

CITY OF BALDWIN CITY, KANSAS
FINANCIAL STATEMENTS
Year Ended December 31, 2011

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CITY OF BALDWIN CITY, KANSAS

FINANCIAL STATEMENTS
Year ending December 31, 2011

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MIZE & HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Baldwin City, Kansas

We have audited the accompanying financial statements of the City of Baldwin City, 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 the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2010. In our report dated August 11, 2011 on these financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

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 consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 in Note 1, the City of Baldwin City, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Baldwin City, Kansas, as of December 31, 2011, or the respective changes in financial position and where applicable, cash flows thereof for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash and unencumbered cash balances of the City of Baldwin City, Kansas, as of December 31, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

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The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2010, from which such partial information was derived.

Mike Houser: Company PA

July 31, 2012

STATEMENT 1

CITY OF BALDWIN CITY, KANSAS

Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning	Prior Year Adjustment	Cash		Ending	Add: Outstanding Encumbrances and Accounts Payable	Ending
	Unencumbered Cash Balance		Receipts	Expenditures	Unencumbered Cash Balance		Cash Balance
General Fund	\$ [28,053]	\$ 1,391	\$ 1,965,296	\$ 1,869,536	\$ 69,098	\$ 25,340	\$ 94,438
Special Revenue Funds:							
Library Fund	-	-	136,650	136,650	-	-	-
Special Parks and Recreation Fund	85,578	-	10,027	6,347	89,258	-	89,258
Special Highway Fund	158,189	-	124,578	72,085	210,682	-	210,682
Swimming Pool Sales Tax Revenue Fund	133,241	-	-	21,874	111,367	-	111,367
General Reserve Fund	272,078	-	1,153	79,953	193,278	-	193,278
Cemetery Reserve Fund	110,709	-	2,060	-	112,769	-	112,769
Cemetery Fund	20,997	-	20,171	11,119	30,049	-	30,049
Debt Service Funds:							
Bond and Interest Fund	[155,506]	-	514,170	346,103	12,561	-	12,561
Special Assessment Fund	3,943	-	4,897	8,840	-	-	-
Capital Project Fund	321,942	[30,223]	2,338,601	225,858	2,404,462	28,028	2,432,490
Quality of Life Sales Tax Fund	62,005	-	92,518	-	154,523	-	154,523
Enterprise Funds:							
Electric System Fund	567,452	2,827	4,525,877	3,798,170	1,297,986	12,135	1,310,121
Electric Project Fund	79,840	-	-	28,904	50,936	-	50,936
Water System Fund	1,052,257	543	1,847,556	1,888,129	1,012,227	53,939	1,066,166
Water Project Fund	392,680	-	11,771	11,771	392,680	600	393,280
Sewer Project Fund	[44,075]	-	44,732	657	-	-	-
Wastewater Utility Fund	542,237	-	1,323,536	1,308,129	557,644	1,289	558,933
Refuse Utility Fund	[31,637]	30,223	192,436	188,425	2,597	-	2,597
Total Primary Government	<u>3,543,877</u>	<u>4,761</u>	<u>13,156,029</u>	<u>10,002,550</u>	<u>6,702,117</u>	<u>121,331</u>	<u>6,823,448</u>
Component Units:							
Baldwin City Library	<u>524,762</u>	<u>-</u>	<u>77,679</u>	<u>64,082</u>	<u>538,359</u>	<u>-</u>	<u>538,359</u>
	<u>524,762</u>	<u>-</u>	<u>77,679</u>	<u>64,082</u>	<u>538,359</u>	<u>-</u>	<u>538,359</u>
Total Component Units							
Total Reporting Entity	<u>\$ 4,068,639</u>	<u>\$ 4,761</u>	<u>\$ 13,233,708</u>	<u>\$ 10,066,632</u>	<u>\$ 7,240,476</u>	<u>\$ 121,331</u>	<u>\$ 7,361,807</u>

Composition of Cash:

Baldwin State Bank	
Checking	\$ 6,823,098
Checking - Baldwin City Library	216,401
Certificates of Deposit - Baldwin City Library	315,485
Bank of America - Baldwin City Library Shares	6,473
Petty Cash	<u>350</u>
Total	<u>\$ 7,361,807</u>

