	Ending Cash Balance December 31, <u>2011</u>
Meter Deposit Fund	<u>\$28,814</u>	<u>\$ 10,760</u>	<u>\$ 8,460</u>	<u>\$ 31,114</u>

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

CITY OF KECHI, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Reporting entity

The City of Kechi, Kansas is incorporated under the laws of the State of Kansas. The City operates under a Mayor-Council form of City government consisting of an elected Mayor and five council persons and provides services to the citizens in the areas of highways and streets, water service, wastewater treatment, gas service, public improvement, public safety, planning and zoning, recreation, and general administrative services.

These financial statements present the City of Kechi, Kansas (the primary government) and its component unit. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The component unit discussed in the following paragraph is included in the City's reporting entity because the primary government is considered financially accountable or the economic resources received and held by the separate organization and is entirely for the direct benefit of the primary government.

Discretely presented component unit

A five-member board appointed by the City Council governs the Kechi Public Building Commission. Although it is legally separate from the City, the Kechi Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Kechi Public Building Commission are reflected in the Kechi Public Building Commission fund.

Basis of presentation

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds and account groups are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental fund types

General fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Debt service fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, including special assessments, which are general obligations of the City.

Capital project funds - The capital project funds are used to account for the acquisition of fixed assets or construction of major capital facilities not being financed by proprietary funds.

Proprietary fund types

Enterprise funds – Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary fund types

Agency funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of accounting

The financial statements are presented on the statutory basis of accounting. The statutory basis is a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Departure from accounting principles generally accepted in the United States of America

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

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All unencumbered appropriations lapse at the end of the year, except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated.

A legal operating budget is not required for fiduciary funds, capital project funds and enterprise reserve funds. Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by the governing body.

Deposits and investments

Deposits and investments include amounts in demand deposit, money market savings and certificate of deposit accounts. Deposits are reported at carrying amounts, which approximate fair value. Cash balances in all funds are considered in determining the amount to be invested and, unless specifically designated, investment income is generally apportioned to the various funds in the ratio of invested balances.

Compensated absences

Full-time employees accrue vacation and sick leave benefits based on years of service to the City. Upon termination, unused vacation is paid to employees while accrued sick leave is not.

No provision for the liability which has accrued on the compensated absences described above has been included in the accompanying financial statements.

Pension plan

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. The City does not

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

require security deposits for the credit granted to utility customers, however, tap fees or hook-up charges are assessed by the City when the utility service is provided.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Subsequent Events

Subsequent events have been evaluated through May 10th, 2012, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

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

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

Concentration of credit risk

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

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State Statutes define the allowable pledged securities.

At year-end, the carrying amount of the City's deposits, including the component unit, was \$764,316, with the bank balances of such accounts being \$801,600. Of the bank balances,

2. DEPOSITS AND INVESTMENTS (continued)

\$264,301 was covered by federal depository insurance and the remaining balance of \$537,299 was covered by collateral held by the City's custodial banks in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial investment agencies was \$1,406,778 at December 31, 2011.

3. PENSION PLAN

Plan description

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

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. The City collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for the Group Death and Disability Insurance of 1.0% which from April 1, 2011 through June 30, 2011 had a moratorium on the collection thereof. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$31,175, \$30,617 and \$26,850, respectively, equal to the statutory required contributions for each year.

4. RECLASSIFICATIONS AND COMPARATIVE DATA

The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2010 have been reclassified to conform to the presentation of similar amounts for 2011.

5. LONG-TERM DEBT

During the year ended December 31, 2011, The City issued General Obligation Improvement and Refunding Bonds, Series A, 2011, in the principal amount of \$2,040,000. Proceeds from the issue were used for the purpose of financing the otherwise unpaid costs

5. LONG-TERM DEBT (continued)

of multiple capital improvements, including payment of Series A, 2010 Temporary Notes and for the current refunding of certain outstanding general obligation bonds of the City.

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2011:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Balance End of Year	Interest Paid
Primary Government:									
General Obligation Bonds, Series B 2000	4.50-5.50	10-15-00	425,000	10-01-16	\$ 220,000	\$ -	\$ 220,000	\$ -	\$ 13,554
General Obligation Bonds, Series A 2006	3.80-5.75	11-01-06	1,011,800	11-01-22	890,000	--	60,000	830,000	37,298
General Obligation Bonds, Series A 2007	3.75-5.90	05-15-07	1,496,077	11-01-27	1,350,000	--	60,000	1,290,000	60,230
General Obligation Bonds, Series A 2008	3.40-6.00	02-28-08	1,405,000	09-01-28	1,340,000	--	50,000	1,290,000	54,500
General Obligation Bonds, Series B 2008	3.00-4.65	09-15-08	575,000	09-15-28	575,000	--	20,000	555,000	23,997
General Obligation Refunding Bonds, Series A 2010	1.25-3.50	08-18-10	1,540,000	09-01-18	1,540,000	--	255,000	1,285,000	34,709
General Obligation Refunding and Improvement Bonds, Series A 2011	2.00-4.50	11-22-11	2,040,000	09-01-32	--	2,040,000	--	2,040,000	--
Temporary Improvement Notes, Series A 2010	2.50	05-01-10	2,700,000	05-01-12	2,700,000	--	2,700,000	--	106,875
Capital Lease Obligation - Dump Truck	7.05	05-18-07	48,445	05-18-11	10,314	--	10,314	--	738
Capital Lease Obligation - Technology Equipment	3.80	05-14-10	22,000	05-14-13	22,000	--	7,062	14,938	836
Total Primary Government					<u>8,647,314</u>	<u>2,040,000</u>	<u>3,382,376</u>	<u>7,304,938</u>	<u>332,737</u>
Component Unit—Kechi Public Building Commission:									
Public Building Commission Revenue Bonds Series 2005	3.50-5.00	11-01-05	300,000	11-01-26	270,000	--	10,000	260,000	12,572
Public Building Commission Refunding Revenue Bonds Series 2010	2.00-4.75	01-13-10	745,000	08-01-24	715,000	--	35,000	680,000	27,633
Total Component Unit					<u>985,000</u>	<u>--</u>	<u>45,000</u>	<u>940,000</u>	<u>40,205</u>
Total Long-Term Debt					<u>\$9,632,314</u>	<u>\$2,040,000</u>	<u>\$3,427,376</u>	<u>\$ 8,244,938</u>	<u>\$ 372,942</u>

