

CITY OF BUHLER, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Buhler, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Buhler, Kansas (City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Public Safety Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buhler's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wichita, Kansas
May 9, 2012

CITY OF BUHLER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

As management of the City of Buhler, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,733,266 (net assets). Of this amount, \$327,659 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net assets increased by \$479,536 of which there was a reduction of \$32,412 for governmental activities and a \$511,948 increase is attributed to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$315,502. Of this balance, \$22,436 is restricted for future use, \$237,766 is committed, \$26,979 is assigned and \$28,321 is unassigned.
- At year-end, the business-type activities of the City reported net assets of \$2,290,052.
- At the end of the current fiscal year, fund balance for the General Fund was \$55,300 or 20% of the total General Fund 2011 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation, sanitation services and other activities. The business-type activities include water and sewer utility services.

The government-wide financial statements include not only the City itself, but also the Buhler Public Library, Buhler Recreation Commission, and Buhler Economic Development Board which are legally separate entities for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself since they are considered discretely presented component units.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Public Safety, Capital Equipment Reserve, Capital Improvement Reserve and Debt Service Funds, all of which are considered major funds. Data from the remaining 7 governmental funds are combined into a single,

aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 13 to 20 of this report.

Proprietary Funds – The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 21 to 25 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity’s financial position. In the case of the City, assets exceeded liabilities by \$3,733,266 as of December 31, 2011.

The largest portion of the City’s net assets (62%) reflects its investments in capital assets (e.g., land, buildings and improvements, and machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF BUHLER’S NET ASSETS

December 31, 2011

(with comparative amounts at December 31, 2010)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 1,386,700 | \$ 1,491,123 | \$ 425,818 | \$ 359,388 | \$ 1,812,518 | \$ 1,850,511 |
| Capital assets | 1,177,809 | 1,182,683 | 4,254,042 | 2,834,408 | 5,431,851 | 4,017,091 |
| Total assets | 2,564,509 | 2,673,806 | 4,679,860 | 3,193,796 | 7,244,369 | 5,867,602 |
| Long-term liabilities | 824,524 | 889,557 | 2,358,192 | 1,400,572 | 3,182,716 | 2,290,129 |
| Other liabilities | 296,771 | 308,623 | 31,616 | 15,120 | 328,387 | 323,743 |
| Total liabilities | 1,121,295 | 1,198,180 | 2,389,808 | 1,415,692 | 3,511,103 | 2,613,872 |

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | \$ 412,809 | \$ 347,683 | \$ 1,919,175 | \$ 1,455,561 | \$ 2,331,984 | \$ 1,803,244 |
| Restricted for debt service | 782,231 | 838,133 | 154,541 | 136,665 | 936,772 | 974,798 |
| Restricted for future improvements | – | – | 136,851 | 107,446 | 136,851 | 107,446 |
| Unrestricted | <u>248,174</u> | <u>289,810</u> | <u>79,485</u> | <u>78,432</u> | <u>327,659</u> | <u>368,242</u> |
| Total net assets | <u>\$ 1,443,214</u> | <u>\$ 1,475,626</u> | <u>\$ 2,290,052</u> | <u>\$ 1,778,104</u> | <u>\$ 3,733,266</u> | <u>\$ 3,253,730</u> |

The City's overall financial position has improved, with an increase in net assets of \$479,536 for the current year. Of that increase, \$32,412 can be attributed to a decrease in governmental activities and \$511,948 can be attributed to an increase in business-type activities. The balance of unrestricted net assets of \$327,659 may be used to meet the City's ongoing obligation to citizens and creditors.

Analysis of the City's operations – The following table provides a summary of the City's operations for the years ended December 31, 2011 and December 31, 2010.

CITY OF BUHLER'S CHANGES IN NET ASSETS
Year Ended December 31, 2011
(with comparative amounts for the year ended December 31, 2010)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|------------------|---------------------------------|----------------|------------------|------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 103,284 | \$ 92,910 | \$ 474,365 | \$ 458,256 | \$ 577,649 | \$ 551,166 |
| Operating grants and contributions | 41,457 | 120,101 | – | – | 41,457 | 120,101 |
| Capital grants and contributions | 1,738 | 279,156 | 486,824 | 95,176 | 488,562 | 374,332 |
| General revenues: | | | | | | |
| Property taxes | 356,626 | 330,012 | – | – | 356,626 | 330,012 |
| Sales taxes | 150,834 | 151,365 | – | – | 150,834 | 151,365 |
| Franchise fees | 57,763 | 58,132 | – | – | 57,763 | 58,132 |
| Investment earnings | <u>3,477</u> | <u>6,592</u> | <u>5</u> | <u>9</u> | <u>3,482</u> | <u>6,601</u> |
| Total revenues | <u>715,179</u> | <u>1,038,268</u> | <u>961,194</u> | <u>553,441</u> | <u>1,676,373</u> | <u>1,591,709</u> |
| Expenses: | | | | | | |
| General government | 163,321 | 168,656 | – | – | 163,321 | 168,656 |
| Public safety | 198,147 | 193,859 | – | – | 198,147 | 193,859 |
| Highways and streets | 170,065 | 153,986 | – | – | 170,065 | 153,986 |
| Health and sanitation | 57,818 | 56,925 | – | – | 57,818 | 56,925 |
| Culture and recreation | 140,229 | 138,136 | – | – | 140,229 | 138,136 |
| Economic development | 16,020 | 14,500 | – | – | 16,020 | 14,500 |
| Interest on long-term debt | 24,056 | 38,741 | – | – | 24,056 | 38,741 |
| Water | – | – | 258,722 | 159,973 | 258,722 | 159,973 |
| Sewer | – | – | <u>168,459</u> | <u>168,108</u> | <u>168,459</u> | <u>168,108</u> |
| Total expenses | <u>769,656</u> | <u>764,803</u> | <u>427,181</u> | <u>328,081</u> | <u>1,196,837</u> | <u>1,092,884</u> |