CITY OF BALDWIN CITY, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 1,961,304	\$ -	\$ 1,961,304	\$ 1,869,536	\$ 91,768
Special Revenue Funds:					
Library Fund	139,075	-	139,075	136,650	2,425
Special Parks and Recreation Fund	74,570	-	74,570	6,347	68,223
Special Highway Fund	153,119	-	153,119	72,085	81,034
Swimming Pool Sales Tax Revenue Fund	129,616	-	129,616	21,874	107,742
Cemetery Fund	28,657	-	28,657	11,119	17,538
Debt Service Funds:					
Bond and Interest Fund	341,100	-	341,100	346,103	[5,003]
Enterprise Funds:					
Electric System Fund	5,006,656	-	5,006,656	3,798,170	1,208,486
Water System Fund	3,421,980	-	3,421,980	1,888,129	1,533,851
Wastewater Utility Fund	1,529,774	-	1,529,774	1,308,129	221,645
Refuse Utility Fund	185,500	-	185,500	188,425	[2,925]

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

CITY OF BALDWIN CITY, KANSAS

General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 790,022	\$ 776,154	\$ 767,869	\$ 8,285
Intergovernmental	570,077	617,225	583,000	34,225
Franchise fees	66,968	64,667	79,500	[14,833]
Licenses, permits and fees	36,260	64,788	33,600	31,188
Fines, forfeitures and penalties	50,384	64,333	55,500	8,833
Use of money and property	2,745	839	4,900	[4,061]
Reimbursed expenses	880	3,120	150	2,970
Transfer in	278,670	352,040	304,150	47,890
Miscellaneous	6,824	22,130	1,000	21,130
Total Cash Receipts	1,802,830	1,965,296	\$ 1,829,669	\$ 135,627
Expenditures and Transfers Subject to Budget				
General Administration				
Personal services	332,276	343,601	\$ 325,965	\$ [17,636]
Contractual services	101,063	114,798	147,658	32,860
Commodities	18,912	20,280	11,500	[8,780]
Capital outlay	13,053	23,500	14,629	[8,871]
	465,304	502,179	499,752	[2,427]
Planning				
Contractual services	17	55	-	[55]
	17	55	-	[55]
Public works				
Personal services	176,534	174,367	192,619	18,252
Contractual services	39,320	38,530	37,844	[686]
Commodities	78,368	93,754	72,400	[21,354]
Capital outlay	4,774	40,286	26,250	[14,036]
	298,996	346,937	329,113	[17,824]
Culture and recreation				
Personal services	269	267	36,772	36,505
Contractual services	66,486	63,935	61,903	[2,032]
Commodities	9,546	7,153	15,945	8,792
Capital outlay	-	-	3,000	3,000
	76,301	71,355	117,620	46,265

CITY OF BALDWIN CITY, KANSAS

General Fund, (continued)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Expenditures and Transfers Subject to Budget (Continued)				
Public safety				
Fire Department:				
Personal services	\$ 31,042	\$ 34,368	\$ 27,955	\$ [6,413]
Contractual services	30,280	33,217	16,799	[16,418]
Commodities	9,705	8,364	8,550	186
Capital outlay	24,737	25,202	24,302	[900]
	<u>95,764</u>	<u>101,151</u>	<u>77,606</u>	<u>[23,545]</u>
Police Department:				
Personal services	604,345	624,300	668,453	44,153
Contractual services	61,283	65,853	64,345	[1,508]
Commodities	51,582	42,130	47,600	5,470
Capital outlay	81,783	11,198	64,440	53,242
	<u>798,993</u>	<u>743,481</u>	<u>844,838</u>	<u>101,357</u>
Municipal Court				
Personal services	33,456	35,011	35,400	389
Contractual services	22,565	22,431	31,425	8,994
Commodities	227	300	550	250
Capital outlay	108	-	-	-
	<u>56,356</u>	<u>57,742</u>	<u>67,375</u>	<u>9,633</u>
Industrial Promotion				
Contractual services	40,391	45,803	-	[45,803]
	<u>40,391</u>	<u>45,803</u>	<u>-</u>	<u>[45,803]</u>
Transfer out				
	<u>160,750</u>	<u>833</u>	<u>25,000</u>	<u>24,167</u>
	<u>160,750</u>	<u>833</u>	<u>25,000</u>	<u>24,167</u>
Total Expenditures and Transfers Subject to Budget	<u>1,992,872</u>	<u>1,869,536</u>	<u>\$ 1,961,304</u>	<u>\$ 91,768</u>
Receipts Over [Under] Expenditures	<u>[190,042]</u>	<u>95,760</u>		
Unencumbered Cash, Beginning	161,989	[28,053]		
Prior Period Adjustment	-	1,391		
Unencumbered Cash, Beginning	<u>161,989</u>	<u>[26,662]</u>		
Unencumbered Cash, Ending	<u>\$ [28,053]</u>	<u>\$ 69,098</u>		

