THE CITY OF ST. GEORGE, KANSAS
FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550

The City of St. George, Kansas

Financial Statements
For the Year Ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of St. George, Kansas

We have audited the accompanying financial statements of the City of St. George, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of St. George, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed more fully in Note 1, the City of St. George has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of St. George, Kansas as of December 31, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of St. George, Kansas, as of December 31, 2010 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Vonfeldt, Bauer & Vonfeldt Chtd

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

September 11, 2011

The City of St. George, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	$ 57,082.60	$ 0.00	$ 311,405.62	$ 365,492.95	$ 2,995.27	$ 91,824.80	$ 94,820.07
Special Revenue Funds:							
Special Highway Fund	8,536.00	0.00	15,435.08	6,174.52	17,796.56	0.00	17,796.56
Special Parks and Recreation Fund	5,409.70	0.00	2,804.50	1,454.95	6,759.25	0.00	6,759.25
Special Parks and Recreation Reserve Fund	1,190.00	0.00	0.00	0.00	1,190.00	0.00	1,190.00
Debt Service:							
Bond & Interest Fund	30,280.73	0.00	265,272.75	245,928.36	49,625.12	0.00	49,625.12
Capital Projects:							
Powercat Phase 6 Fund	7,057.00	0.00	0.00	0.00	7,057.00	0.00	7,057.00
Riverview Hills Fund	6,135.00	0.00	65,000.57	61,337.83	9,797.74	0.00	9,797.74
Proprietary Type Funds:							
Enterprise Funds:							
Water Utility Fund	28,294.00	0.00	132,952.98	92,473.34	68,773.64	1,039.50	69,813.14
Sewer Utility Fund	25,923.00	0.00	92,108.16	48,746.19	69,284.97	548.58	69,833.55
Sewer Replacement Reserve Fund	10,659.00	0.00	0.00	2,017.20	8,641.80	0.00	8,641.80
Total Reporting Entity Excluding Agency Funds (Memorandum Only)	$ 180,567.03	$ 0.00	$ 884,979.66	$ 823,625.34	$ 241,921.35	$ 93,412.88	$ 335,334.23

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

The City of St. George, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Balance to be Accounted for:	$ 335,334.23
Composition of Cash:	
Petty Cash:	
Cash on Hand	$ 296.00
Other City Accounts:	
Checking Account - Kaw Valley State Bank, Wamego, KS	10,363.61
Plus Deposits in Transit	1,837.58
Less Outstanding Checks	(69,808.26)
MMA Account-Kaw Valley State Bank, Wamego, KS	330,463.26
Cash Available at Pottawatomie County	62,091.78
Checking Account - Kaw Valley State Bank, Wamego, KS	46.31
Checking Account - Kaw Valley State Bank, Wamego, KS	43.95
Total Reporting Entity	$ 335,334.23

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

The City of St. George, Kansas
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	$ 233,219.00	$ 0.00	$ 233,219.00	$ 365,492.95	$ 132,273.95
Special Revenue Funds:					
Special Highway Fund	14,000.00	0.00	14,000.00	6,174.52	(7,825.48)
Special Parks and Recreation Fund	1,750.00	0.00	1,750.00	1,454.95	(295.05)
Debt Service:					
Bond & Interest Fund	352,212.00	0.00	352,212.00	245,928.36	(106,283.64)
Proprietary Type Funds:					
Enterprise Funds:					
Water Utility	116,908.00	0.00	116,908.00	92,473.34	(24,434.66)
Sewer Utility	61,951.00	0.00	61,951.00	48,746.19	(13,204.81)