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Increase (decrease) in net assets before transfers | \$ (54,477) | \$ 273,465 | \$ 534,013 | \$ 225,360 | \$ 479,536 | \$ 498,825 |
| Transfers in (out) | <u>22,065</u> | <u>24,370</u> | <u>(22,065)</u> | <u>(24,370)</u> | <u>—</u> | <u>—</u> |
| Increase (decrease) in net assets | (32,412) | 297,835 | 511,948 | 200,990 | 479,536 | 498,825 |
| Net assets, beginning of year | <u>1,475,626</u> | <u>1,177,791</u> | <u>1,778,104</u> | <u>1,577,114</u> | <u>3,253,730</u> | <u>2,754,905</u> |
| Net assets, end of year | <u>\$ 1,443,214</u> | <u>\$ 1,475,626</u> | <u>\$ 2,290,052</u> | <u>\$ 1,778,104</u> | <u>\$ 3,733,266</u> | <u>\$ 3,253,730</u> |

Total revenues for the governmental activities decreased by \$323,089 for the current year. Charges for services increased by \$10,374 and were principally comprised of increases in municipal court of \$1,267, solid waste of \$6,856 and swimming pool operations of \$1,896. Operating grants and contributions decreased by \$78,644 with special assessments levied for 2010 (\$76,416) accounting for the significant net decrease. Capital grants and contributions decreased by \$277,418 for the current year due primarily to CDBG grant proceeds received during 2010 of \$272,961 for a street improvement project. General revenue sources increased by \$22,599 for 2011 and can be attributed to increases in property taxes of \$26,614 and a decreases in investment earnings of \$3,115, sales taxes of \$531 and franchise fees of \$369. Charges for services decreased by \$21,385 with municipal court operations accounting for a decrease of \$7,457, Cemetery revenues decreasing \$1,525 and refuse revenues decreasing \$8,962 with all other governmental activity resources combining for a net decrease in revenues of only \$3,441.

Total expenses for the governmental activities increased by \$4,853 for 2011. The significant changes included a general government expense decrease of \$5,335, public safety increase of \$4,288, highway and street expense increase of \$16,079 and interest expense on debt decreased by \$14,685 for 2011. The general government expenses incurred a reduction of \$5,175 in depreciation expense for 2011 but incurred slight increases in wages and benefit costs. The public safety increase can be attributed principally to an increase in costs for wages and benefits. Repair and maintenance costs for streets attributed to the increase in highway and street functional expenses for 2011. Interest expense on debt can principally be attributed to interest on temporary improvement notes during 2010 of \$19,297. All other functional areas accounted for a net increase in expenses of \$4,506.

The business-type activity revenues increased \$407,753 for 2011 with water operations accounting for \$406,596 of the increase. Of this amount, \$391,648 can be attributed to an increase in grant proceeds received related to the water quality improvement project completed in 2011. The remaining amount of \$14,948 can be attributed to customer charges, which is a result of the extremely hot weather incurred during the summer months of 2011. There were no rate increases during 2011 as the last increase in rates occurred in November 2009. The sewage treatment operations reflected a decrease customer service revenues of \$1,157.

The expenses for business-type activities increased \$99,100 for 2011, primarily due to an increase in depreciation expense from 2010 of \$71,061 resulting from the water improvement project capital assets being placed in operation during 2011. In addition, an increase in general operating costs of \$8,922 accounts for a part of the increase in expenses. As additional drawdowns on the KDHE loan were incurred during 2011, the related interest costs also increased by \$27,928.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balances of \$315,502. Of the total fund balances, \$22,436 is restricted, \$237,766 is committed, \$26,979 is assigned and \$28,321 is unassigned and available for use within the City's designation and policies.

The General Fund is the primary operating fund of the City. At December 31, 2011, the total fund balance of the General Fund was \$55,300, which is an increase of \$724 from 2010. As a measure of the General Fund's liquidity, the total fund balance represents about 18% of the total General Fund expenditures and transfers out for 2011.

The Public Safety Fund revenues for 2011 increased by \$14,321 primarily from property taxes, and the expenditures increased by \$29,335. The EMS appropriation of \$25,000 for 2011 was moved to the Public Safety Fund from the General Fund where the appropriation was recorded in prior years.

The Capital Equipment Reserve Fund balance decreased by \$22,346 for 2011. Transfers from the General Fund were reduced by \$5,500 and expenditures increased by \$20,726 from 2010. The most significant 2011 expenditure was the purchase of a new police patrol vehicle and related equipment at a total cost of \$21,916.

The Capital Improvement Reserve Fund reflects an increase in fund balance for 2011 in the amount of \$14,419. Total revenues decreased by \$2,912 and total expenditures also decreased by \$22,180 for 2011. During 2010 there were expenditures incurred for the moving of a building at Old Mill Lane at a cost of \$13,842 and swimming pool and park improvement expenditures were incurred of \$5,591 which accounts for most of the reduction in expenditures for 2011.

The Debt Service Fund reflects an increase in fund balance of \$6,474 as the result of increased ad valorem property taxes of \$968 and decreased special assessment taxes of \$1,016 for 2011. Total debt service expenditures decreased by \$3,226 for 2011.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Waterworks System and Sewage Treatment operating revenues increased \$16,109. Water Utility revenues increased \$14,952 as a result of increased consumption during 2011. Sewage Treatment revenues, based partially on water usage, remained relatively flat with charges for services increasing only \$1,157. Unrestricted net asset of the Waterworks System and Sewage Treatment funds were \$79,485 at year-end and represents a \$1,053 increase from 2010.

General Fund Budgetary Highlights – The General Fund total actual revenues was less than the amount anticipated in the 2011 budget by \$9,274, or approximately 3%. Budgetary expenditures totaled \$306,573, which represented 94% of the budgeted expenditures for 2011. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$2,238. The General Fund budgetary fund balance at year-end was \$36,661 with the 2012 budget anticipating a carryover balance of \$26,979.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$1,177,809 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, machinery and equipment. During 2011 the City added \$87,029 of capital assets related to governmental activities and \$1,570,469 of capital assets related to business-type activities. Major capital asset events during the current fiscal year included the following:

- Street sealing and curb and gutter improvements at a cost of \$58,036.
- A new police department patrol vehicle and equipment totaling \$21,916.
- Swimming pool furniture at a cost of \$2,287.
- Water treatment plant improvements totaling \$1,459,266.
- Sewer mains and lift station improvements of \$110,071.

