

CITY OF ATTICA, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

CITY OF ATTICA, KANSAS
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For the Year Ended December 31, 2011

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Hutchinson, Kansas 67502

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Attica, Kansas
Attica, Kansas

We have audited the accompanying financial statements of **City of Attica, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Attica, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *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 opinions.

As described more fully in Note 1, **City of Attica, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose 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 **City of Attica, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Attica, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 09, 2012

CITY OF ATTICA, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories						
General Fund	\$ 20,300	358,241	356,930	21,611	5,048	26,659
Special Revenue Funds						
Library Fund	2,240	8,957	8,000	3,197	-	3,197
Parks and Recreation Fund	6,426	6,330	8,361	4,395	-	4,395
Special Highway Fund	14,559	19,323	24,779	9,103	-	9,103
Economic Development Fund	6,985	-	-	6,985	-	6,985
City Equipment Reserve Fund	9,561	-	-	9,561	-	9,561
Proprietary Fund Category						
Enterprise Funds						
Gas Utility Fund	64,708	222,893	256,426	31,175	42,787	73,962
Sewer Utility Fund	24,822	66,903	71,105	20,620	1,185	21,805
Electric Utility Fund	124,830	847,685	817,892	154,623	61,717	216,340
Water Utility Fund	31,423	118,121	108,963	40,581	5,898	46,479
Total Primary Government	<u>305,854</u>	<u>1,648,453</u>	<u>1,652,456</u>	<u>301,851</u>	<u>116,635</u>	<u>418,486</u>
Component Units						
Attica Public Library Board	57,308	14,842	20,153	51,997	-	51,997
Attica Summer Recreation Commission	18,619	47,961	26,048	40,532	-	40,532
Total Component Units	<u>75,927</u>	<u>62,803</u>	<u>46,201</u>	<u>92,529</u>	<u>-</u>	<u>92,529</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 381,781</u>	<u>1,711,256</u>	<u>1,698,657</u>	<u>394,380</u>	<u>116,635</u>	<u>511,015</u>
		Composition of Cash				
		Cash on Hand			\$	200
		Checking Accounts				236,894
		Certificates of Deposit				200,000
		Total Cash				437,094
		Agency Funds per Statement 4				(18,608)
		Total Primary Government				418,486
		Total Component Units				92,529
		Total Reporting Entity (Excluding Agency Funds)			\$	<u>511,015</u>

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

CITY OF ATTICA, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 461,755	-	461,755	356,930	(104,825)
Special Revenue Funds					
Library Fund	14,500	-	14,500	8,000	(6,500)
Parks and Recreation Fund	11,000	-	11,000	8,361	(2,639)
Special Highway Fund	25,000	-	25,000	24,779	(221)
Economic Development Fund	9,000	-	9,000	-	(9,000)
Proprietary Fund Category					
Enterprise Funds					
Gas Utility Fund	367,000	-	367,000	256,426	(110,574)
Sewer Utility Fund	76,317	-	76,317	71,105	(5,212)
Electric Utility Fund	883,000	-	883,000	817,892	(65,108)
Water Utility Fund	101,000	11,562	112,562	108,963	(3,599)

