

CITY OF KECHI, KANSAS

FINANCIAL STATEMENT

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2012

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, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the City of Kechi, Kansas as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Kechi, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does 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, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Kechi, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures—actual and budget, individual fund schedules of regulatory basis receipts and expenditures—actual and budget, summary schedule of regulatory basis receipts and disbursements—agency funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 actual columns presented in the individual fund schedules of receipts and expenditures—actual and budget, (Schedules 2 and 3 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statements upon which we rendered an unqualified opinion dated May 10, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management and Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 2011 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.

George, Bowman & Noel, P.A.

Wichita, Kansas
May 9, 2013

CITY OF KECHI, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS

For the year ended December 31, 2012

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 158,774	\$ 902,944	\$ 881,422	\$ 180,296	\$ 10,088	\$ 190,384
Special Purpose Funds:						
Special Street and Highway	107,579	83,119	93,687	97,011	-	97,011
Capital Improvement	41,679	38,250	-	79,929	-	79,929
Equipment Reserve	16,651	50,000	-	66,651	-	66,651
Bond and Interest Fund:						
Bond and Interest	13,917	640,056	653,790	183	-	183
Capital Project Fund:						
Rock Pointe Addition	-	-	-	-	-	-
Business Funds:						
Waterworks Utility	213,690	404,073	365,148	252,615	7,551	260,166
Sewer Utility	88,439	237,268	186,389	139,318	2,247	141,565
Gas Utility	464	327,680	298,506	29,638	-	29,638
Recycling	4,614	37,272	33,925	7,961	-	7,961
Solid Waste	3,533	77,731	76,975	4,289	-	4,289
Waterworks Reserve	33,869	72,925	-	106,794	-	106,794
Sewer Reserve	3,103	6,000	-	9,103	-	9,103
Gas Reserve	30,650	14,000	-	44,650	-	44,650
Total Primary Government (excluding agency funds)	716,962	2,891,318	2,589,842	1,018,438	19,886	1,038,324
Related Municipal Entity:						
Kechi Public Building Commission	879	89,028	89,028	879	-	879
Total Reporting Entity (excluding agency funds)	\$ 717,841	\$ 2,980,346	\$ 2,678,870	\$ 1,019,317	\$ 19,886	\$ 1,039,203

CITY OF KECHI, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Reporting entity

The City of Kechi is a municipal corporation governed by an elected mayor and an elected five-member council. The financial statement presents the City of Kechi and the Kechi Public Building Commission. The Kechi Public Building Commission is included in the City's reporting entity because it was established to benefit the city and/or its constituents.

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.

Regulatory Basis Fund Types

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 are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds – funds used to report assets held by the City in a purely custodial capacity.

Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenue and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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 regulatory basis of accounting.

Budgetary principles

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, 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 2012.

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. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, utility reserve funds and the following special purpose funds:

Capital Improvement Fund
Equipment Reserve Fund

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

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. The City records vacation and sick leave benefits as expenditures when paid.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 9th, 2013, 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 to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the state of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012

At December 31, 2012, the carrying amount of the City's deposits was \$1,072,032, with the bank balances of such accounts being \$1,077,576. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining balance of \$827,576 was collateralized with securities held by the pledging financial institution's agent in the City's

2. DEPOSITS AND INVESTMENTS (continued)

name. The fair value of those pledged securities held by the City's custodial investment agencies was \$4,456,353 at December 31, 2012.

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 and K.S.A. 74-49 establishes the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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 employer contribution rates. The employer rate established by statute for the period from January 1, 2012 to December 31, 2012 was 8.34%. Included in this rate is the contribution for the Group Death and Disability Insurance of 1.0% which from April 1, 2012 through June 30, 2012 had a moratorium on the collection thereof. The City's contributions to KPERs for the years ending December 31, 2012, 2011 and 2010 were \$32,697, \$31,175 and \$30,617, respectively, equal to the statutory required contributions for each year.

4. RECLASSIFICATIONS AND COMPARATIVE DATA

The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2011 have been reclassified to conform to the presentation of similar amounts for 2012.

