CITY OF WALTON

WALTON, KANSAS

Special Financial Statements

December 31, 2010

City of Walton, Kansas

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December 31, 2010

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Walton
Walton, Kansas

We have audited the accompanying financial statements of the City of Walton, 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'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 2009 financial statements and, in our report dated August 31, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

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 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 more fully in Note 1, the City prepares its financial statements using 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, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting 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 as of December 31, 2010, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City 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.

Knudsen, Monroe & Company LLC

Certified Public Accountants
June 8, 2011

City of Walton, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2010

Funds	Unencumbered Cash Balance 12-31-09	Receipts	Expenditures	Unencumbered Cash Balance 12-31-10	Encumbrances	Cash Balance 12-31-10
General	$ 2,528	162,320	164,488	360	8,243	8,603
Special revenue						
Library	3,309	2,905	1,601	4,613	-	4,613
Special street and highway	15,948	7,777	13,577	10,148	-	10,148
Capital improvement	4,847	-	-	4,847	-	4,847
Debt service						
Bond and interest	8	16,962	16,760	210	-	210
Capital project						
Orphan dump project	1,316	-	1,280	36	-	36
Enterprise						
Water operating	3,219	162,077	192,920	(27,624)	283	(27,341)
Sewer operating	11,660	32,591	30,254	13,997	-	13,997
Stormwater utility operating	4,506	5,301	1,317	8,490	-	8,490
Gas						
Operating	13,192	127,226	99,407	41,011	-	41,011
Depreciation	3,200	-	-	3,200	-	3,200
Total Primary Government	63,733	517,159	521,604	59,288	8,526	67,814
Component unit						
Walton Community Library	3,903	5,729	6,896	2,736	-	2,736
Total Reporting Entity	$ 67,636	522,888	528,500	62,024	8,526	70,550

Composition of Cash

Walton State Bank, Walton, Kansas	
Checking account	$ 45,388
Time deposits	22,292
Petty cash and other	134
Total primary government	67,814
Checking account-component unit	2,736
Total reporting entity	$ 70,550

See notes to financial statements

City of Walton, Kansas

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General	$ 206,880	2,735	209,615	164,488	(45,127)
Special Revenue					
Library	2,775	-	2,775	1,601	(1,174)
Special street and highway	40,000	-	40,000	13,577	(26,423)
Debt Service					
Bond and interest	16,854	-	16,854	16,760	(94)
Enterprise					
Water operating	105,173	-	105,173	192,920	87,747
Sewer operating	31,805	-	31,805	30,254	(1,551)
Gas operating	113,834	-	113,834	99,407	(14,427)
Expenditures subject to budget	$ 517,321	2,735	520,056	519,007	(1,049)
Add expenditures for unbudgeted funds					
Capital Projects				1,280	
Enterprise				1,317	
Total primary government expenditures				$ 521,604	

See notes to financial statements

City of Walton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
RECEIPTS				
Ad valorem property tax	$ 45,594	43,560	46,854	(3,294)
Delinquent tax	4,095	3,448	-	3,448
Vehicle tax	8,998	8,625	8,892	(267)
Sales tax - County	30,857	45,339	47,000	(1,661)
Franchise fees	21,446	20,141	21,060	(919)
Refuse	16,766	17,064	16,000	1,064
Permits	1,130	263	1,475	(1,212)
Court fines and fees	36,578	13,566	49,500	(35,934)
Interest	1,979	719	1,500	(781)
Reimbursements	7,499	2,735	3,000	(265)
Other	10,650	6,860	12,000	(5,140)
	185,592	162,320	207,281	(44,961)
EXPENDITURES, Page 5	185,304	164,488		
Receipts over (under) expenditures	288	(2,168)		
UNENCUMBERED CASH, beginning	2,240	2,528		
UNENCUMBERED CASH, ending	$ 2,528	360		