Capital Assets at Year-End Net of Accumulated Depreciation

December 31, 2011

(with comparative amounts at December 31, 2010)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------------------|--------------------------------|----------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Land | \$ 95,431 | \$ 95,431 | \$ 9,502 | \$ 9,502 | \$ 104,933 | \$ 104,933 |
| Buildings | 98,452 | 106,004 | 1,060,497 | 299,302 | 1,158,949 | 405,306 |
| Improvements other than buildings | 71,036 | 76,890 | 2,335,764 | 2,035,189 | 2,406,800 | 2,112,079 |
| Machinery and equipment | 114,550 | 118,165 | 848,279 | 60,227 | 962,829 | 178,392 |
| Infrastructure | 798,340 | 786,193 | – | – | 798,340 | 786,193 |
| Construction work in progress | – | – | – | 430,188 | – | 430,188 |
| Total | <u>\$ 1,177,809</u> | <u>\$ 1,182,683</u> | <u>\$ 4,254,042</u> | <u>\$ 2,834,408</u> | <u>\$ 5,431,851</u> | <u>\$ 4,017,091</u> |

Additional information on the City’s capital assets can be found in Note 3 on pages 38 to 40 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total general obligation bonded indebtedness outstanding of \$765,000. The City retired \$70,000 of general obligation bonds during 2011. At December 31, 2011 the City had outstanding loans for sewer system improvements and water system improvements with the Kansas Department of Health and Environment in the amounts of \$1,090,604 and \$1,244,263, respectively. There were drawdowns on the water system improvement loan of \$1,087,609 during 2011 and \$131,589 of principal retirement on the loans during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 4 on pages 40 to 45 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In an effort to allow the City to be more flexible during the year to address changing needs, the City Council approved the 2012 budget with significant consolidation of individual funds. The Cemetery, Public Safety and Street Maintenance and Improvement Funds were consolidated into the City's General Fund for 2012. As a result, the 2012 General Fund revenues are budgeted to increase \$275,903 from the 2011 budget year with the consolidated funds' revenues decreasing a similar amount. Expenditures are budgeted for 2012 at an increase of \$295,538 from the 2011 budgeted expenditures. The carryover budget fund balance increased by \$19,635 for the 2012 budget versus the 2011 budget. Sales taxes, property taxes and franchise fees account for approximately 25%, 35% and 10%, respectively, of the revenue sources for the General Fund's 2012 budget. Certified assessed valuations, on which ad valorem property taxes are levied, increased \$125,396 or approximately 2% from the preceding year assessed valuation. The total assessed valuation for the 2012 budget year was \$6,065,773. The total City mill levy for the 2012 budget as compared to the 2011 budget was 48.350 mills versus 51.425 mills.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at 219 North Main, P.O. Box 187, Buhler, Kansas 67522, or call (620) 543-2253.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BUHLER, KANSAS

STATEMENT OF NET ASSETS

December 31, 2011

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|---------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>ASSETS</u> | | | | |
| Cash and investments | \$ 288,897 | \$ 86,173 | \$ 375,070 | \$ 102,542 |
| Receivables: | | | | |
| Property taxes | 288,937 | - | 288,937 | - |
| Special assessment taxes | 762,587 | - | 762,587 | - |
| Sales taxes | 12,614 | - | 12,614 | - |
| Franchise fees | 6,025 | - | 6,025 | - |
| Trade accounts, net | 7,966 | 44,653 | 52,619 | - |
| Prepaid items | 19,674 | - | 19,674 | - |
| Restricted assets | - | 294,992 | 294,992 | - |
| Capital assets: | | | | |
| Land | 95,431 | 9,502 | 104,933 | - |
| Buildings | 249,558 | 1,300,813 | 1,550,371 | - |
| Improvements other than buildings | 397,868 | 3,527,307 | 3,925,175 | - |
| Infrastructure | 917,765 | - | 917,765 | - |
| Machinery and equipment | 617,336 | 1,094,177 | 1,711,513 | 18,667 |
| Less accumulated depreciation | <u>(1,100,149)</u> | <u>(1,677,757)</u> | <u>(2,777,906)</u> | <u>(13,111)</u> |
| Total assets | <u>2,564,509</u> | <u>4,679,860</u> | <u>7,244,369</u> | <u>108,098</u> |
| <u>LIABILITIES</u> | | | | |
| Customer deposits payable | - | 3,600 | 3,600 | - |
| Accrued interest payable | 7,834 | 28,016 | 35,850 | - |
| Unearned revenue | 288,937 | - | 288,937 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 83,167 | 177,308 | 260,475 | - |
| Due in more than one year | <u>741,357</u> | <u>2,180,884</u> | <u>2,922,241</u> | <u>-</u> |
| Total liabilities | <u>1,121,295</u> | <u>2,389,808</u> | <u>3,511,103</u> | <u>-</u> |
| <u>NET ASSETS</u> | | | | |
| Invested in capital assets, net of related debt | 412,809 | 1,919,175 | 2,331,984 | 5,556 |
| Restricted for: | | | | |
| Debt service | 782,231 | 154,541 | 936,772 | - |
| Future improvements | - | 136,851 | 136,851 | - |
| Unrestricted | <u>248,174</u> | <u>79,485</u> | <u>327,659</u> | <u>102,542</u> |
| | <u>\$ 1,443,214</u> | <u>\$ 2,290,052</u> | <u>\$ 3,733,266</u> | <u>\$ 108,098</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BUHLER, KANSAS
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