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2012:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Primary Government:									
General Obligation Bonds, Series A 2006	3.80-5.75	11-01-06	1,011,800	11-01-22	\$ 830,000	\$ --	\$ 60,000	\$ 770,000	\$ 34,448
General Obligation Bonds, Series A 2007	3.75-5.90	05-15-07	1,496,077	11-01-27	1,290,000	--	65,000	1,225,000	56,720
General Obligation Bonds, Series A 2008	3.40-6.00	02-28-08	1,405,000	09-01-28	1,290,000	--	55,000	1,235,000	52,300
General Obligation Bonds, Series B 2008	3.00-4.65	09-15-08	575,000	09-15-28	555,000	--	20,000	535,000	23,397
General Obligation Refunding Bonds, Series A 2010	1.25-3.50	08-18-10	1,540,000	09-01-18	1,285,000	--	260,000	1,025,000	31,425
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	--
Capital Lease Obligation - Technology Equipment	3.80	05-14-10	22,000	05-14-13	<u>14,938</u>	<u>--</u>	<u>7,330</u>	<u>7,608</u>	<u>568</u>
Total City of Kechi					<u>7,304,938</u>	<u>--</u>	<u>467,330</u>	<u>6,837,608</u>	<u>198,858</u>
Kechi Public Building Commission:									
Public Building Commission Revenue Bonds Series 2005	3.50-5.00	11-01-05	300,000	11-01-26	260,000	--	15,000	245,000	12,183
Public Building Commission Refunding Revenue Bonds Series 2010	2.00-4.75	01-13-10	745,000	08-01-24	<u>680,000</u>	<u>--</u>	<u>35,000</u>	<u>645,000</u>	<u>26,845</u>
Total Kechi Public Building Commission					<u>940,000</u>	<u>--</u>	<u>50,000</u>	<u>890,000</u>	<u>39,028</u>
Total Long-Term Debt					<u>\$8,244,938</u>	<u>\$ --</u>	<u>\$ 517,330</u>	<u>\$ 7,727,608</u>	<u>\$ 237,886</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>
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	150,000	6,750	156,750
	<u>\$ 6,830,000</u>	<u>\$ 2,406,276</u>	<u>\$ 9,236,276</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>
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>\$ 890,000</u>	<u>\$ 290,957</u>	<u>\$ 1,180,957</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>
2013	<u>\$ 7,608</u>	<u>\$ 290</u>	<u>\$ 7,898</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. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2012 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$139,028
Bond and Interest	79,250	-
Capital Improvement	38,250	-
Equipment Reserve	50,000	-
Waterworks Utility	-	97,925
Sewer Utility	-	86,000
Gas Utility	-	26,500
Waterworks Reserve	72,925	-
Sewer Reserve	6,000	-
Gas Reserve	14,000	-
Kechi Public Building Commission	89,028	-
	<u>\$349,453</u>	<u>\$349,453</u>

7. OTHER POST EMPLOYMENT BENEFITS

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

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

8. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violations occurring in the year ended December 31, 2012.

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KECHI, KANSAS

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

For the year ended December 31, 2012

	<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	\$ 915,100	\$ -	\$ 915,100	\$ 881,422	\$ 33,678
Special Revenue Funds:					
Special Street and Highway	140,000	-	140,000	93,687	46,313
Debt Service Fund:					
Bond and Interest	703,581	-	703,581	653,790	49,791
Enterprise Funds:					
Waterworks Utility	403,000	-	403,000	365,148	37,852
Sewer Utility	243,500	-	243,500	186,389	57,111
Gas Utility	550,500	-	550,500	298,506	251,994
Recycling	50,000	-	50,000	33,925	16,075
Solid Waste	77,000	-	77,000	76,975	25

See Independent Auditor's Report

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			
	2011	2012		Variance Over (Under)
		Actual	Actual	
Receipts:				
Ad valorem property tax	\$ 390,382	\$ 397,617	\$ 394,241	\$ 3,376
Vehicle tax	49,060	60,038	59,023	1,015
Local sales tax	249,339	264,624	240,000	24,624
Franchise tax	55,233	56,193	50,000	6,193
Fines, fees and permits	47,281	55,658	50,000	5,658
Rents and other	33,513	42,045	45,000	(2,955)
Interest	836	965	600	365
Reimbursed expenditures	<u>27,883</u>	<u>25,804</u>	<u>5,000</u>	<u>20,804</u>
Total receipts	<u>853,527</u>	<u>902,944</u>	<u>\$ 843,864</u>	<u>\$ 59,080</u>
Expenditures:				
Administration:				
Personal services	154,865	184,801	\$ 188,000	\$ 3,199
Contractual services	124,412	139,818	158,300	18,482
Commodities	42,364	42,452	47,000	4,548
Capital outlay	6,799	15,859	5,257	(10,602)
Debt service	14,898	12,398	27,148	14,750
Transfer to public building commission	62,633	61,845	61,845	-
Police and court:				
Personal services	211,824	222,760	245,000	22,245
Contractual services and other	56,172	54,950	66,500	11,550
Capital outlay	12,820	53,216	30,000	(23,216)
Debt service	-	-	-	-
Transfer to public building commission	22,572	27,183	22,500	(4,683)
Street lighting:				
Contractual services	9,739	10,940	14,000	3,060
Recycling and solid waste:				
Contractual services	9,304	5,200	-	(5,200)
Transfers to other funds	<u>50,000</u>	<u>50,000</u>	<u>49,550</u>	<u>(450)</u>
Total expenditures	<u>778,402</u>	<u>881,422</u>	<u>\$ 915,100</u>	<u>\$ 33,678</u>
Receipts over Expenditures	75,125	21,522		
Unencumbered cash balance, beginning of year	<u>83,649</u>	<u>158,774</u>	<u>\$ 71,236</u>	<u>\$ 87,538</u>
Unencumbered cash balance, end of year	<u>\$ 158,774</u>	<u>\$ 180,296</u>		