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

The City of St. George, Kansas
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	$ 82,526.47	$ 87,727.00	$ (5,200.53)
Delinquent Tax	4,296.33	0.00	4,296.33
Motor Vehicle Tax	11,810.80	6,622.00	5,188.80
Recreational Vehicle Tax	0.00	255.00	(255.00)
16/20 M Vehicle Tax	0.00	62.00	(62.00)
Local Liquor Tax	698.13	725.00	(26.87)
Sales Tax	85,388.29	68,000.00	17,388.29
Franchise Tax	18,353.96	11,000.00	7,353.96
Occupational Tax	250.00	0.00	250.00
License and Permits	12,282.24	8,200.00	4,082.24
Fines, Forfeitures and Penalties	14,027.77	7,800.00	6,227.77
Rental Income	4,800.00	4,800.00	0.00
Donations	0.00	750.00	(750.00)
State Aid	54,638.00	0.00	54,638.00
Federal Aid	16,337.75	0.00	16,337.75
Reimbursed Expenses	4,318.04	0.00	4,318.04
Miscellaneous	573.60	2,500.00	(1,926.40)
Interest	1,104.24	3,000.00	(1,895.76)
Total Cash Receipts	311,405.62	$ 201,441.00	$ 109,964.62
Expenditures			
Personnel	104,640.80	107,368.00	(2,727.20)
Contractual and Other	197,283.12	105,851.00	91,432.12
Materials and Supplies	15,029.64	20,000.00	(4,970.36)
Equipment Reserve	14,477.34	0.00	14,477.34
Capital Outlay	34,062.05	0.00	34,062.05
Total Expenditures	365,492.95	$ 233,219.00	$ 132,273.95
Receipts Over (Under) Expenditures	(54,087.33)		
Unencumbered Cash, Beginning	57,082.60		
Unencumbered Cash, Ending	$ 2,995.27		

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

The City of St. George, Kansas
SPECIAL HIGHWAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Intergovernmental	$ 15,435.08	$ 15,220.00	$ 215.08
Total Cash Receipts	15,435.08	$ 15,220.00	$ 215.08
Expenditures			
Personnel	198.94	0.00	198.94
Contractual and Other	5,975.58	6,000.00	(24.42)
Materials and Supplies	0.00	8,000.00	(8,000.00)
Total Expenditures	6,174.52	$ 14,000.00	$ (7,825.48)
Receipts Over (Under) Expenditures	9,260.56		
Unencumbered Cash, Beginning	8,536.00		
Unencumbered Cash, Ending	$ 17,796.56		

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

The City of St. George, Kansas
SPECIAL PARKS AND RECREATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Local Alcohol Tax	$ 698.12	$ 675.00	$ 23.12
Fines, Forfeitures, and Penalties	2,106.38	1,250.00	856.38
Miscellaneous	0.00	500.00	(500.00)
Total Cash Receipts	2,804.50	$ 2,425.00	$ 379.50
Expenditures			
Contractual and Other	1,229.95	1,250.00	(20.05)
Materials and Supplies	0.00	500.00	(500.00)
Equipment Reserve	225.00	0.00	225.00
Total Expenditures	1,454.95	$ 1,750.00	$ (295.05)
Receipts Over (Under) Expenditures	1,349.55		
Unencumbered Cash, Beginning	5,409.70		
Unencumbered Cash, Ending	$ 6,759.25		

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

The City of St. George, Kansas
SPECIAL PARKS AND RECREATION RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
None	$ 0.00
Total Cash Receipts	0.00
Expenditures	
None	0.00
Total Expenditures	0.00
Receipts Over (Under) Expenditures	0.00
Unencumbered Cash, Beginning	1,190.00
Unencumbered Cash, Ending	$ 1,190.00

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

The City of St. George, Kansas
BOND & INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	$ 61,492.16	$ 65,367.00	$ (3,874.84)
Special Assessments	201,785.48	275,789.00	(74,003.52)
Motor Vehicle Tax	1,027.55	764.00	263.55
Delinquent Tax	967.56	0.00	967.56
Total Cash Receipts	265,272.75	$ 341,920.00	$ (76,647.25)
Expenditures			
Contractual and Other	10,082.65	4,271.00	5,811.65
Principal Payments	90,630.31	123,044.00	(32,413.69)
Interest Payments	145,215.40	157,397.00	(12,181.60)
Cash Reserve Unpaid Assessment	0.00	67,500.00	(67,500.00)
Total Expenditures	245,928.36	$ 352,212.00	$ (106,283.64)
Receipts Over (Under) Expenditures	19,344.39		
Unencumbered Cash, Beginning	30,280.73		
Unencumbered Cash, Ending	$ 49,625.12		