| Functions/Programs | Program Revenues | | | Net (Expense), Revenue and Changes in Net Assets | | |
|---|-------------------|------------------------------------|----------------------------------|--|--------------------------|---------------------|
| | Expenses | Charges for Services | | Primary Government | | Component Units |
| | | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | |
| General government | \$ 163,321 | \$ 3,452 | \$ - | \$ (159,869) | \$ (159,869) | \$ - |
| Public safety | 198,147 | 17,779 | - | (180,368) | (180,368) | - |
| Highways and streets | 170,065 | - | 40,045 | (130,020) | (130,020) | - |
| Health and sanitation | 57,818 | 60,589 | - | 2,771 | 2,771 | - |
| Culture and recreation | 140,229 | 21,464 | - | (118,427) | (118,427) | - |
| Economic development | 16,020 | - | 1,412 | (13,208) | (13,208) | - |
| Interest on long-term debt | 24,056 | - | - | (24,056) | (24,056) | - |
| Total Governmental Activities | \$ 769,656 | \$ 103,284 | \$ 41,457 | \$ (623,177) | \$ (623,177) | - |
| Business-Type Activities: | | | | | | |
| Waterworks system | \$ 258,722 | \$ 270,108 | \$ - | - | 498,210 | - |
| Sewage treatment | 168,459 | 204,257 | - | - | 35,798 | - |
| Total Business-Type Activities | \$ 427,181 | \$ 474,365 | \$ - | \$ - | \$ 534,008 | - |
| Component Units: | | | | | | |
| Buhler Public Library | \$ 19,612 | \$ 2,729 | \$ 8,926 | - | - | 14,114 |
| Buhler Recreation Commission | 19,784 | 14,179 | - | - | - | (5,605) |
| Buhler Economic Development Board | 16,820 | - | 3,615 | - | - | (13,205) |
| Total Component Units | \$ 56,216 | \$ 16,908 | \$ 12,541 | \$ 22,071 | \$ (4,696) | - |
| General Revenues and Transfers: | | | | | | |
| General Revenues: | | | | | | |
| Property taxes levied for: | | | | | | |
| General purposes | | | | 326,185 | 326,185 | - |
| Debt service | | | | 30,441 | 30,441 | - |
| Sales taxes | | | | 150,834 | 150,834 | - |
| Franchise taxes | | | | 57,763 | 57,763 | - |
| Payments from City of Buhler | | | | 3,477 | 3,482 | 39,364 |
| Investment earnings | | | | 22,065 | (22,065) | 242 |
| Transfers | | | | - | - | - |
| Total general revenues and transfers | | | | \$ 590,765 | \$ (22,060) | \$ 39,606 |
| Change in net assets | | | | (32,412) | 511,948 | 34,910 |
| Net assets at beginning of year | | | | 1,475,626 | 1,778,104 | 73,188 |
| Net assets at end of year | | | | \$ 1,443,214 | \$ 2,290,052 | \$ 3,733,266 |

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CITY OF BUHLER, KANSAS

BALANCE SHEET -- GOVERNMENTAL FUNDS

December 31, 2011

| | General | Public Safety | Capital Equipment Reserve | Capital Improvement Reserve | Debt Service | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|-------------------|---------------|---------------------------|-----------------------------|-------------------|--------------------------|--------------------------|
| Cash and investments | \$ 28,695 | \$ 523 | \$ 24,910 | \$ 182,832 | \$ 19,644 | \$ 32,293 | \$ 288,897 |
| Property taxes receivable | 208,666 | - | - | - | 13,082 | 67,189 | 288,937 |
| Special assessment taxes receivable | - | - | - | - | 762,587 | - | 762,587 |
| Accounts receivable, net | 7,966 | - | - | - | - | - | 7,966 |
| Sales tax receivable | 12,614 | - | - | - | - | - | 12,614 |
| Franchise fees receivable | 6,025 | - | - | - | - | - | 6,025 |
| Total assets | <u>\$ 263,966</u> | <u>\$ 523</u> | <u>\$ 24,910</u> | <u>\$ 182,832</u> | <u>\$ 795,313</u> | <u>\$ 99,482</u> | <u>\$ 1,367,026</u> |

ASSETS

LIABILITIES AND FUND BALANCES

| | | | | | | | |
|-------------------------------------|-------------------|---------------|------------------|-------------------|-------------------|------------------|---------------------|
| Liabilities: | | | | | | | |
| Unearned revenue | \$ 208,666 | \$ - | \$ - | \$ - | \$ 775,669 | \$ 67,189 | \$ 1,051,524 |
| Fund balances: | | | | | | | |
| Restricted | - | - | - | - | 19,644 | 2,792 | 22,436 |
| Committed | - | 523 | 24,910 | 182,832 | - | 29,501 | 237,766 |
| Assigned | 26,979 | - | - | - | - | - | 26,979 |
| Unassigned | 28,321 | - | - | - | - | - | 28,321 |
| Total fund balances | <u>55,300</u> | <u>523</u> | <u>24,910</u> | <u>182,832</u> | <u>19,644</u> | <u>32,293</u> | <u>315,502</u> |
| Total liabilities and fund balances | <u>\$ 263,966</u> | <u>\$ 523</u> | <u>\$ 24,910</u> | <u>\$ 182,832</u> | <u>\$ 795,313</u> | <u>\$ 99,482</u> | <u>\$ 1,367,026</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BUHLER, KANSAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2011

Total Governmental Fund Balances \$ 315,502

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

| | | |
|--------------------------|--------------------|-----------|
| Cost | \$ 2,277,958 | |
| Accumulated depreciation | <u>(1,100,149)</u> | |
| | | 1,177,809 |

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds:

| | | |
|--------------------------------|--|---------|
| Prepaid items | | 19,674 |
| Special assessments receivable | | 762,587 |

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

| | | |
|---|----------------|------------------|
| Accrued interest payable on general obligation bonds | 7,834 | |
| Compensated absences payable | 59,524 | |
| General obligation bonds payable | <u>765,000</u> | |
| | | <u>(832,358)</u> |

Net Assets of Governmental Activities \$ 1,443,214

The accompanying notes are an integral
part of the financial statements.

CITY OF BUHLER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended December 31, 2011