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CITY OF KECHI, KANSAS

SPECIAL STREET AND HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES -- ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
State payments-gasoline tax	\$ 48,346	\$ 49,587	\$ 46,890	\$ 2,697
County treasurer-highway fund	21,989	21,918	21,560	358
Miscellaneous	<u>—</u>	<u>11,614</u>	<u>—</u>	<u>11,614</u>
Total cash receipts	<u>70,335</u>	<u>83,119</u>	<u>\$ 68,450</u>	<u>\$ 14,669</u>
Expenditures:				
Personal services	800	—	\$ —	\$ —
Contractual services	—	247	15,000	14,753
Commodities	12,896	61,340	35,000	(26,340)
Capital outlay	<u>—</u>	<u>32,100</u>	<u>90,000</u>	<u>57,900</u>
Total expenditures	<u>13,696</u>	<u>93,687</u>	<u>\$ 140,000</u>	<u>\$ 46,313</u>
Cash receipts over (under) expenditures	56,639	(10,568)		
Unencumbered cash balance, beginning of year	<u>50,940</u>	<u>107,579</u>	<u>\$ 99,480</u>	<u>\$ 8,099</u>
Unencumbered cash balance, end of year	<u>\$ 107,579</u>	<u>\$ 97,011</u>	<u>\$ 27,930</u>	<u>\$ 69,081</u>

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CITY OF KECHI, KANSAS

CAPITAL IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers in	\$ 38,250	\$ 20,000
Expenditures:		
Capital outlay	—	—
Cash receipts over expenditures	38,250	20,000
Unencumbered cash balance, beginning of year	<u>41,679</u>	<u>21,679</u>
Unencumbered cash balance, end of year	<u>\$ 79,929</u>	<u>\$ 41,679</u>

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CITY OF KECHI, KANSAS
EQUIPMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers in	\$ <u>50,000</u>	\$ <u>15,000</u>
Expenditures:		
Contractual services	—	2,000
Capital outlay	—	3,000
Debt service	<u>—</u>	<u>11,052</u>
Total expenditures	<u>—</u>	<u>16,052</u>
Cash receipts over (under) expenditures	50,000	(1,052)
Unencumbered cash balance, beginning of year	<u>16,651</u>	<u>17,703</u>
Unencumbered cash balance, end of year	<u>\$ 66,651</u>	<u>\$ 16,651</u>

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CITY OF KECHI, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 Actual	2012		
	Actual	Actual	Budget	(Under)
Revenues:				
Ad valorem and vehicle tax	\$ 156,810	\$ 152,015	\$ 150,367	\$ 1,648
Special assessments	401,514	407,456	460,252	(52,796)
Debt issue proceeds	191,725	–	–	–
Miscellaneous	–	1,335	–	1,335
Transfers from other funds	<u>138,549</u>	<u>79,250</u>	<u>89,250</u>	<u>(10,000)</u>
Total cash receipts	<u>888,598</u>	<u>640,056</u>	<u>\$ 699,869</u>	<u>\$ (59,813)</u>
Expenditures:				
Principal	658,000	455,500	\$ 495,000	\$ 39,500
Interest	224,287	198,290	208,556	10,266
Commission and postage	<u>15</u>	<u>–</u>	<u>25</u>	<u>25</u>
	882,302	653,790	703,581	49,791
Adjustment for qualifying budget credits	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total expenditures	<u>882,302</u>	<u>653,790</u>	<u>\$ 703,581</u>	<u>\$ 49,791</u>
Cash receipts over (under) expenditures	6,296	(13,734)		
Unencumbered cash balance, beginning of year	<u>7,621</u>	<u>13,917</u>	<u>\$ 3,712</u>	<u>\$ 10,205</u>
Unencumbered cash balance, end of year	<u>\$ 13,917</u>	<u>\$ 183</u>		