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

The City of St. George, Kansas
POWERCAT PHASE 6 FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
None	$ 0.00
Total Cash Receipts	0.00
Expenditures	
None	0.00
Total Expenditures	0.00
Receipts Over (Under) Expenditures	0.00
Unencumbered Cash, Beginning	7,057.00
Unencumbered Cash, Ending	$ 7,057.00

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

The City of St. George, Kansas
RIVERVIEW HILLS FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Miscellaneous	$ 3,662.74
Bond Proceeds	61,337.83
Total Cash Receipts	65,000.57
Expenditures	
Contractual and Other	61,337.83
Total Expenditures	61,337.83
Receipts Over (Under) Expenditures	3,662.74
Unencumbered Cash, Beginning	6,135.00
Unencumbered Cash, Ending	$ 9,797.74

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

The City of St. George, Kansas
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	$ 129,916.46	$ 112,560.00	$ 17,356.46
Fines, Forfeitures, and Penalties	2,946.52	4,626.00	(1,679.48)
Miscellaneous	90.00	5,600.00	(5,510.00)
Total Cash Receipts	132,952.98	$ 122,786.00	$ 10,166.98
Expenditures			
Personnel	25,534.74	30,169.00	(4,634.26)
Contractual and Other	17,243.63	3,160.00	14,083.63
Materials and Supplies	790.79	5,225.00	(4,434.21)
Equipment Reserve	6,731.81	8,234.00	(1,502.19)
Capital Outlay	9,052.40	22,000.00	(12,947.60)
Principal	20,070.33	20,070.00	0.33
Interest	13,049.64	13,050.00	(0.36)
Transfers Out	0.00	15,000.00	(15,000.00)
Total Expenditures	92,473.34	$ 116,908.00	$ (24,434.66)
Receipts Over (Under) Expenditures	40,479.64		
Unencumbered Cash, Beginning	28,294.00		
Unencumbered Cash, Ending	$ 68,773.64		

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

The City of St. George, Kansas
SEWER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	$ 92,108.16	$ 74,850.00	$ 17,258.16
Total Cash Receipts	92,108.16	$ 74,850.00	$ 17,258.16
Expenditures			
Personnel	16,452.56	19,808.00	(3,355.44)
Contractual and Other	20,966.71	15,381.00	5,585.71
Materials and Supplies	1,215.94	2,500.00	(1,284.06)
Equipment Reserve	6,731.81	18,883.00	(12,151.19)
Capital Outlay	0.00	2,000.00	(2,000.00)
Principal	2,322.13	2,322.00	0.13
Interest	1,057.04	1,057.00	0.04
Total Expenditures	48,746.19	$ 61,951.00	$ (13,204.81)
Receipts Over (Under) Expenditures	43,361.97		
Unencumbered Cash, Beginning	25,923.00		
Unencumbered Cash, Ending	$ 69,284.97		

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

The City of St. George, Kansas
SEWER REPLACEMENT RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
None	$ 0.00
Total Cash Receipts	0.00
Expenditures	
Contractual and Other	2,017.20
Total Expenditures	2,017.20
Receipts Over (Under) Expenditures	(2,017.20)
Unencumbered Cash, Beginning	10,659.00
Unencumbered Cash, Ending	$ 8,641.80

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of St. George, Kansas is a municipal corporation governed by an elected six-member council. A primary government is a legal entity or public 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 City of St. George, Kansas has no component units as of December 31, 2010.

B. FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of St. George, Kansas for the year of 2010:

GOVERNMENTAL FUNDS

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

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

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

PROPRIETARY FUNDS:

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

C. BASIS OF ACCOUNTING

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

C. BASIS OF ACCOUNTING (Cont'd.)

The municipality 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 municipality to use the statutory basis of accounting.

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, expenditures, 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, 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 the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts, money market accounts and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Vacation Leave Policy:
Full-time employees will be credited with vacation leave at varying rates depending on years of service. Full-time employees will be credited with vacation leave weekly and any available time not used by the end of the a benefit year will be lost. Upon termination, full-time employees will be compensated for any unused vacation leave at their final rate of pay. The potential liability for unused vacation leave as of December 31, 2010 is $5,935.47.