| | General | Public Safety | Capital Equipment Reserve | Capital Improvement Reserve | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|------------------|-----------------|---------------------------|-----------------------------|------------------|--------------------------|--------------------------|
| Revenues: | | | | | | | |
| Taxes | \$ 150,834 | \$ 146,947 | \$ - | \$ - | \$ 30,587 | \$ 179,238 | \$ 507,606 |
| Special assessment taxes | - | - | - | - | 75,400 | - | 75,400 |
| Intergovernmental | - | - | - | - | - | 40,045 | 40,045 |
| Licenses and permits | 58,219 | - | - | - | - | - | 58,219 |
| Charges for services | 82,053 | - | - | - | - | 5,525 | 87,578 |
| Fines and forfeitures | 11,548 | - | - | - | - | - | 11,548 |
| Use of money and property | 4,112 | - | - | - | - | 600 | 4,712 |
| Miscellaneous | 531 | 106 | - | 338 | - | 4,642 | 5,617 |
| Total revenues | <u>307,297</u> | <u>147,053</u> | <u>-</u> | <u>338</u> | <u>105,987</u> | <u>230,050</u> | <u>790,725</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 124,070 | - | - | 451 | - | 34,770 | 159,291 |
| Public safety | 1,842 | 151,092 | 21,916 | - | - | 33,638 | 208,488 |
| Highways and streets | 16,059 | - | 2,800 | 3,117 | - | 135,861 | 157,837 |
| Health and sanitation | 57,818 | - | - | - | - | - | 57,818 |
| Culture and recreation | 56,668 | - | 2,630 | 6,490 | - | 71,287 | 137,075 |
| Economic development | 14,500 | - | - | - | - | 1,520 | 16,020 |
| Debt Service | - | - | - | - | 99,513 | - | 99,513 |
| Total expenditures | <u>270,957</u> | <u>151,092</u> | <u>27,346</u> | <u>10,058</u> | <u>99,513</u> | <u>277,076</u> | <u>836,042</u> |
| Revenues over (under) expenditures | <u>36,340</u> | <u>(4,039)</u> | <u>(27,346)</u> | <u>(9,720)</u> | <u>6,474</u> | <u>(47,026)</u> | <u>(45,317)</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | 5,000 | 24,139 | - | 43,919 | 73,058 |
| Transfers out | (35,616) | (10,250) | - | - | - | (5,127) | (50,993) |
| Total other financing sources (uses) | <u>(35,616)</u> | <u>(10,250)</u> | <u>5,000</u> | <u>24,139</u> | <u>-</u> | <u>38,792</u> | <u>22,065</u> |
| Net change in fund balance | 724 | (14,289) | (22,346) | 14,419 | 6,474 | (8,234) | (23,252) |
| Fund balances, beginning of year | <u>54,576</u> | <u>14,812</u> | <u>47,256</u> | <u>168,413</u> | <u>13,170</u> | <u>40,527</u> | <u>338,754</u> |
| Fund balances (deficit), end of year | <u>\$ 55,300</u> | <u>\$ 523</u> | <u>\$ 24,910</u> | <u>\$ 182,832</u> | <u>\$ 19,644</u> | <u>\$ 32,293</u> | <u>\$ 315,502</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BUHLER, KANSAS

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2011

Net Change in Fund Balances – Total Governmental Funds \$ (23,252)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these
amounts are:

| | |
|----------------|-----------------|
| Capital outlay | \$ 87,029 |
| Depreciation | <u>(91,903)</u> |

| | |
|--|---------|
| Excess of depreciation expense over capital outlay | (4,874) |
|--|---------|

Special assessment taxes collected in the current period are
reported as revenues in the funds statement whereas, in the
statement of activities special assessments are reported as
revenues when the special assessments are assessed
against the related properties (75,546)

In the statement of activities, interest is accrued on outstanding
debt, whereas in governmental funds, an interest expenditure
is reported when due 5,457

Repayment of debt principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets:
General obligation bond payment 70,000

Some expenses reported in the statement of activities do
not require the use of current financial resources and
therefore are not reported as expenditures in the funds:

| | |
|------------------------------|----------------|
| Prepaid items | 770 |
| Compensated absences payable | <u>(4,967)</u> |

| | |
|-------|----------------|
| Total | <u>(4,197)</u> |
|-------|----------------|

Change in Net Assets of Governmental Activities \$ (32,412)

The accompanying notes are an integral
part of the financial statements.

CITY OF BUHLER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS
(continued on next page)**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u> | <u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|------------------------------|-------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 148,000 | \$ 148,000 | \$ 150,725 | \$ 2,725 |
| Licenses, fees and permits | 58,225 | 58,225 | 59,523 | 1,298 |
| Charges for services | 85,010 | 85,010 | 82,372 | (2,638) |
| Fines and forfeitures | 18,000 | 18,000 | 11,548 | (6,452) |
| Use of money and property | 7,850 | 7,850 | 4,112 | (3,738) |
| Miscellaneous | <u>1,000</u> | <u>1,000</u> | <u>531</u> | <u>(469)</u> |
| Total revenues | <u>318,085</u> | <u>318,085</u> | <u>308,811</u> | <u>(9,274)</u> |
| Expenditures and other uses: | | | | |
| General government: | | | | |
| General administration: | | | | |
| Personal services | 72,000 | 72,000 | 73,966 | (1,966) |
| Contractual services | 50,000 | 50,000 | 35,607 | 14,393 |
| Commodities | 13,000 | 13,000 | 14,497 | (1,497) |
| Capital outlay | 3,000 | 3,000 | – | 3,000 |
| Transfers out | <u>5,760</u> | <u>5,760</u> | <u>5,577</u> | <u>183</u> |
| Total general government | <u>143,760</u> | <u>143,760</u> | <u>129,647</u> | <u>14,113</u> |
| Public safety: | | | | |
| Municipal Court: | | | | |
| Contractual services | <u>2,200</u> | <u>2,200</u> | <u>1,842</u> | <u>358</u> |
| Highways and streets: | | | | |
| Street lighting: | | | | |
| Contractual services | <u>16,150</u> | <u>16,150</u> | <u>16,059</u> | <u>91</u> |

CITY OF BUHLER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u> | <u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Health and sanitation: | | | | |
| Refuse service: | | | | |
| Contractual services | \$ <u>57,600</u> | \$ <u>57,600</u> | \$ <u>57,818</u> | \$ <u>(218)</u> |
| Culture and recreation: | | | | |
| Swimming Pool department: | | | | |
| Personal services | 24,500 | 24,500 | 25,001 | (501) |
| Contractual services | 5,000 | 5,000 | 4,810 | 190 |
| Commodities | 3,400 | 3,400 | 5,930 | (2,530) |
| Capital outlay | <u>1,500</u> | <u>1,500</u> | <u>–</u> | <u>1,500</u> |
| Swimming Pool department | <u>34,400</u> | <u>34,400</u> | <u>35,741</u> | <u>(1,341)</u> |
| Parks department: | | | | |
| Personal services | 16,000 | 16,000 | 9,935 | 6,065 |
| Contractual services | 4,500 | 4,500 | 5,287 | (787) |
| Commodities | 3,100 | 3,100 | 4,820 | (1,720) |
| Capital outlay | 3,000 | 3,000 | 885 | 2,115 |
| Transfers out | <u>1,080</u> | <u>1,080</u> | <u>900</u> | <u>180</u> |
| Total parks department | <u>27,680</u> | <u>27,680</u> | <u>21,827</u> | <u>5,853</u> |
| Economic development: | | | | |
| Appropriation to Economic Development Board | <u>14,500</u> | <u>14,500</u> | <u>14,500</u> | <u>–</u> |
| Nondepartmental: | | | | |
| Transfer to Capital Improvement Reserve Fund | 24,139 | 24,139 | 24,139 | – |

CITY OF BUHLER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2011

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|----------|---|--|
| | Original | Final | | |
| Nondepartmental (continued): | | | | |
| Transfer to Capital Equip- ment Reserve Fund | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ — |
| Total nondepartmental | 29,139 | 29,139 | 29,139 | — |
| Total expenditures and other uses | 325,429 | 325,429 | 306,573 | 18,856 |
| Revenues over (under) expenditures and other uses | (7,344) | (7,344) | 2,238 | 9,582 |
| Fund balance, beginning of year | 7,344 | 7,344 | 34,423 | 27,079 |
| Fund balance, end of year | \$ — | \$ — | \$ 36,661 | \$ 36,661 |

The accompanying notes are an integral
part of the financial statements.