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

CITY OF BALDWIN CITY, KANSAS

Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 136,274	\$ 136,650	\$ 139,075	\$ [2,425]
Total Cash Receipts	<u>136,274</u>	<u>136,650</u>	<u>\$ 139,075</u>	<u>\$ [2,425]</u>
Expenditures and Transfers Subject to Budget				
Culture and Recreation:				
Personal services	98,546	101,245	\$ 89,410	\$ [11,835]
Appropriation To Board	<u>37,728</u>	<u>35,405</u>	<u>49,665</u>	<u>14,260</u>
Total Expenditures and Transfers Subject to Budget	<u>136,274</u>	<u>136,650</u>	<u>\$ 139,075</u>	<u>\$ 2,425</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CITY OF BALDWIN CITY, KANSAS

Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Tax	\$ 12,895	\$ 9,677	\$ 9,000	\$ 677
Park fees	-	350	1,400	[1,050]
Transfer in	<u>85,500</u>	<u>-</u>	<u>2,200</u>	<u>[2,200]</u>
Total Cash Receipts	<u>98,395</u>	<u>10,027</u>	<u>\$ 12,600</u>	<u>\$ [2,573]</u>
Expenditures and Transfers Subject to Budget				
Culture and Recreation:				
Contractual services	4,650	-	\$ 10,000	\$ 10,000
Commodities	-	6,347	10,000	3,653
Capital outlay	<u>14,191</u>	<u>-</u>	<u>54,570</u>	<u>54,570</u>
Total Expenditures and Transfers Subject to Budget	<u>18,841</u>	<u>6,347</u>	<u>\$ 74,570</u>	<u>\$ 68,223</u>
Receipts Over [Under] Expenditures	79,554	3,680		
Unencumbered Cash, Beginning	<u>6,024</u>	<u>85,578</u>		
Unencumbered Cash, Ending	<u>\$ 85,578</u>	<u>\$ 89,258</u>		

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

CITY OF BALDWIN CITY, KANSAS

Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 126,916	\$ 124,578	\$ 127,270	\$ [2,692]
Total Cash Receipts	<u>126,916</u>	<u>124,578</u>	<u>\$ 127,270</u>	<u>\$ [2,692]</u>
Expenditures and Transfers Subject to Budget				
Public works				
Contractual services	93,757	32,993	\$ 95,000	\$ 62,007
Commodities	9,500	11,391	11,721	330
Capital outlay	-	11,652	25,000	13,348
Transfer out	<u>21,398</u>	<u>16,049</u>	<u>21,398</u>	<u>5,349</u>
Total Expenditures and Transfers Subject to Budget	<u>124,655</u>	<u>72,085</u>	<u>\$ 153,119</u>	<u>\$ 81,034</u>
Receipts Over [Under] Expenditures	2,261	52,493		
Unencumbered Cash, Beginning	<u>155,928</u>	<u>158,189</u>		
Unencumbered Cash, Ending	<u>\$ 158,189</u>	<u>\$ 210,682</u>		

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

CITY OF BALDWIN CITY, KANSAS

Swimming Pool Sales Tax Revenue Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales tax revenue	\$ 41,308	\$ -	\$ -	\$ -
Total Cash Receipts	<u>41,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget				
Culture and Recreation:				
Contractual services	1,375	20,175	\$ 20,000	\$ [175]
Capital outlay	-	1,699	109,616	107,917
Transfer out	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>171,375</u>	<u>21,874</u>	<u>\$ 129,616</u>	<u>\$ 107,742</u>
Receipts Over [Under] Expenditures	[130,067]	[21,874]		
Unencumbered Cash, Beginning	<u>263,308</u>	<u>133,241</u>		
Unencumbered Cash, Ending	<u>\$ 133,241</u>	<u>\$ 111,367</u>		