City of Walton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

	2009 Actual	2010 Actual	2010 Budget	2010 Variance - Over (Under)
EXPENDITURES				
Personnel services	$ 14,515	34,958	25,271	9,687
Contractual	29,855	33,747	15,400	18,347
Commodities	1,448	8,377	6,940	1,437
Capital outlay	7,713	944	17,800	(16,856)
Street lights	4,426	2,975	5,500	(2,525)
Refuse	18,548	18,408	15,000	3,408
Streets	2,006	-	2,000	(2,000)
Animal control/parks	3,315	1,322	8,000	(6,678)
Continuing education and dues	1,903	1,553	2,500	(947)
Library	500	500	500	-
Law enforcement				
Personal services	57,462	45,000	65,000	(20,000)
Other	14,149	15,334	-	15,334
Municipal Court	11,544	1,275	15,000	(13,725)
Other	12,920	95	600	(505)
Transfer to other funds	5,000	-	27,369	(27,369)
	185,304	164,488	206,880	(42,392)
Adjustment for budget credits	-	-	2,735	(2,735)
Total expenditures	$ 185,304	164,488	209,615	(45,127)

See notes to financial statements

City of Walton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
LIBRARY FUND				
RECEIPTS				
Ad valorem property tax	$ 2,102	2,297	2,469	(172)
Delinquent tax	239	196	-	196
Vehicle tax	434	412	424	(12)
	2,775	2,905	2,893	12
EXPENDITURES				
Appropriations to Library Board	2,092	1,601	2,775	(1,174)
Receipts over (under) expenditures	683	1,304		
UNENCUMBERED CASH, beginning	2,626	3,309		
UNENCUMBERED CASH, ending	$ 3,309	4,613		
SPECIAL STREET & HIGHWAY FUND				
RECEIPTS				
State payments	$ 7,225	7,777	8,620	(843)
Local sales tax	17,419	-	15,000	(15,000)
Transfer from other funds	5,000	-	10,000	(10,000)
	29,644	7,777	33,620	(25,843)
EXPENDITURES				
Personnel services	-	1,462	-	1,462
Contractual services	9,802	7,704	-	7,704
Commodities	17,933	4,411	33,000	(28,589)
Transfer to other funds	-	-	7,000	(7,000)
	27,735	13,577	40,000	(26,423)
Receipts over (under) expenditures	1,909	(5,800)		
UNENCUMBERED CASH, beginning	14,039	15,948		
UNENCUMBERED CASH, ending	$ 15,948	10,148		

City of Walton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
CAPITAL IMPROVEMENT FUND				
RECEIPTS				
Transfer from other funds	$ -	-		
EXPENDITURES				
Capital outlay	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	4,847	4,847		
UNENCUMBERED CASH, ending	$ 4,847	4,847		
CAPITAL EQUIPMENT FUND				
RECEIPTS				
Transfer from other funds	$ -	-		
EXPENDITURES				
Capital outlay	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	$ -	-		