CITY OF BUHLER, KANSAS

PUBLIC SAFETY FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u> | <u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|-------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 147,913 | \$ 147,913 | \$ 146,947 | \$ (966) |
| Miscellaneous | <u>100</u> | <u>100</u> | <u>106</u> | <u>6</u> |
| Total revenues | <u>148,013</u> | <u>148,013</u> | <u>147,053</u> | <u>(960)</u> |
| Expenditures and other uses: | | | | |
| Personal services | 111,000 | 111,000 | 107,376 | 3,624 |
| Contractual services | 10,050 | 10,050 | 9,821 | 229 |
| Commodities | 10,700 | 10,700 | 8,895 | 1,805 |
| Capital outlay | 1,500 | 1,500 | – | 1,500 |
| Appropriation for Emergency | | | | |
| Medical Services | 25,000 | 25,000 | 25,000 | – |
| Transfers out | <u>12,960</u> | <u>12,960</u> | <u>10,250</u> | <u>2,710</u> |
| Total expenditures and other uses | <u>171,210</u> | <u>171,210</u> | <u>161,342</u> | <u>9,868</u> |
| Revenues and other sources over (under) expenditures and other uses | (23,197) | (23,197) | (14,289) | 8,908 |
| Fund balance, beginning of year | <u>23,197</u> | <u>23,197</u> | <u>14,812</u> | <u>(8,385)</u> |
| Fund balance, end of year | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 523</u> | <u>\$ 523</u> |

The accompanying notes are an integral
part of the financial statements.

CITY OF BUHLER, KANSAS

STATEMENT OF NET ASSETS – ALL ENTERPRISE FUNDS

December 31, 2011

| | <u>Business-Type Activities – Enterprise Funds</u> | | |
|---|--|-----------------------------|---------------------------------------|
| | <u>Waterworks System</u> | <u>Sewage Treatment</u> | <u>Total Enterprise Funds</u> |
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and investments | \$ 63,762 | \$ 22,411 | \$ 86,173 |
| Trade accounts receivable | 22,179 | 22,474 | 44,653 |
| Restricted cash and investments for customer deposits | <u>3,600</u> | <u>—</u> | <u>3,600</u> |
| Total current assets | <u>89,541</u> | <u>44,885</u> | <u>134,426</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments restricted for: | | | |
| Waterworks system improvements | 33,793 | — | 33,793 |
| Water debt service | 90,717 | — | 90,717 |
| Sewer replacement | — | 103,058 | 103,058 |
| Sewer debt service | <u>—</u> | <u>63,824</u> | <u>63,824</u> |
| | <u>124,510</u> | <u>166,882</u> | <u>291,392</u> |
| Capital assets: | | | |
| Land | 2,699 | 6,803 | 9,502 |
| Buildings | 894,885 | 405,928 | 1,300,813 |
| Improvements other than buildings | 1,473,439 | 2,053,868 | 3,527,307 |
| Machinery | <u>890,196</u> | <u>203,981</u> | <u>1,094,177</u> |
| | 3,261,219 | 2,670,580 | 5,931,799 |
| Less accumulated depreciation | <u>(779,832)</u> | <u>(897,925)</u> | <u>(1,677,757)</u> |
| Capital assets, net | <u>2,481,387</u> | <u>1,772,655</u> | <u>4,254,042</u> |
| Total noncurrent assets | <u>2,605,897</u> | <u>1,939,537</u> | <u>4,545,434</u> |
| Total assets | <u>2,695,438</u> | <u>1,984,422</u> | <u>4,679,860</u> |

| | <u>Business-Type Activities – Enterprise Funds</u> | | |
|---|--|-----------------------------|---------------------------------------|
| | <u>Waterworks System</u> | <u>Sewage Treatment</u> | <u>Total Enterprise Funds</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Compensated absences payable | \$ 2,375 | \$ 3,412 | \$ 5,787 |
| Customer deposits payable | 3,600 | – | 3,600 |
| Current portion of revolving loan note payable | 104,816 | 66,705 | 171,521 |
| Accrued interest payable | <u>18,007</u> | <u>10,009</u> | <u>28,016</u> |
| Total current liabilities | <u>128,798</u> | <u>80,126</u> | <u>208,924</u> |
| Noncurrent liabilities: | | | |
| Long-term portion of compensated absences payable | 6,959 | 10,579 | 17,538 |
| Long-term portion of revolving loan note payable | <u>1,139,447</u> | <u>1,023,899</u> | <u>2,163,346</u> |
| Total noncurrent liabilities | <u>1,146,406</u> | <u>1,034,478</u> | <u>2,180,884</u> |
| Total liabilities | <u>1,275,204</u> | <u>1,114,604</u> | <u>2,389,808</u> |
| <u>NET ASSETS</u> | | | |
| Net assets: | | | |
| Invested in capital assets, net | 1,237,124 | 682,051 | 1,919,175 |
| Restricted | 124,510 | 166,882 | 291,392 |
| Unrestricted | <u>58,600</u> | <u>20,885</u> | <u>79,485</u> |
| Total net assets | <u>\$1,420,234</u> | <u>\$ 869,818</u> | <u>\$ 2,290,052</u> |

The accompanying notes are an integral
part of the financial statements.