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

CITY OF BALDWIN CITY, KANSAS

General Reserve Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfer in	\$ 135,750	\$ 833
Licenses, permits, & fees	<u>462</u>	<u>320</u>
Total Cash Receipts	<u>136,212</u>	<u>1,153</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	-	32,063
Transfer out	<u>15,500</u>	<u>47,890</u>
Total Expenditures and Transfers Subject to Budget	<u>15,500</u>	<u>79,953</u>
Receipts Over [Under] Expenditures	120,712	[78,800]
Unencumbered Cash, Beginning	<u>151,366</u>	<u>272,078</u>
Unencumbered Cash, Ending	<u>\$ 272,078</u>	<u>\$ 193,278</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Cemetery Reserve Fund
Statement of Cash Receipts and Expenditures - Actual*
Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Donations	\$ -	\$ 2,060
Total Cash Receipts	<u>-</u>	<u>2,060</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	2,060
Unencumbered Cash, Beginning	<u>110,709</u>	<u>110,709</u>
Unencumbered Cash, Ending	<u>\$ 110,709</u>	<u>\$ 112,769</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Cemetery Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 6,597	\$ 6,562	\$ 5,902	\$ 660
Miscellaneous	9,001	13,609	5,500	8,109
Total Cash Receipts	<u>15,598</u>	<u>20,171</u>	<u>\$ 11,402</u>	<u>\$ 8,769</u>
Expenditures and Transfers Subject to Budget				
Contractual services	5,149	7,448	\$ 7,694	\$ 246
Commodities	1,277	978	975	[3]
Capital outlay	645	2,693	14,988	12,295
Transfer out	-	-	5,000	5,000
Total Expenditures and Transfers Subject to Budget	<u>7,071</u>	<u>11,119</u>	<u>\$ 28,657</u>	<u>\$ 17,538</u>
Receipts Over [Under] Expenditures	8,527	9,052		
Unencumbered Cash, Beginning	<u>12,470</u>	<u>20,997</u>		
Unencumbered Cash, Ending	<u>\$ 20,997</u>	<u>\$ 30,049</u>		

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

CITY OF BALDWIN CITY, KANSAS

Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 133,317	\$ 197,186	\$ 208,881	\$ [11,695]
Transfer in	<u>71,395</u>	<u>316,984</u>	<u>108,898</u>	<u>208,086</u>
Total Cash Receipts	<u>204,712</u>	<u>514,170</u>	<u>\$ 317,779</u>	<u>\$ 196,391</u>
Expenditures and Transfers Subject to Budget				
Debt service:				
Principal	195,000	205,000	\$ 200,000	\$ [5,000]
Interest	<u>149,113</u>	<u>141,103</u>	<u>141,100</u>	<u>[3]</u>
Total Expenditures and Transfers Subject to Budget	<u>344,113</u>	<u>346,103</u>	<u>\$ 341,100</u>	<u>\$ [5,003]</u>
Receipts Over [Under] Expenditures	[139,401]	168,067		
Unencumbered Cash, Beginning	<u>[16,105]</u>	<u>[155,506]</u>		
Unencumbered Cash, Ending	<u>\$ [155,506]</u>	<u>\$ 12,561</u>		

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

CITY OF BALDWIN CITY, KANSAS

Special Assessment Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Taxes	\$ 566	\$ 4,897
Total Cash Receipts	<u>566</u>	<u>4,897</u>
Expenditures and Transfers Subject to Budget		
Transfer out	-	8,840
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>8,840</u>
Receipts Over [Under] Expenditures	566	[3,943]
Unencumbered Cash, Beginning	<u>3,377</u>	<u>3,943</u>
Unencumbered Cash, Ending	<u>\$ 3,943</u>	<u>\$ -</u>