City of Walton, Kansas

Debt Service Fund and Capital Project Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
BOND AND INTEREST FUND				
RECEIPTS				
Ad valorem property tax	$ 3,853	3,760	4,044	(284)
Delinquent tax	561	427	-	427
Vehicle tax	833	725	745	(20)
Transfer from other funds	11,520	12,050	12,050	-
	16,767	16,962	16,839	123
EXPENDITURES				
Bond principal	4,200	4,400	4,400	-
Interest	12,559	12,360	12,454	(94)
	16,759	16,760	16,854	(94)
Receipts over (under) expenditures	8	202		
UNENCUMBERED CASH, beginning	-	8		
UNENCUMBERED CASH, ending	$ 8	210		
ORPHAN DUMP PROJECT FUND				
RECEIPTS				
KDHE grant	$ 100,260	-		
EXPENDITURES				
Contracted services	98,944	1,280	NOT APPLICABLE	
Receipts over (under) expenditures	1,316	(1,280)		
UNENCUMBERED CASH, beginning	-	1,316		
UNENCUMBERED CASH, ending	$ 1,316	36		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
WATER OPERATING FUND				
RECEIPTS				
Water sales	$ 80,178	162,077	96,000	66,077
Transfer from other funds	-	-	9,000	(9,000)
	80,178	162,077	105,000	57,077
EXPENDITURES				
Personnel services	10,829	19,351	23,173	(3,822)
Contractual services	11,322	18,517	4,000	14,517
Commodities and other	5,166	2,073	2,000	73
Capital outlay	1,881	8,759	15,000	(6,241)
Water purchases	45,164	144,220	52,000	92,220
Franchise fee to city	2,755	-	9,000	(9,000)
	77,117	192,920	105,173	87,747
Receipts over (under) expenditures	3,060	(30,843)		
UNENCUMBERED CASH, beginning	159	3,219		
UNENCUMBERED CASH, ending	$ 3,219	(27,624)		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
SEWER FUND				
RECEIPTS				
Fees	$ 33,618	$ 32,591	33,000	(409)
EXPENDITURES				
Personnel services	12,022	8,716	4,245	4,471
Contractual services	6,512	8,379	4,000	4,379
Commodities and other	816	220	2,000	(1,780)
Capital outlay	47	889	2,000	(1,111)
Franchise fee to city	656	-	1,560	(1,560)
Transfer to other funds	11,520	12,050	18,000	(5,950)
	31,573	30,254	31,805	(1,551)
Receipts over (under) expenditures	2,045	2,337		
UNENCUMBERED CASH, beginning	9,615	11,660		
UNENCUMBERED CASH, ending	$ 11,660	13,997		
STORMWATER UTILITY FUND				
RECEIPTS				
Fees	$ 4,506	5,301		
EXPENDITURES			NOT APPLICABLE	
Drainage maintenance	-	1,317		
Receipts over (under) expenditures	4,506	3,984		
UNENCUMBERED CASH, beginning	-	4,506		
UNENCUMBERED CASH, ending	$ 4,506	8,490		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
GAS OPERATING FUND				
RECEIPTS				
Gas sales and other	$ 115,610	127,226	112,000	15,226
Transfer from other funds	-	-	1,500	(1,500)
	115,610	127,226	113,500	13,726
EXPENDITURES				
Personnel services	21,812	15,033	9,050	5,983
Contractual services	6,176	2,309	8,150	(5,841)
Commodities and other	3,893	312	300	12
Capital outlay	283	1,366	3,366	(2,000)
Gas purchases	60,930	72,387	79,968	(7,581)
Franchise fee to city	7,203	8,000	8,000	-
Transfer to other funds	-	-	5,000	(5,000)
	100,297	99,407	113,834	(14,427)
Receipts over (under) expenditures	15,313	27,819		
UNENCUMBERED CASH, beginning	(2,121)	13,192		
UNENCUMBERED CASH, ending	$ 13,192	41,011		
GAS DEPRECIATION FUND				
RECEIPTS	$ -	-		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	3,200	3,200		
UNENCUMBERED CASH, ending	$ 3,200	3,200		

City of Walton, Kansas

Component Unit

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009

WALTON COMMUNITY LIBRARY		2010	2009
RECEIPTS			
Appropriations from city			
General fund	$	500	500
Library fund		1,601	2,092
SCKLS and State		3,467	3,628
Other		161	6
		5,729	6,226
EXPENDITURES			
Salaries and employee benefits		1,693	2,008
Books, periodicals, materials		2,543	3,131
Other		2,660	957
		6,896	6,096
Receipts over (under) expenditures		(1,167)	130
UNENCUMBERED CASH, beginning		3,903	3,773
UNENCUMBERED CASH, ending	$	2,736	3,903

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Walton is a municipal corporation governed by an elected five-member council. These financial statements present the City of Walton (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

Discretely Presented Component Units

The component unit financial statement includes the financial data of the discretely presented component unit. The component unit is reported separately to emphasize that it is legally separate from the City. The governing body of the component unit is appointed by the Walton City council.