Sick Leave Policy:
Full-time employees shall earn twelve days of sick leave each year with no max accumulation. Upon termination, employees will not be compensated for unused sick leave, therefore, there is no potential liability for unused sick leave as of December 31, 2010.

F. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

G. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

H. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

I. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather then 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. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits: Cities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

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, 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.

Note 2 - BUDGETARY INFORMATION (Cont'd.)

A legal operating budget is not required for capital projects funds, reserve funds, fiduciary funds, permanent funds, and the following special revenue funds:

Special Parks and Recreation Reserve Fund

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

Note 3 - COMPLIANCE WITH KANSAS STATUTES

1. Expenditures exceeded the authorized budget in the General Fund in violation of K.S.A. 79-2935.

Management is aware of no other statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

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

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

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

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2010.

At December 31, 2010 the City's carrying amount of deposits was $335,038.23 and the bank balance was $340,917.13. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $260,453.87 was covered by federal depository insurance, and $80,463.26 was collateralized with securities held by the pledging financial institutions' agent in the City's name.

Note 5 - CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Riverview Hills Project	$ 1,271,261.43	$ 1,157,318.88

Note 6 - LONG TERM DEBT

Changes in long-term liabilities for the municipality for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds:				
Series 1999A	5.20%	01/15/1999	$ 76,000.00	01/15/2014
Series 1999B	4.75%	04/06/1999	102,500.00	04/06/2039
Series 1999C	4.75%	04/06/1999	38,800.00	04/06/2039
Series 2001A	5.40-6.90%	07/15/2001	188,000.00	09/01/2021
Series 2003	4.75-6.25%	02/01/2003	51,086.00	10/01/2023
Series 2004	6.00%	09/15/2004	70,480.00	10/01/2024
Series 2006A	5.75-5.875%	04/15/2006	75,000.00	10/01/2026
Series 2007A	4.90%	03/01/2007	80,000.00	10/01/2027
Series 2009A	4.50-5.25%	07/15/2009	1,200,000.00	10/01/2029
KDHE Loans:				
KDHE Project #C-20-1595-01	2.86%	05/16/2003	52,874.00	09/01/2024
KDHE Revolving Loan #2308	3.59%	07/25/2003	491,956.00	08/01/2025
KDOT Loan Project #TR0021	3.79%	03/14/2005	160,000.00	08/01/2025
KDOT Loan Project #TR0032	3.76%	04/05/2006	208,210.00	08/01/2025
KDOT Loan Project #TR0048	3.64%	06/15/2007	313,000.00	08/01/2027
KDOT Loan Project #TR0050	3.74%	07/11/2007	736,667.00	08/01/2027
KDOT Loan Project #TR0057	3.74%	07/11/2007	469,500.00	08/01/2027
Capital Leases Payable:				
Backhoe Loader	0.00%	6/30/2006	63,275.00	6/30/2011
Total Contractual Indebtedness				
Compensated Absences				
Total Long Term Debt				

Balance Beginning of Year	Additions	Reductions / Payments	Net Change	Balance End of Year	Interest Paid
$ 31,900.00	$ 0.00	$ 5,800.00		$ 26,100.00	$ 1,508.00
91,200.00	0.00	1,400.00		89,800.00	4,298.75
30,013.61	0.00	500.00		29,513.61	1,413.77
140,000.00	0.00	10,000.00		130,000.00	7,910.00
42,000.00	0.00	2,000.00		40,000.00	2,487.50
60,000.00	0.00	3,000.00		57,000.00	3,600.00
69,000.00	0.00	3,000.00		66,000.00	4,031.26
76,000.00	0.00	3,000.00		73,000.00	3,724.00
1,200,000.00	0.00	10,000.00		1,190,000.00	69,436.03
41,076.05	0.00	2,322.33		38,753.72	1,057.04
407,739.43	0.00	20,070.13		387,669.30	13,049.64
134,600.09	0.00	6,371.00		128,229.09	4,764.52
123,758.93	0.00	6,006.80		117,752.13	4,343.94
308,317.66	0.00	12,425.03		295,892.63	10,451.96
656,644.27	61,337.83	26,996.93		690,985.17	22,916.88
148,199.15	0.00	5,930.55		142,268.60	5,158.19
18,081.73	0.00	12,869.40		5,212.33	0.00
3,578,530.92	61,337.83	131,692.17		3,508,176.58	160,151.48
0.00			5,935.47	5,935.47	
$ 3,578,530.92	$ 61,337.83	$ 131,692.17	$ 5,935.47	$ 3,514,112.05	$ 160,151.48