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

CITY OF BALDWIN CITY, KANSAS

Capital Project Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Miscellaneous	\$ 500	\$ -
Transfer in	125,000	-
Debt proceeds	<u>-</u>	<u>2,338,601</u>
Total Cash Receipts	<u>125,500</u>	<u>2,338,601</u>
Expenditures and Transfers Subject to Budget		
Public works		
Contractual services	32,049	22,623
Capital outlay	-	177,858
Transfer out	<u>-</u>	<u>25,377</u>
Total Expenditures and Transfers Subject to Budget	<u>32,049</u>	<u>225,858</u>
Receipts Over [Under] Expenditures	<u>93,451</u>	<u>2,112,743</u>
Unencumbered Cash, Beginning	228,491	321,942
Prior period adjustment	<u>-</u>	<u>[30,223]</u>
Unencumbered Cash, Ending	<u>\$ 321,942</u>	<u>\$ 2,404,462</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Quality of Life Sales Tax Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Intergovernmental	\$ 62,005	\$ 92,518
Total Cash Receipts	<u>62,005</u>	<u>92,518</u>
Expenditures and Transfers Subject to Budget		
Public works		
Capital outlay	-	-
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	62,005	92,518
Unencumbered Cash, Beginning	<u>-</u>	<u>62,005</u>
Unencumbered Cash, Ending	<u>\$ 62,005</u>	<u>\$ 154,523</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Electric System Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 3,926,155	\$ 4,516,189	\$ 3,874,500	\$ 641,689
Reimbursed expenses	4,672	1,230	12,000	[10,770]
Intergovernmental	7,500	-	-	-
Miscellaneous	6	5,196	-	5,196
Transfers in	-	-	739,690	[739,690]
Use of money and property	<u>2,067</u>	<u>3,262</u>	<u>5,800</u>	<u>[2,538]</u>
Total Cash Receipts	<u>3,940,400</u>	<u>4,525,877</u>	<u>\$ 4,631,990</u>	<u>\$ [106,113]</u>
Expenditures and Transfers Subject to Budget				
Production and treatment	307,750	391,684	\$ 317,465	\$ [74,219]
Distribution	487,632	492,629	450,260	[42,369]
Acquisition	1,955,238	1,843,661	2,422,033	578,372
General administration	206,856	190,006	1,077,208	887,202
Principal	375,000	395,000	395,000	-
Interest	309,690	294,690	294,690	-
Transfers out	<u>450,431</u>	<u>190,500</u>	<u>50,000</u>	<u>[140,500]</u>
Total Expenditures and Transfers Subject to Budget	<u>4,092,597</u>	<u>3,798,170</u>	<u>\$ 5,006,656</u>	<u>\$ 1,208,486</u>
Receipts Over [Under] Expenditures	<u>[152,197]</u>	<u>727,707</u>		
Unencumbered Cash, Beginning	719,649	567,452		
Prior Period Adjustment	<u>-</u>	<u>2,827</u>		
Unencumbered Cash, Beginning, Restated	<u>719,649</u>	<u>570,279</u>		
Unencumbered Cash, Ending	<u>\$ 567,452</u>	<u>\$ 1,297,986</u>		

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

CITY OF BALDWIN CITY, KANSAS

Electric Project Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfer in	\$ 280,431	\$ -
Total Cash Receipts	<u>280,431</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	<u>200,591</u>	<u>28,904</u>
Total Expenditures and Transfers Subject to Budget	<u>200,591</u>	<u>28,904</u>
Receipts Over [Under] Expenditures	79,840	[28,904]
Unencumbered Cash, Beginning	<u>-</u>	<u>79,840</u>
Unencumbered Cash, Ending	<u>\$ 79,840</u>	<u>\$ 50,936</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Water System Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 1,566,637	\$ 1,681,034	\$ 1,649,826	\$ 31,208
Miscellaneous	252	-	-	-
Rentals	3,000	-	-	-
Transfer in	276,000	166,000	266,000	[100,000]
Use of money and property	<u>1,764</u>	<u>522</u>	<u>6,820</u>	<u>[6,298]</u>
Total Cash Receipts	<u>1,847,653</u>	<u>1,847,556</u>	<u>\$ 1,922,646</u>	<u>\$ [75,090]</u>
Expenditures and Transfers Subject to Budget				
Distribution and collection	874,049	892,928	\$ 842,281	\$ [50,647]
General administration	476,401	464,186	850,732	386,546
Capital outlay	-	-	1,552,834	1,552,834
Principal	65,134	67,692	67,692	-
Interest	49,835	47,277	108,441	61,164
Transfers out	<u>343,378</u>	<u>416,046</u>	<u>-</u>	<u>[416,046]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,808,797</u>	<u>1,888,129</u>	<u>\$ 3,421,980</u>	<u>\$ 1,533,851</u>
Receipts Over [Under] Expenditures	<u>38,856</u>	<u>[40,573]</u>		
Unencumbered Cash, Beginning	1,013,401	1,052,257		
Prior Period Adjustment	<u>-</u>	<u>543</u>		
Unencumbered Cash, Beginning, Restated	<u>1,013,401</u>	<u>1,052,800</u>		
Unencumbered Cash, Ending	<u>\$ 1,052,257</u>	<u>\$ 1,012,227</u>		