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

CITY OF ATTICA, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 61,622	65,312	67,837	(2,525)
Delinquent Tax	3,177	970	-	970
Motor Vehicle Tax	19,103	18,340	16,821	1,519
Local Sales Tax	74,075	79,101	85,000	(5,899)
Swimming Pool	10,700	6,297	6,300	(3)
Franchise Fees	12,961	9,087	5,900	3,187
Fees, Permits, Rentals, Fines, and Other	8,324	2,745	3,650	(905)
Federal Housing Grant	157,500	-	90,000	(90,000)
Reimbursed Expenses	28,860	25,715	25,000	715
Interest	1,868	1,447	5,000	(3,553)
Insurance Proceeds	16,385	3,365	2,500	865
Local Grants	2,500	21,862	-	21,862
Transfers In	160,000	124,000	200,000	(76,000)
Total Cash Receipts	<u>557,075</u>	<u>358,241</u>	<u>508,008</u>	<u>(149,767)</u>
Expenditures				
General Administrative	190,297	164,594	186,255	(21,661)
Wellness Center Payroll	17,006	15,816	20,000	(4,184)
Federal Housing Grant	157,500	-	90,000	(90,000)
Public Safety				
Fire Department	20,000	20,004	20,000	4
Police Department	61,651	60,989	69,000	(8,011)
Municipal Court	3,658	3,552	4,000	(448)
Recreation				
Park Department	10,516	26,110	1,500	24,610
Swimming Pool	39,414	27,054	21,000	6,054
Street Department	51,572	38,811	50,000	(11,189)
Total Expenditures	<u>551,614</u>	<u>356,930</u>	<u>461,755</u>	<u>(104,825)</u>
Cash Receipts Over (Under) Expenditures	<u>5,461</u>	<u>1,311</u>		
Unencumbered Cash - Beginning	<u>14,839</u>	<u>20,300</u>		
Unencumbered Cash - Ending	<u>\$ 20,300</u>	<u>21,611</u>		

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

CITY OF ATTICA, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 6,079	6,794	7,058	(264)
Delinquent Tax	410	119	-	119
Motor Vehicle Tax	3,211	2,044	1,674	370
Total Cash Receipts	9,700	8,957	<u>8,732</u>	<u>225</u>
Expenditures				
Appropriations	8,000	8,000	10,000	(2,000)
Contractual Services	5,441	-	4,500	(4,500)
Total Expenditures	13,441	8,000	<u>14,500</u>	<u>(6,500)</u>
Cash Receipts Over (Under) Expenditures	(3,741)	957		
Unencumbered Cash - Beginning	5,981	2,240		
Unencumbered Cash - Ending	\$ <u>2,240</u>	<u>3,197</u>		

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

CITY OF ATTICA, KANSAS
Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 4,149	4,364	4,533	(169)
Delinquent Tax	155	49	-	49
Motor Vehicle Tax	546	1,126	1,142	(16)
Alcohol Tax	-	401	-	401
Fees and Miscellaneous	679	390	-	390
Total Cash Receipts	<u>5,529</u>	<u>6,330</u>	<u>5,675</u>	<u>655</u>
Expenditures				
Appropriations	1,942	-	8,000	(8,000)
Contractual Services	-	8,361	3,000	5,361
Total Expenditures	<u>1,942</u>	<u>8,361</u>	<u>11,000</u>	<u>(2,639)</u>
Cash Receipts Over (Under) Expenditures	3,587	(2,031)		
Unencumbered Cash - Beginning	<u>2,839</u>	<u>6,426</u>		
Unencumbered Cash - Ending	\$ <u>6,426</u>	<u>4,395</u>		

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

CITY OF ATTICA, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
State Gasoline Tax	\$ 11,804	19,323	16,000	3,323
Expenditures				
Contractual	-	9,072	-	9,072
Commodities	18,658	15,707	25,000	(9,293)
Total Expenditures	18,658	24,779	25,000	(221)
Cash Receipts Over (Under) Expenditures	(6,854)	(5,456)		
Unencumbered Cash - Beginning	21,413	14,559		
Unencumbered Cash - Ending	\$ 14,559	9,103		

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

CITY OF ATTICA, KANSAS
Economic Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ -	-	5,000	(5,000)
Expenditures				
Contractual Services	-	-	4,000	(4,000)
Appropriations	-	-	5,000	(5,000)
Total Expenditures	-	-	9,000	(9,000)
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	6,985	6,985		
Unencumbered Cash - Ending	\$ 6,985	6,985		

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

CITY OF ATTICA, KANSAS
City Equipment Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	9,561	9,561
Unencumbered Cash - Ending	\$ 9,561	9,561