CITY OF BUHLER, KANSAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS –
ALL ENTERPRISE FUNDS**

Year ended December 31, 2011

| | Business-Type Activities – Enterprise Funds | | |
|--|---|---------------------|------------------------------|
| | Waterworks System | Sewage Treatment | Total Enterprise Funds |
| Operating revenues: | | | |
| Charges for services | \$ 266,466 | \$ 202,865 | \$ 469,331 |
| Miscellaneous | <u>3,642</u> | <u>1,392</u> | <u>5,034</u> |
| Total operating revenues | <u>270,108</u> | <u>204,257</u> | <u>474,365</u> |
| Operating expenses: | | | |
| Personnel services | 61,523 | 41,129 | 102,652 |
| Contractual services | 47,197 | 41,564 | 88,761 |
| Commodities | 20,150 | 2,788 | 22,938 |
| Depreciation | <u>96,097</u> | <u>54,738</u> | <u>150,835</u> |
| Total operating expenses | <u>224,967</u> | <u>140,219</u> | <u>365,186</u> |
| Operating income | <u>45,141</u> | <u>64,038</u> | <u>109,179</u> |
| Nonoperating revenues (expense): | | | |
| Interest income | 5 | – | 5 |
| Interest expense | <u>(33,755)</u> | <u>(28,240)</u> | <u>(61,995)</u> |
| Total nonoperating revenue (expense) | <u>(33,750)</u> | <u>(28,240)</u> | <u>(61,990)</u> |
| Income before capital grants and transfers | <u>11,391</u> | <u>35,798</u> | <u>47,189</u> |
| Capital grants and transfers: | | | |
| Capital grants | 486,824 | – | 486,824 |
| Transfers from other funds | – | 110,071 | 110,071 |
| Transfers to other funds | <u>(122,689)</u> | <u>(9,447)</u> | <u>(132,136)</u> |
| Total capital grants and transfers | <u>364,135</u> | <u>100,624</u> | <u>464,759</u> |
| Change in net assets | 375,526 | 136,422 | 511,948 |
| Net assets, beginning of year | <u>1,044,708</u> | <u>733,396</u> | <u>1,778,104</u> |
| Net assets, end of year | <u>\$1,420,234</u> | <u>\$ 869,818</u> | <u>\$ 2,290,052</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BUHLER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS
(continued on next page)

Year ended December 31, 2011

| | <u>Business-Type Activities – Enterprise Funds</u> | | |
|---|--|-----------------------------|---------------------------------------|
| | <u>Waterworks System</u> | <u>Sewage Treatment</u> | <u>Total Enterprise Funds</u> |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 271,306 | \$ 204,038 | \$ 475,344 |
| Cash payments for materials and services | (67,347) | (44,352) | (111,699) |
| Cash payments to employees for services | (61,189) | (39,862) | (101,051) |
| Other operating cash receipts | <u>450</u> | <u>–</u> | <u>450</u> |
| Net cash provided by (used for) operating activities | <u>143,220</u> | <u>119,824</u> | <u>263,044</u> |
| Cash flows from capital and related financing activities: | | | |
| Cash received from capital grants | 486,824 | – | 486,824 |
| Cash received from revolving loan proceeds | 1,087,609 | – | 1,087,609 |
| Principal paid on revolving loan note payable | (62,214) | (69,375) | (131,589) |
| Interest paid on debt | (17,077) | (28,874) | (45,951) |
| Acquisition and construction of capital assets | <u>(1,570,468)</u> | <u>–</u> | <u>(1,570,468)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(75,326)</u> | <u>(98,249)</u> | <u>(173,575)</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers to other funds | <u>(12,618)</u> | <u>(9,447)</u> | <u>(22,065)</u> |
| Cash flows from investing activities: | | | |
| Interest income | <u>5</u> | <u>–</u> | <u>5</u> |
| Net increase in cash and cash equivalents | 55,281 | 12,128 | 67,409 |
| Cash and cash equivalents, beginning of year | <u>136,591</u> | <u>177,165</u> | <u>313,756</u> |
| Cash and cash equivalents, end of year | <u>\$ 191,872</u> | <u>\$ 189,293</u> | <u>\$ 381,165</u> |
| | | | |
| Cash and investments | \$ 63,762 | \$ 22,411 | \$ 86,173 |
| Restricted cash and investments | <u>128,110</u> | <u>166,882</u> | <u>294,992</u> |
| Cash and cash equivalents, end of year | <u>\$ 191,872</u> | <u>\$ 189,293</u> | <u>\$ 381,165</u> |

CITY OF BUHLER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS
(continued from previous page)

Year ended December 31, 2011

| | <u>Business-Type Activities – Enterprise Funds</u> | | |
|--|--|-----------------------------|---------------------------------------|
| | <u>Waterworks System</u> | <u>Sewage Treatment</u> | <u>Total Enterprise Funds</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 45,141 | \$ 64,038 | \$ 109,179 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 96,097 | 54,738 | 150,835 |
| Changes in assets and liabilities: | | | |
| Increase (decrease) in accounts receivable | 1,198 | (219) | 979 |
| Increase in customer deposits payable | 450 | – | 450 |
| Increase in compensated absences payable | <u>334</u> | <u>1,267</u> | <u>1,601</u> |
| Net cash provided by operating activities | <u>\$ 143,220</u> | <u>\$ 119,824</u> | <u>\$ 263,044</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF BUHLER, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water and sewer utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Buhler, Kansas (the primary government) and its component units, entities for which the government is considered to be financially accountable. The component units discussed in the following paragraphs have the same year-end as the City of Buhler.

Discretely presented component units

The component unit columns in the combined financial statements include the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City however, the governing bodies of these component units are appointed by the City Council. The City's component units are accounted for using the same principles as the governmental fund types of the City.

1. The Buhler Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs.
2. The Buhler Recreation Commission operates the recreation programs in the City. The Recreation Commission may not enter into lease agreements for real and personal property without the approval of the City Council. The Recreation Commission taxes are levied under the taxing authority of the City and included as part of the City's total tax levy. These taxes are accounted for in the Recreation special revenue fund of the City. The Recreation Commission also receives funding through user fees from participants of the recreation programs.
3. The Buhler Economic Development Board was established to provide a coordinated economic development effort for the City of Buhler. The Board consists of seven members who are appointed by the City Council. The Board principally receives funding from the City of Buhler.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following presents condensed financial information for each of the discretely presented component units. Complete fund financial statements are included in the component unit section of this annual financial report. The City's component units do not issue separate audited financial statements.