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

CITY OF BALDWIN CITY, KANSAS

Water Project Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Connect fee	\$ 100	\$ -
Transfer in	<u>-</u>	<u>11,771</u>
Total Cash Receipts	<u>100</u>	<u>11,771</u>
Expenditures and Transfers Subject to Budget		
Contractual services	24,654	627
Capital projects	<u>-</u>	<u>11,144</u>
Total Expenditures and Transfers Subject to Budget	<u>24,654</u>	<u>11,771</u>
Receipts Over [Under] Expenditures	[24,554]	-
Unencumbered Cash, Beginning	<u>417,234</u>	<u>392,680</u>
Unencumbered Cash, Ending	<u>\$ 392,680</u>	<u>\$ 392,680</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Sewer Project Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2011 and 2010

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfer in	\$ 55,000	\$ 44,732
Miscellaneous	<u>649,445</u>	<u>-</u>
Total Cash Receipts	<u>704,445</u>	<u>44,732</u>
Expenditures and Transfers Subject to Budget		
Contractual services	<u>746,871</u>	<u>657</u>
Total Expenditures and Transfers Subject to Budget	<u>746,871</u>	<u>657</u>
Receipts Over [Under] Expenditures	[42,426]	44,075
Unencumbered Cash, Beginning	<u>[1,649]</u>	<u>[44,075]</u>
Unencumbered Cash, Ending	<u>\$ [44,075]</u>	<u>\$ -</u>

* This fund is not required to be budgeted.

CITY OF BALDWIN CITY, KANSAS

Wastewater Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 758,242	\$ 780,004	\$ 752,680	\$ 27,324
Intergovernmental	124,011	185,035	-	185,035
Miscellaneous	-	1,100	-	1,100
Transfer in	335,417	356,561	378,545	[21,984]
Use of money and property	<u>1,627</u>	<u>836</u>	<u>1,900</u>	<u>[1,064]</u>
Total Cash Receipts	<u>1,219,297</u>	<u>1,323,536</u>	<u>\$ 1,133,125</u>	<u>\$ 190,411</u>
Expenditures and Transfers Subject to Budget				
Treatment and collection	128,398	156,484	\$ 272,911	\$ 116,427
General administration	218,923	252,093	864,611	612,518
Principal	264,466	242,635	227,155	[15,480]
Interest	116,120	121,931	140,097	18,166
Transfers out	<u>477,506</u>	<u>534,986</u>	<u>25,000</u>	<u>[509,986]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,205,413</u>	<u>1,308,129</u>	<u>\$ 1,529,774</u>	<u>\$ 221,645</u>
Receipts Over [Under] Expenditures	13,884	15,407		
Unencumbered Cash, Beginning	<u>528,353</u>	<u>542,237</u>		
Unencumbered Cash, Ending	<u>\$ 542,237</u>	<u>\$ 557,644</u>		

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

CITY OF BALDWIN CITY, KANSAS

Refuse Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 188,228	\$ 192,436	\$ 185,500	\$ 6,936
Total Cash Receipts	<u>188,228</u>	<u>192,436</u>	<u>\$ 185,500</u>	<u>\$ 6,936</u>
Expenditures and Transfers Subject to Budget				
Collection	212,798	179,650	\$ 177,100	\$ [2,550]
Transfers out	4,200	8,400	8,400	-
General Administration	<u>-</u>	<u>375</u>	<u>-</u>	<u>[375]</u>
Total Expenditures and Transfers Subject to Budget	<u>216,998</u>	<u>188,425</u>	<u>\$ 185,500</u>	<u>\$ [2,925]</u>
Receipts Over [Under] Expenditures	[28,770]	4,011		
Unencumbered Cash, Beginning	[2,867]	[31,637]		
Prior Period Adjustment	<u>-</u>	<u>30,223</u>		
Unencumbered Cash, Ending	<u>\$ [31,637]</u>	<u>\$ 2,597</u>		

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

STATEMENT 4

CITY OF BALDWIN CITY, KANSAS

Statement of Cash Receipts and Expenditures - Actual
Component Unit - Baldwin City Library
For the Year Ended December 31, 2011