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

CITY OF ATTICA, KANSAS
Gas Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 270,404	222,893	380,000	(157,107)
Miscellaneous	651	-	-	-
Total Cash Receipts	<u>271,055</u>	<u>222,893</u>	<u>380,000</u>	<u>(157,107)</u>
Expenditures				
Personal Services	31,092	35,030	33,000	2,030
Commodities	4,021	18,743	4,000	14,743
Contractual Services	215,483	202,653	330,000	(127,347)
Transfers Out	6,000	-	-	-
Total Expenditures	<u>256,596</u>	<u>256,426</u>	<u>367,000</u>	<u>(110,574)</u>
Cash Receipts Over (Under) Expenditures	14,459	(33,533)		
Unencumbered Cash - Beginning	<u>50,249</u>	<u>64,708</u>		
Unencumbered Cash - Ending	\$ <u>64,708</u>	<u>31,175</u>		

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

CITY OF ATTICA, KANSAS
Sewer Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sewer Service Charges	\$ 44,631	45,903	44,000	1,903
Transfers In	30,000	21,000	15,000	6,000
Total Cash Receipts	<u>74,631</u>	<u>66,903</u>	<u>59,000</u>	<u>7,903</u>
Expenditures				
Personal Services	33,223	47,749	33,000	14,749
Contractual Services	19,579	922	23,000	(22,078)
Commodities	142	2,617	500	2,117
Capital Outlay	19,817	19,817	19,817	-
Total Expenditures	<u>72,761</u>	<u>71,105</u>	<u>76,317</u>	<u>(5,212)</u>
Cash Receipts Over (Under) Expenditures	1,870	(4,202)		
Unencumbered Cash - Beginning	<u>22,952</u>	<u>24,822</u>		
Unencumbered Cash - Ending	\$ <u>24,822</u>	<u>20,620</u>		

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

CITY OF ATTICA, KANSAS
Electric Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 798,185	812,498	795,100	17,398
Penalties	11,228	9,371	11,000	(1,629)
Miscellaneous	3,438	4,895	-	4,895
Reimbursed Expenses	8,465	20,921	-	20,921
Total Cash Receipts	<u>821,316</u>	<u>847,685</u>	<u>806,100</u>	<u>41,585</u>
Expenditures				
Personal Services	84,203	118,567	96,000	22,567
Contractual Services	484,263	508,969	475,000	33,969
Commodities	46,959	34,704	42,000	(7,296)
Capital Outlay	16,482	30,652	-	30,652
Transfers Out	170,000	125,000	270,000	(145,000)
Total Expenditures	<u>801,907</u>	<u>817,892</u>	<u>883,000</u>	<u>(65,108)</u>
Cash Receipts Over (Under) Expenditures	19,409	29,793		
Unencumbered Cash - Beginning	<u>105,421</u>	<u>124,830</u>		
Unencumbered Cash - Ending	\$ <u>124,830</u>	<u>154,623</u>		

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

CITY OF ATTICA, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales to Customers	\$ 95,801	106,559	95,000	11,559
Reimbursed Expenses	-	11,562	-	11,562
Total Cash Receipts	<u>95,801</u>	<u>118,121</u>	<u>95,000</u>	<u>23,121</u>
Expenditures				
Personal Services	37,916	48,742	36,000	12,742
Contractual Services	18,405	21,987	40,000	(18,013)
Commodities	9,983	18,234	25,000	(6,766)
Transfers Out	14,000	20,000	-	20,000
(a) Adjustment for Qualifying Budget Credit	-	-	11,562	(11,562)
Total Expenditures	<u>80,304</u>	<u>108,963</u>	<u>112,562</u>	<u>(3,599)</u>
Cash Receipts Over (Under) Expenditures	15,497	9,158		
Unencumbered Cash - Beginning	<u>15,926</u>	<u>31,423</u>		
Unencumbered Cash - Ending	\$ <u>31,423</u>	<u>40,581</u>		
(a) Adjustment for Qualifying Budget Credit				
Reimbursed Expenses Over Amount Budgeted			\$ <u>11,562</u>	