5. **LONG-TERM DEBT (continued)**

General obligation bonds

General obligation bonds payable consist of serial and term bonds to be retired through calendar year 2032. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 460,000	\$ 198,290	\$ 658,290
2013	475,000	306,346	781,346
2014	510,000	238,207	748,207
2015	480,000	222,920	702,920
2016	430,000	207,785	637,785
2017	445,000	193,545	638,545
2018	470,000	178,145	648,145
2019	355,000	161,360	516,360
2020	370,000	148,343	518,343
2021	385,000	134,422	519,422
2022	405,000	119,733	524,733
2023	300,000	104,100	404,100
2024	315,000	92,477	407,477
2025	330,000	79,948	409,948
2026	350,000	66,545	416,545
2027	360,000	51,953	411,953
2028	280,000	36,665	316,665
2029	135,000	24,752	159,752
2030	140,000	19,150	159,150
2031	145,000	13,130	158,130
2032	<u>150,000</u>	<u>6,750</u>	<u>156,750</u>
	<u>\$ 7,290,000</u>	<u>\$ 2,604,566</u>	<u>\$ 9,894,566</u>

Public Building Commission revenue bonds

During 2004 and 2005, the Kechi Public Building Commission (Commission) issued Improvement Revenue Bonds, the proceeds of which were used to construct new City administration, police and maintenance facilities. The agreement requires the Commission to lease these facilities back to the City of Kechi for an amount necessary to meet the debt service requirement on the outstanding revenue bonds.

During 2010, the Commission issued Series 2010 Refunding Bonds in the principal amount of \$745,000. Proceeds from the 2010 issue were used to retire the outstanding bonds remaining from the 2004 Commission bond issue at the optional call date in 2010.

5. LONG-TERM DEBT (continued)

Debt service requirements to maturity for all outstanding Commission bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 50,000	\$ 39,028	\$ 89,028
2013	60,000	37,552	97,552
2014	60,000	35,700	95,700
2015	65,000	33,630	98,630
2016	65,000	31,360	96,360
2017	65,000	28,950	93,950
2018	65,000	26,400	91,400
2019	65,000	23,710	88,710
2020	70,000	20,880	90,880
2021	75,000	17,775	92,775
2022	80,000	14,328	94,328
2023	85,000	10,597	95,597
2024	90,000	6,575	96,575
2025	20,000	2,250	22,250
2026	<u>25,000</u>	<u>1,250</u>	<u>26,250</u>
	<u>\$ 940,000</u>	<u>\$ 329,985</u>	<u>\$ 1,269,985</u>

Capital lease obligations

Capitalized lease obligations will be retired through calendar year 2013. Annual debt service requirements to maturity of capitalized lease obligations are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,330	\$ 568	\$ 7,898
2013	<u>7,608</u>	<u>290</u>	<u>7,898</u>
	<u>\$ 14,938</u>	<u>\$ 858</u>	<u>\$ 15,796</u>

During 2010, the City Council entered into a lease agreement for technology equipment. The technology equipment lease agreement provides for annual payments, including interest, in the amount of \$7,898 through May 2013.

6. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011 capital project authorizations compared with project expenditures from inception are as follows:

	Project authorizations	Expenditures from project inception to December 31, <u>2011</u>
Rock Pointe Addition	\$2,001,500	\$1,945,142

7. COMMITMENTS AND CONTINGENCIES

The City is the defendant in a suit regarding the City's draw down of \$1,048,900 on a letter of credit provided by a real estate developer to guarantee the payment of special assessments levied on a housing development. The developer alleges that the City wrongfully drew down on the letter of credit based on the terms of the agreement. Management represents that it will defend the claim and is represented by legal counsel provided by the City's insurance carrier. In the event that there is a loss sustained by the City, the loss will not be covered by the City's insurance policy. The City's counsel's opinion is that the matter will be defended successfully.

The City is a party to various other claims, none of which are expected to have a material financial impact on the City.

8. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2011 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$135,205
Bond and Interest	138,549	-
Rocke Pointe Addition	-	23,549
Capital Improvement	20,000	-
Equipment Reserve	15,000	-
Waterworks Utility	-	15,000
Sewer Utility	-	64,000
Gas Utility	-	60,000
Waterworks Reserve	15,000	-
Sewer Reserve	4,000	5,000
Gas Reserve	25,000	-
Kechi Public Building Commission	<u>85,205</u>	<u>-</u>
	<u>\$302,754</u>	<u>\$302,754</u>

9. OTHER POST EMPLOYMENT BENEFITS

The City does not provide for any post employment benefits in the form of group health insurance or other insurance plans.

10. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violations occurring in the year ended December 31, 2011.