Note 6 - LONG TERM DEBT (Cont'd.)

Current maturities of long-term debt and interest for the next five years and in ten year increments through maturity are as follows:

	2011	2012	2013	2014
PRINCIPAL:				
General Obligation Bonds:				
Series 1999A	$ 6,000.00	$ 6,400.00	$ 6,700.00	$ 7,000.00
Series 1999B	1,500.00	1,600.00	1,600.00	1,700.00
Series 1999C	600.00	600.00	600.00	700.00
Series 2001A	10,000.00	10,000.00	10,000.00	10,000.00
Series 2003	2,000.00	2,000.00	2,000.00	3,000.00
Series 2004	3,000.00	3,000.00	3,000.00	3,000.00
Series 2006A	3,000.00	3,000.00	3,000.00	3,000.00
Series 2007A	3,000.00	3,000.00	3,000.00	3,000.00
Series 2009A	25,000.00	25,000.00	30,000.00	35,000.00
KDHE Loans:				
KDHE Project #C-20-1595-01	2,389.22	2,458.05	2,528.85	2,601.69
KDHE Revolving Loan #2308	20,797.12	21,550.43	22,331.04	23,139.92
KDOT Loan Project #TR0021	6,612.48	6,862.36	7,122.82	7,392.76
KDOT Loan Project #TR0032	6,232.66	6,467.00	6,710.16	6,962.46
KDOT Loan Project #TR0048	6,139.84	6,369.48	6,607.70	6,854.82
KDOT Loan Project #TR0050	30,632.69	30,893.02	32,048.42	33,247.04
KDOT Loan Project #TR0057	12,877.29	13,346.03	13,831.83	14,335.29
Capital Leases Payable:				
Backhoe Loader	5,212.33	0.00	0.00	0.00
TOTAL PRINCIPAL	144,993.63	142,546.37	151,080.82	160,933.98
INTEREST:				
General Obligation Bonds:				
Series 1999A	1,201.20	878.80	538.20	182.00
Series 1999B	4,229.88	4,156.26	4,080.26	4,001.88
Series 1999C	1,387.65	1,359.15	1,330.65	1,299.77
Series 2001A	7,300.00	6,690.00	6,150.00	5,610.00
Series 2003	2,377.50	2,267.50	2,157.50	2,047.50
Series 2004	3,420.00	3,240.00	3,060.00	2,880.00
Series 2006A	3,858.76	3,686.26	3,513.76	2,996.26
Series 2007A	3,577.00	3,430.00	3,283.00	3,136.00
Series 2009A	56,932.50	55,932.50	54,932.50	53,732.50
KDHE Loans:				
KDHE Project #C-20-1595-01	996.00	933.19	868.58	802.10
KDHE Revolving Loan #2308	12,393.52	11,713.65	11,009.15	10,279.13
KDOT Loan Project #TR0021	4,539.14	4,305.40	4,062.30	3,810.16
KDOT Loan Project #TR0032	4,133.10	3,914.34	3,687.34	3,451.82
KDOT Loan Project #TR0048	4,965.18	4,750.90	4,528.60	4,298.00
KDOT Loan Project #TR0050	23,289.23	23,046.30	21,968.14	20,849.64
KDOT Loan Project #TR0057	10,030.76	9,594.22	9,141.78	8,672.90
TOTAL INTEREST	144,631.42	139,898.47	134,311.76	128,049.66
TOTAL PRINCIPAL AND INTEREST	$ 289,625.05	$ 282,444.84	$ 285,392.58	$ 288,983.64