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

CITY OF ATTICA, KANSAS
Attica Public Library
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
City Appropriations	\$ 8,000	8,000
SCKLS Aid	4,514	4,749
State of Kansas Grant	-	280
Donations	18,635	1,348
Interest Income	156	255
Miscellaneous	41	210
Total Cash Receipts	<u>31,346</u>	<u>14,842</u>
Expenditures		
Payroll Taxes	1,070	761
Salaries	9,136	9,373
Library Operations	6,612	10,019
Total Expenditures	<u>16,818</u>	<u>20,153</u>
Cash Receipts Over (Under) Expenditures	14,528	(5,311)
Unencumbered Cash - Beginning	<u>42,780</u>	<u>57,308</u>
Unencumbered Cash - Ending	<u>\$ 57,308</u>	<u>51,997</u>

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

CITY OF ATTICA, KANSAS
Attica Summer Recreation Commission
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals For the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
City Appropriations	\$ 1,824	-
School District Appropriations	1,500	3,000
Fees, Concessions, Dues	13,397	16,443
Donations	-	28,518
Total Cash Receipts	<u>16,721</u>	<u>47,961</u>
Expenditures		
Payroll	14,372	15,323
Equipment and Supplies	6,729	9,408
Insurance	503	1,317
Total Expenditures	<u>21,604</u>	<u>26,048</u>
Cash Receipts Over (Under) Expenditures	(4,883)	21,913
Unencumbered Cash - Beginning	<u>23,502</u>	<u>18,619</u>
Unencumbered Cash - Ending	<u>\$ 18,619</u>	<u>40,532</u>

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

CITY OF ATTICA, KANSAS
Agency Funds
Statement of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Kansas Sales Tax Fund	\$ 1,878	15,439	16,642	675
Payroll Clearing Fund	-	350,928	346,102	4,826
Efficiency Kansas	-	19,953	11,513	8,440
Utility Deposit Fund	3,430	4,397	3,160	4,667
Total	\$ 5,308	390,717	377,417	18,608

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

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Attica, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

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

The component units section of these financial statements includes the financial data of the following discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the City.

Attica Public Library

The Attica Public Library Board operates the City's public library. The library, not the City, appoints individuals to its board. However, the City must approve acquisition or disposition of real property by the board. The City must also approve bond issuances. The City substantially funds the library's operations by levying tax dollars for the library.

Attica Summer Recreation Commission

The Attica Summer Recreation Commission oversees recreational activities. The City appoints two members to the Summer Recreation Commission's four-member board. The recreation commission operates as a separate governing body but the City levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928.

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 reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

Governmental Fund Categories

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

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted to expenditure for a specified purpose.

Proprietary Fund Category

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, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Category

Agency Funds - to account for assets held by the City as trustee or agent for others.

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.

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

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 non-cash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 City 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.

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 than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 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 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.

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 City 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, fiduciary funds, permanent funds, and the following special revenue fund: City Equipment 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.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue fund: City Equipment 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.

Deposits and Investments

The City follows the practice of pooling cash of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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, 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 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 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 K.S.A. 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 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 does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$437,094 and the bank balance was \$438,578. Of the bank balance, \$258,500 was covered by federal depository insurance and \$180,078 was collateralized with securities held by pledging financial institutions' agents in the City's name.

At December 31, 2011, Attica Public Library's carrying amount of deposits was \$51,997 and the bank balance was \$53,307. The entire bank balance was covered by federal depository insurance.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At December 31, 2011, Attica Summer Recreation Commission's carrying amount of deposits was \$40,532 and the bank balance was \$40,978. The entire bank balance was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

Compensated Absences

Vacation

The City's policy regarding vacation is as follows:

After 1 year	5 days
2 - 9 years	10 days
10 - 14 years	15 days
15 and over	20 days

Vacation must be taken within the following year and may not be accumulated. An employee may accept one week's wages in lieu of vacation.