Walton Community Library –The Walton Community Library board operates the City's public library. The City makes appropriations to the library to assist in funding capital expenditures and operating expenses.

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. 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.

The City has approved a resolution that is in conformity 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.

Departure from Generally Accepted Accounting Principles

The basis of presentation 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 non-cash 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 accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. FUND DESCRIPTION

In governmental 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 for the year 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.

Capital Project Funds – to account for financial resources segregated for the acquisition or improvement of capital facilities other than those financed totally by proprietary funds.

Debt Service Fund – 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.

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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was not amended.

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.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the capital improvement fund, capital project funds and enterprise bond reserve accounts.

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.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes 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 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 FDIC coverage. The City has no investment policy that would further limit interest rate risk.

4. DEPOSITS AND INVESTMENTS (Continued)

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. As of December 31, 2010, the City's investments included only bank deposits with a fair value of $22,292, which are not subject to investment rating.

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 statues 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 designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits, including component units, was $70,550. The bank balance totaled $82,945. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by FDIC insurance.

Composition of Cash and Investments

The cash balance consisted of the following at December 31, 2010

	Primary Government	Component Unit	Total
Cash on hand	$ 134	-	134
Amount on deposit with financial institutions			
Checking and money market accounts	45,388	2,736	48,124
Time deposits	22,292	-	22,292
	$ 67,814	2,736	70,550

5. COMPLIANCE WITH KANSAS STATUES

The City was not in compliance with K.S.A. 79-2935 which limits fund expenditures to the appropriated budget in the Water Operating Fund. The City was not in compliance with K.S.A. 10-1113 which limits fund expenditures to the available money in the Water Operating fund.

6. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12/31/09	Additions	Deletions	Balance 12/31/10	Interest Paid
General Obligation Bonds,									
Series 1998 Sewer	4.75%	10/05/98	299,000	10/05/38	$ 260,220	-	4,400	255,820	12,360
Capital Lease Obligations									
Vehicle	6.00%	10/01/07	14,950	10/01/11	7,300	-	3,881	3,419	332
Equipment	6.00%	03/20/07	2,899	03/20/10	31	-	31	-	-
					$ 267,551	-	8,312	259,239	12,692

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending December 31									
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-Mat.	Total
Principal										
General obligation bonds	$ 4,600	4,800	5,000	5,300	5,500	32,000	40,200	50,600	107,820	255,820
Capital leases payable	3,419	-	-	-	-	-	-	-	-	3,419
Total principal	$ 8,019	4,800	5,000	5,300	5,500	32,000	40,200	50,600	107,820	259,239
Interest										
General obligation bonds	$ 12,245	12,027	11,799	11,561	11,309	52,345	43,999	33,516	24,738	213,539
Capital leases payable	95	-	-	-	-	-	-	-	-	95
Total interest	$ 12,340	12,027	11,799	11,561	11,309	52,345	43,999	33,516	24,738	213,634

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Walton 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, Suite 100, Topeka, KS 66603) 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 basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 6.14% at December 31, 2010. The City of Walton contributions to KPERS for the years ending December 31, 2009 and 2010 were equal to the statutory required contributions for each year.

8. COMPENSATED ABSENCES

Full-time employees accrue paid time off as follows:

Years of Continuous Employment	0-3 years	3-10 years	10+ years
Hours earned per month	16.6	26.6	40.0
Days earned per year	25	40	60
Maximum days of accumulation	30	60	120
Maximum days paid at termination	9	18	36

Upon termination, unused paid time off is paid at 30%, or a maximum days per the above schedule. No provision for the liability which has accrued on the compensated absences described above has been included in the accompanying financial statements.

9. INTERFUND TRANSFERS

Operating transfers were as follows:

Transfer To	Transfer From	Amount
Bond and interest	Sewer	$ 12,050

10. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through June 8, 2011, which is the date at which the financial statements were available to be issued.