2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 26,100.00
1,900.00	10,400.00	13,100.00	16,600.00	20,900.00	20,500.00	89,800.00
700.00	3,900.00	5,000.00	6,200.00	8,000.00	3,213.61	29,513.61
10,000.00	65,000.00	15,000.00	0.00	0.00	0.00	130,000.00
3,000.00	16,000.00	12,000.00	0.00	0.00	0.00	40,000.00
4,000.00	21,000.00	20,000.00	0.00	0.00	0.00	57,000.00
3,000.00	20,000.00	25,000.00	6,000.00	0.00	0.00	66,000.00
3,000.00	20,000.00	26,000.00	12,000.00	0.00	0.00	73,000.00
35,000.00	240,000.00	370,000.00	430,000.00	0.00	0.00	1,190,000.00
2,676.64	14,585.05	11,514.22	0.00	0.00	0.00	38,753.72
23,978.09	133,565.13	142,307.57	0.00	0.00	0.00	387,669.30
7,672.96	42,953.64	49,612.07	0.00	0.00	0.00	128,229.09
7,224.26	40,405.90	43,749.69	0.00	0.00	0.00	117,752.13
7,111.20	39,750.00	47,760.44	21,675.12	0.00	0.00	142,268.60
34,490.46	192,793.84	231,645.76	105,233.94	0.00	0.00	690,985.17
14,857.11	82,802.15	99,009.89	44,833.04	0.00	0.00	295,892.63
0.00	0.00	0.00	0.00	0.00	0.00	5,212.33
158,610.72	943,155.71	1,111,699.64	642,542.10	28,900.00	23,713.61	3,508,176.58
0.00	0.00	0.00	0.00	0.00	0.00	2,800.20
3,916.38	19,866.91	15,387.65	13,257.28	7,445.65	2,002.16	78,344.31
1,266.52	5,810.11	4,753.23	3,035.78	1,746.39	143.46	22,132.71
5,070.00	17,070.00	855.00	0.00	0.00	0.00	48,745.00
1,875.00	6,742.50	1,500.00	0.00	0.00	0.00	18,967.50
2,700.00	9,900.00	3,000.00	0.00	0.00	0.00	28,200.00
3,168.76	12,631.30	6,521.28	352.50	0.00	0.00	36,728.88
2,989.00	12,250.00	6,860.00	882.00	0.00	0.00	36,407.00
52,332.50	236,637.50	170,947.50	58,537.50	0.00	0.00	739,985.00
733.71	2,569.02	609.58	0.00	0.00	0.00	7,512.18
9,522.67	35,271.90	11,800.23	0.00	0.00	0.00	101,990.25
3,548.44	13,456.06	5,254.72	0.00	0.00	0.00	38,976.22
3,207.44	10,828.58	4,392.54	0.00	0.00	0.00	33,615.16
4,058.76	16,380.16	8,905.16	1,141.24	0.00	0.00	49,028.00
19,689.32	79,464.84	43,209.98	5,542.58	0.00	0.00	237,060.03
8,186.92	33,002.94	17,908.38	2,293.34	0.00	0.00	98,831.24
122,265.42	511,881.82	301,905.25	85,042.22	9,192.04	2,145.62	1,579,323.68
$ 280,876.14	$ 1,455,037.53	$ 1,413,604.89	$ 727,584.32	$ 38,092.04	$ 25,859.23	$ 5,087,500.26

Note 7 - DEFINED BENEFIT PENSION PLAN

Plan description. The City of St. George contributes to 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 Ave., Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 is 7.14%. The City of St. George employer contributions to KPERS for the years ending December 31, 2010 was $7,772.90, equal to the required contributions for the year.

Note 8 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City does not participate in a public entity risk pool.

Note 9 - CONTINGENCIES

The City has one case in litigation and the city attorney advised that the outcome could be unfavorable. The case was decided by the District Judge and awarded attorney fees to the plaintiff. The city has appealed the matter to the Kansas Court of Appeals and a decision is expected in 2012. The maximum exposure for the city is approximately $5,000.00.