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CITY OF KECHI, KANSAS

ROCK POINTE ADDITION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Debt issue proceeds	\$ -	\$1,817,675
Property owner payments	<u>-</u>	<u>1,048,900</u>
Total cash receipts	<u>-</u>	<u>2,866,575</u>
Expenditures:		
Debt issue costs	-	48,025
Repayment of temporary notes	-	2,806,875
Transfer to other funds	<u>-</u>	<u>23,549</u>
Total expenditures	<u>-</u>	<u>2,878,449</u>
Expenditures over cash receipts	-	(11,874)
Unencumbered cash balance, beginning of year	<u>-</u>	<u>11,874</u>
Unencumbered cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>

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CITY OF KECHI, KANSAS

WATERWORKS UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Sales of services	\$ 392,405	\$ 390,523	\$ 350,000	\$ 40,523
Connection fees	3,900	8,400	3,500	4,900
Other	<u>2,821</u>	<u>5,150</u>	<u>—</u>	<u>5,150</u>
Total cash receipts	<u>399,126</u>	<u>404,073</u>	<u>\$ 353,500</u>	<u>\$ 50,573</u>
Expenditures:				
Personal services	81,749	78,483	\$ 108,000	\$ 29,517
Water purchases	121,671	136,928	115,000	(21,928)
Contractual services	16,832	14,255	25,000	10,745
Commodities	17,650	17,154	25,000	7,846
Capital outlay	18,412	—	10,000	10,000
Employee benefits	23,857	20,403	25,000	4,597
Transfers to other funds	<u>15,000</u>	<u>97,925</u>	<u>95,000</u>	<u>(2,925)</u>
Total expenditures	<u>295,171</u>	<u>365,148</u>	<u>\$ 403,000</u>	<u>\$ 37,852</u>
Cash receipts over expenditures	103,955	38,925		
Unencumbered cash balance, beginning of year	<u>109,735</u>	<u>213,690</u>	<u>\$ 143,235</u>	<u>\$ 70,455</u>
Unencumbered cash balance, end of year	<u>\$ 213,690</u>	<u>\$ 252,615</u>	<u>\$ 93,735</u>	<u>\$ 158,880</u>

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CITY OF KECHI, KANSAS

SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 <u>Actual</u>	2012 <u>Actual</u> <u>Budget</u>		
Cash receipts:				
Sales of services	\$ 227,834	\$ 228,513	\$ 222,000	\$ 6,513
Connection fees	4,000	6,000	–	6,000
Other	–	2,755	–	2,755
Total cash receipts	<u>231,834</u>	<u>237,268</u>	<u>\$ 222,000</u>	<u>\$ 15,268</u>
Expenditures:				
Personal services	32,299	29,683	\$ 46,000	\$ 16,317
Contracted waste water treatment	45,676	37,274	70,000	32,726
Contractual services	15,236	18,803	20,000	1,197
Commodities	14,795	6,467	8,500	2,033
Capital outlay	2,093	–	2,500	2,500
Employee benefits	10,788	8,162	14,000	5,838
Transfers to other funds	64,000	86,000	82,500	(3,500)
Total expenditures	<u>184,887</u>	<u>186,389</u>	<u>\$ 243,500</u>	<u>\$ 57,111</u>
Cash receipts over expenditures	46,947	50,879		
Unencumbered cash balance, beginning of year	<u>41,492</u>	<u>88,439</u>	<u>\$ 55,492</u>	<u>\$ 32,947</u>
Unencumbered cash balance, end of year	<u>\$ 88,439</u>	<u>\$ 139,318</u>	<u>\$ 33,992</u>	<u>\$ 105,326</u>

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CITY OF KECHI, KANSAS

GAS UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Sales of services	\$ 420,577	\$ 321,082	\$ 520,000	\$(198,918)
Connection fees	1,625	2,125	5,000	(2,875)
Other	<u>4,448</u>	<u>4,473</u>	<u>5,500</u>	<u>(1,027)</u>
Total cash receipts	<u>426,650</u>	<u>327,680</u>	<u>\$ 530,500</u>	<u>\$(202,820)</u>
Expenditures:				
Personal services	90,997	78,822	\$ 107,500	\$ 28,678
Gas purchased	217,706	134,132	290,000	155,868
Contractual services	23,047	17,322	30,000	12,678
Commodities	31,280	20,128	40,000	19,872
Capital outlay	2,184	—	2,000	2,000
Employee benefits	28,114	21,602	31,000	9,398
Transfers to other funds	<u>60,000</u>	<u>26,500</u>	<u>50,000</u>	<u>23,500</u>
Total expenditures	<u>453,328</u>	<u>298,506</u>	<u>\$ 550,500</u>	<u>\$ 251,994</u>
Cash receipts over (under) expenditures	(26,678)	29,174		
Unencumbered cash balance, beginning of year	<u>27,142</u>	<u>464</u>	<u>\$ 20,642</u>	<u>\$ (20,178)</u>
Unencumbered cash balance, end of year	<u>\$ 464</u>	<u>\$ 29,638</u>	<u>\$ 642</u>	<u>\$ 28,996</u>