Sick Leave

The policy regarding sick leave is that an employee will accrue sick leave at the rate of one day each month that they are employed by the City. Full-time employees may accumulate up to 90 days sick leave, which is canceled upon termination of the employee.

Personal Leave

Each employee is awarded three days of personal leave each year. Personal leave is canceled upon termination of the employee.

Neither component unit provides for any compensated absences.

A potential liability for accumulated vacation, sick leave and personal leave is shown on the schedule of long-term debt.

Defined Benefit Pension Plan

Plan Description

The City 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, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) 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 for calendar year 2011 was 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$16,657, \$18,126, and \$12,805, respectively, equal to the required contributions for each year as set forth by the legislature.

Neither component unit has any KPERS covered employees.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of 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 eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real estate property are in September. Taxes are recognized as revenue when received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt, and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the agency funds of the City.

Reimbursements

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

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Attica, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Electric Utility Fund	General Fund	K.S.A. 12-825d	\$ 124,000
Electric Utility Fund	Sewer Utility Fund	K.S.A. 12-825d	1,000
Water Utility Fund	Sewer Utility Fund	K.S.A. 12-825d	20,000

NOTE 3 – LITIGATION

City of Attica, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 4 – RISK MANAGEMENT

City of Attica, Kansas carries commercial insurance for substantially all risks of loss, including property, general liability, inland marine, workers' compensation, umbrella, automobile, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 5 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for the fiscal year 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

Attica Independent – Owned by a Council Member	\$ 6,754
J&K Auto and Towing, LLC – Owned by a Council Member	11,139
Ricke's Hometown Foods – Owned by a Council Member	2,908

NOTE 6 – GRANTS AND SHARED REVENUES

City of Attica, Kansas participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Attica, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – LONG-TERM DEBT

City of Attica, Kansas has the following types of long-term debt:

KDHE Revolving Loan

The City entered into a revolving loan agreement with the Kansas Department of Health and Environment on June 9, 2004 for the purpose of improvements for its wastewater treatment facility.

Capital Leases

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

CITY OF ATTICA, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 8 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	Interest Paid
KDHE Loan										
Water Pollution Control Revolving Loan	2.91%	03/01/05	\$ 300,235	02/28/25	233,060	-	13,130		219,930	6,687
Capital Leases										
2001 Freightliner	4.00%	09/01/10	45,953	09/30/15	44,005	-	8,643		35,362	1,573
Electrical Building	4.00%	12/27/10	24,820	12/31/15	24,820	6,050	5,473		25,397	1,064
Total Capital Leases					<u>68,825</u>	<u>6,050</u>	<u>14,116</u>		<u>60,759</u>	<u>2,637</u>
Total Contractual Indebtedness					301,885	6,050	27,246		280,689	9,324
Compensated Absences					19,690	-	-	(2,754)	16,936	
Total Long-Term Debt					\$ 321,575	6,050	27,246	(2,754)	297,625	9,324

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

	YEAR						Total
	2012	2013	2014	2015	2016	2017-2021	
Principal							
Water Pollution Control Revolving Loan	\$ 13,409	13,826	14,237	14,660	15,082	82,472	219,930
Capital Leases	14,530	15,127	15,441	14,078	1,583	-	60,759
Total Principal	<u>27,939</u>	<u>28,953</u>	<u>29,678</u>	<u>28,738</u>	<u>16,665</u>	<u>82,472</u>	<u>280,689</u>
Interest							
Water Pollution Control Revolving Loan	6,407	5,991	5,580	5,157	4,734	16,613	48,497
Capital Leases	2,223	1,626	1,012	373	-	-	5,234
Total Interest	<u>8,630</u>	<u>7,617</u>	<u>6,592</u>	<u>5,530</u>	<u>4,734</u>	<u>16,613</u>	<u>53,731</u>
Total Principal and Interest	<u>\$ 36,569</u>	<u>36,570</u>	<u>36,270</u>	<u>34,268</u>	<u>21,399</u>	<u>99,085</u>	<u>334,420</u>