Cash Receipts	
City appropriations	\$ 37,728
Intergovernmental	15,830
Charges for services	6,775
Contributions	2,120
Miscellaneous	7,420
Use of money and property	<u>7,806</u>
Total Cash Receipts	<u>77,679</u>
Expenditures and Transfers	
Culture and recreation	<u>64,082</u>
Total Expenditures and Transfers	<u>64,082</u>
Receipts Over [Under] Expenditures	13,597
Unencumbered Cash, Beginning	<u>524,762</u>
Unencumbered Cash, Ending	<u>\$ 538,359</u>

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

CITY OF BALDWIN CITY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Baldwin City, Kansas, (the City) is a municipal corporation governed by a mayor and a five member council. These financial statements present the City and its component units for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate line on Statement 1 to emphasize it is legally separate from the City. The discretely presented component units have a December 31 year-end.

Component Units that are Discretely Presented. The Baldwin City Public Library (Library) serves the citizens within the City's jurisdiction. The City appoints the entire governing body of the Library. Because the Library is not a separate taxing entity, the City levies taxes for the Library's operations. The Library is presented as a governmental fund type. Complete financial statements are not available for the Library for the year ended December 31, 2011.

Basis of Accounting

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

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, 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, temporary notes, and compensated absences are not presented in the financial statements.

The City has a waiver from accounting principles generally accepted in the United States of America, which allows the City to use the prescribed basis of accounting.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash 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.

CITY OF BALDWIN CITY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The City's governmental fund types are:

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

Special Revenue Funds - are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities of the City.

The Debt Service Funds are used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's debt.

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The City's proprietary fund types are:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body 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.

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:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the 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 the 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. The 2011 budget was not amended.

CITY OF BALDWIN CITY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

The statutes permit management to transfer 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. In the financial statements, budget comparisons 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. 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - Deposits

The City's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or an adjacent county and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to K.S.A. 9-1402. Library deposits of \$283,487 were unsecured at December 31, 2011 which is a violation of K.S.A. 9-1042.

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

NOTE 3 - Retirement Plan

Plan description - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 South Kansas Avenue, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% 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 was 6.74% for the year ended December 31, 2011. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$89,281, \$87,014, and \$79,175, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2011 is 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the year ended December 31, 2011, 2010, and 2009, was \$57,639, \$51,460 and \$55,823, equal to the required contributions for each year.

CITY OF BALDWIN CITY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - Long-Term Debt

During the year ended December 31, 2011, the following changes occurred in long term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Loans	\$ 5,264,352	\$ -	\$ 310,327	\$ 4,954,025
Temporary Notes	-	2,325,000	-	2,325,000
General Obligation Bonds	10,495,000	-	600,000	9,895,000
Capital Leases	61,527	-	14,520	47,007
Total	<u>\$ 15,820,879</u>	<u>\$ 2,325,000</u>	<u>\$ 924,847</u>	<u>\$ 17,221,032</u>

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Current Amount</u>
<u>Governmental Activities</u>					
Fire Station, Series 1998	08/01/98	09/01/13	4.30 - 6.00%	\$ 400,000	\$ 75,000
Street Improvement, Series 2001	10/01/07	09/01/27	3.625 - 4.15%	1,290,000	1,180,000
Improvement, Series 2007-A	10/01/07	09/01/27	4.125 - 4.375%	2,205,000	1,955,000
Refunding and Improvement, Series 2007-B					
<u>Business-Type Activities</u>					
Refunding, Series 2005	03/03/05	11/01/26	3.00 - 4.50%	9,100,000	<u>6,685,000</u>
Total General Obligation Bonds					<u>\$ 9,895,000</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 625,000	\$ 411,573
2013	645,000	386,325
2014	630,000	360,209
2015	645,000	335,026
2016	685,000	309,244
2017-2021	3,800,000	1,098,905
2022-2026	2,685,000	378,775
2027	180,000	7,661
	<u>\$ 9,895,000</u>	<u>\$ 3,287,718</u>