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CITY OF KECHI, KANSAS

RECYCLING FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Sales of services	\$ <u>36,511</u>	\$ <u>37,272</u>	\$ <u>45,000</u>	\$ <u>(7,728)</u>
Expenditures:				
Contractual services	<u>34,049</u>	<u>33,925</u>	\$ <u>50,000</u>	\$ <u>16,075</u>
Cash receipts over expenditures	2,462	3,347		
Unencumbered cash balance, beginning of year	<u>2,152</u>	<u>4,614</u>	\$ <u>7,152</u>	\$ <u>(2,538)</u>
Unencumbered cash balance, end of year	\$ <u>4,614</u>	\$ <u>7,961</u>	\$ <u>2,152</u>	\$ <u>5,809</u>

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CITY OF KECHI, KANSAS

SOLID WASTE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

	Year ended December 31,			Variance Over (Under)
	2011 Actual	Actual	Budget	
Cash receipts:				
Sales of services	\$ 68,069	\$ 77,731	\$ 77,000	\$ 731
Expenditures:				
Contractual services	66,248	76,975	\$ 77,000	\$ 25
Cash receipts over (under) expenditures	1,821	756		
Unencumbered cash balance, beginning of year	1,712	3,533	\$ 3,712	\$ (179)
Unencumbered cash balance, end of year	\$ 3,533	\$ 4,289	\$ 3,712	\$ 577

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CITY OF KECHI, KANSAS

WATERWORKS RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers from other funds	\$ 72,925	\$ 15,000
Expenditures:		
Capital outlays	<u> —</u>	<u> —</u>
Cash receipts over expenditures	72,925	15,000
Unencumbered cash balance, beginning of year	<u>33,869</u>	<u>18,869</u>
Unencumbered cash balance, end of year	<u>\$106,794</u>	<u>\$33,869</u>

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CITY OF KECHI, KANSAS

SEWER RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers from other funds	\$ 6,000	\$ 4,000
Expenditures:		
Transfers to other funds	<u> —</u>	<u> 5,000</u>
Cash receipts over (under) expenditures	6,000	(1,000)
Unencumbered cash balance, beginning of year	<u> 3,103</u>	<u> 4,103</u>
Unencumbered cash balance, end of year	<u>\$ 9,103</u>	<u>\$ 3,103</u>

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CITY OF KECHI, KANSAS

GAS RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers from other funds	\$ 14,000	\$ 25,000
Expenditures:		
Capital outlays	<u> —</u>	<u> —</u>
Cash receipts over expenditures	14,000	25,000
Unencumbered cash balance, beginning of year	<u>30,650</u>	<u>5,650</u>
Unencumbered cash balance, end of year	<u>\$ 44,650</u>	<u>\$ 30,650</u>

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CITY OF KECHI, KANSAS

KECHI PUBLIC BUILDING COMMISSION
RELATED MUNICIPAL ENTITYSCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash receipts:		
Transfers from the City of Kechi	\$ <u>89,028</u>	\$ <u>85,205</u>
Expenditures:		
Principal	<u>50,000</u>	<u>45,000</u>
Interest	<u>39,028</u>	<u>40,205</u>
Total expenditures	<u>89,028</u>	<u>85,205</u>
Cash receipts over expenditures	<u>—</u>	<u>—</u>
Unencumbered cash balance, beginning of year	<u>879</u>	<u>879</u>
Unencumbered cash balance, end of year	<u>\$ 879</u>	<u>\$ 879</u>

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CITY OF KECHI, KANSAS

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS – ALL AGENCY FUNDS
REGULATORY BASIS

Year ended December 31, 2012

	Beginning Cash Balance January 1, <u>2012</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash Balance December 31, <u>2012</u>
Meter Deposit Fund	<u>\$31,114</u>	<u>\$ 10,595</u>	<u>\$ 8,001</u>	<u>\$33,708</u>

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