CITY OF BALDWIN CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

State Agency Loans. The Kansas Department of Health and Environment has issued six loans to the City to be used as matching funds by the City for federal grants for wastewater system improvements and water supply improvements. Although the six loans are general obligations of the City, the City intends to make principal and interest payments on the loans from revenue derived from wastewater and water charges to the consumer. The first loan was for \$300,559 and calls for an interest rate of 3.78%. This loan had an outstanding balance of \$31,892 at December 31, 2011. The City will retire this loan with semi-annual payments through March 2013. Interest paid on this KDHE loan in 2011 was \$1,781. The second loan was for \$450,538 and had an outstanding balance at December 31, 2011 of \$144,457. The interest rate is 3.37% and requires semi-annual principal and interest payments through September 2016. Interest paid on the second KDHE loan in 2011 was \$5,525. The third loan was for \$409,438 and had an outstanding loan balance at December 31, 2011 of \$194,592. Interest payments totaled \$6,019 in 2011. Semi-annual payments are required through September 2019. The fourth loan was for \$2,955,074 with an outstanding balance at December 31, 2011 of \$2,360,275. Interest payments totaled \$70,672 in 2011. Semi-annual payments are required through 2022. As of December 31, 2011, the fifth loan was for \$1,256,649 with an outstanding balance at December 31, 2011 of \$1,058,394. Interest payments totaled \$28,019 in 2011. Semi-annual payments are required through 2029. The first through fifth loans are reported in the Wastewater Utility Fund. The following displays annual debt service requirements to maturity for the first four loans to be paid from service revenues,

Year Ending December 31,	Principal	Interest
2012	\$ 234,094	\$ 113,570
2013	295,094	105,684
2014	293,206	96,651
2015	302,445	87,543
2016	311,976	78,147
2017-2021	1,568,181	248,437
2022-2026	600,144	58,288
2027-2029	184,472	7,820
	<u>\$ 3,789,610</u>	<u>\$ 796,140</u>

As of December 31, 2011, the sixth loan full proceeds were \$1,599,236 and had an outstanding balance at December 31, 2011 of \$1,164,415 all in the Water System Fund. Interest payments totaled \$43,023 on this loan in 2011. The following displays annual debt service requirements to maturity for the water loan payable to be paid from service revenues:

Year Ending December 31,	Principal	Interest
2012	\$ 70,351	\$ 44,618
2013	73,114	41,855
2014	75,986	38,983
2015	78,971	35,998
2016	82,072	32,897
2017-2021	461,326	113,520
2022-2025	322,595	22,313
	<u>\$ 1,164,415</u>	<u>\$ 330,184</u>

CITY OF BALDWIN CITY, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

Temporary Notes. The City issued temporary notes in the amount of \$2,325,000 to provide temporary funds for the acquisition and construction of major capital facilities. The interest rate on the notes is 1.50% with a final maturity of September 1, 2013. The City plans to issue general obligation bonds to refund the temporary notes.

Leases. The City has entered into lease agreements for the acquisition of equipment in the current and prior years. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term).

The future minimum lease obligations as of December 31, 2011 are as follows:

Year Ending December 31,	Principal	Interest
2012	\$ 15,080	\$ 1,672
2013	15,670	1,082
2014	16,257	473
	\$ 47,007	\$ 3,227

Special Assessments. As provided by Kansas Statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund. The special assessment debt is a contingent liability of the City to the extent of property owner defaults, which have historically been immaterial.

In prior years, the City had defeased certain outstanding debt obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At December 31, 2011, the total outstanding defeased debt for all issues was \$4,200,000.

NOTE 5 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss, including related lost revenue. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

CITY OF BALDWIN CITY, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 - Interfund Transfers

A reconciliation of transfers by fund type for 2011 follows:

Fund	To	From
General	\$ 352,040	\$ 833
Special Highway	-	16,049
General Reserve	833	47,890
Bond and Interest	316,984	-
Special Assessment	-	8,840
Capital Project	-	25,377
Electric System	-	190,500
Water System	166,000	416,046
Water Project	11,771	-
Sewer Project	44,732	-
Wastewater Utility	356,561	534,986
Refuse Utility	-	8,400
Total	<u>\$ 1,248,921</u>	<u>\$ 1,248,921</u>

NOTE 7 - Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation earned but unused at termination is paid to the employees at their current rate of pay up to a maximum of 30 days. Employees who resign in good standing are entitled to ten percent of their unused sick leave and employees who retire in good standing are entitled to twenty percent of their sick leave. The liability for compensated absences at December 31, 2011 is \$98,936.

NOTE 8 – Related Party Transaction

The City paid \$41,069 during the year ended December 31, 2011, for equipment purchases to a company owned by a city council member.

NOTE 9 – Statutory Violation

Actual exceeded budgeted expenditures in the Bond and Interest Fund and the Refuse Utility Fund, which is a violation of K.S.A. 79-2935.