Condensed Statement of Net Assets

| | <u>Buhler Public Library</u> | <u>Buhler Recreation Commission</u> | <u>Buhler Economic Development Board</u> | <u>Total</u> |
|---------------------------------|--------------------------------------|---|--|------------------|
| Assets: | | | | |
| Cash and investments | \$ 69,356 | \$ 25,253 | \$ 7,933 | \$102,542 |
| Capital assets – equipment | 18,667 | – | – | 18,667 |
| Accumulated depreciation | <u>(13,111)</u> | <u>–</u> | <u>–</u> | <u>(13,111)</u> |
| Total assets | <u>74,912</u> | <u>25,253</u> | <u>7,933</u> | <u>108,098</u> |
| Liabilities: | | | | |
| Accounts payable | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Net Assets: | | | | |
| Invested in capital assets, net | 5,556 | – | – | 5,556 |
| Unrestricted | <u>69,356</u> | <u>25,253</u> | <u>7,933</u> | <u>102,542</u> |
| Total net assets | <u>\$ 74,912</u> | <u>\$ 25,253</u> | <u>\$ 7,933</u> | <u>\$108,098</u> |

Condensed Statement of Activities

| | <u>Program Revenues</u> | | | | <u>Net (Expenses) Revenue and Changes in Net Assets</u> | | | |
|---|-------------------------|-------------------------------------|---|---|---|---|--|-----------------|
| | <u>Expenses</u> | <u>Charges For Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Buhler Public Library</u> | <u>Buhler Recreation Commission</u> | <u>Buhler Economic Develop- ment Board</u> | <u>Total</u> |
| Buhler Public Library: | | | | | | | | |
| Operating expenses | \$ 18,239 | \$ 2,729 | \$ 8,926 | \$22,071 | 15,487 | \$ – | \$ – | \$ 15,487 |
| Depreciation | <u>1,373</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(1,373)</u> | <u>–</u> | <u>–</u> | <u>(1,373)</u> |
| Total Buhler Public Library | <u>19,612</u> | <u>2,729</u> | <u>8,926</u> | <u>22,071</u> | <u>14,114</u> | <u>–</u> | <u>–</u> | <u>14,114</u> |
| Buhler Recreation Commission: | | | | | | | | |
| Operating expenses | <u>19,784</u> | <u>14,179</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(5,605)</u> | <u>–</u> | <u>(5,605)</u> |
| Buhler Economic Development Board: | | | | | | | | |
| Operating expenses | <u>16,820</u> | <u>–</u> | <u>3,615</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(13,205)</u> | <u>(13,205)</u> |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

| | <u>Program Revenues</u> | | | | <u>Net (Expenses) Revenue and Changes in Net Assets</u> | | | <u>Total</u> |
|---------------------------------|-------------------------|-------------------------------------|---|---|---|---|--|-------------------|
| | <u>Expenses</u> | <u>Charges For Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Buhler Public Library</u> | <u>Buhler Recreation Commission</u> | <u>Buhler Economic Develop- ment Board</u> | |
| Total Component Units | <u>\$ 56,216</u> | <u>\$ 16,908</u> | <u>\$ 12,541</u> | <u>\$ 22,071</u> | | | | <u>(4,696)</u> |
| General Revenues and Transfers: | | | | | | | | |
| | | | | | 23,782 | 1,082 | 14,500 | 39,364 |
| | | | | | <u>70</u> | <u>151</u> | <u>21</u> | <u>242</u> |
| | | | | | <u>23,852</u> | <u>1,233</u> | <u>14,521</u> | <u>39,606</u> |
| | | | | | 37,966 | (4,372) | 1,316 | 34,910 |
| | | | | | <u>36,946</u> | <u>29,625</u> | <u>6,617</u> | <u>73,188</u> |
| | | | | | <u>\$74,912</u> | <u>\$25,253</u> | <u>\$ 7,933</u> | <u>\$ 108,098</u> |

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

The City's basic financial statements include both government-wide, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net assets and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net assets presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund – The General Fund is the government’s primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

Public Safety Fund – The Public Safety Fund is used to account for and report the resources specified for use in providing public safety services to the citizens of the City.

Capital Equipment Reserve Fund – The Capital Equipment Reserve Fund is used to account for and report the resources accumulated and payments made for the acquisition of new and replacement equipment items.

Capital Improvement Reserve Fund – The Capital Improvement Reserve Fund is used to account for and report the resources accumulated and payments made for the acquisition of capital assets or construction of major capital improvements not being financed by proprietary funds.

Debt Service Fund – The Debt Service Fund accounts for and reports the financial resources that are restricted, committed or assigned to expenditure for principal and interest. These resources include special assessment taxes that are utilized in financing long-term general obligation debt.

The City reports the following major proprietary funds:

Waterworks System Fund – The Waterworks System Fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

Sewage Treatment Fund – The Sewage Treatment Fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City’s enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures, charges for services and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and short-term investments

Cash and short-term investments include amounts in money market accounts, savings accounts and a certificate of deposit. Investments are carried at fair value using selected basis. Cash deposits are reported at a carrying amount that approximates fair value. For purposes of the statement of cash flows, the Waterworks and Sewage Treatment funds consider all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the general fund except for investments of specific funds.

Property taxes receivable

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund and accrued as revenues in the Statement of Net Assets. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as unearned revenue in the funds statement.

Sales tax receivable

Reno County imposes a 1% countywide local sales tax that is collected by the State and remitted to the City on a monthly basis. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

Franchise fees receivable

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other taxes and revenues

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year.

Licenses, fees, fines, forfeitures, charges for services and other revenues are generally not susceptible to accrual and are recorded when received in cash.

Utility accounts receivable

The City records water revenues billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and residential refuse services are billed monthly. It is not practicable to estimate unbilled service receivables at December 31, 2011 and, further, the amounts thereof are not material in relation to the financial statements taken as a whole.

Inventories and prepaid items

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of at least \$500. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include only those assets acquired subsequent to January 1, 2004. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Buildings and structures | 40 to 50 years |
| Improvements other than buildings | 20 to 40 years |
| Infrastructure (streets) | 20 years |
| Machinery and equipment | 3 to 20 years |

Compensated absences

The City's policy regarding vacation permits permanent employees with two years service to earn six days vacation pay, three to ten years of service earn twelve days of vacation pay and after eleven years of service earn eighteen days vacation pay. A maximum of five days vacation time is allowed to accumulate for carryover to the next work year. Sick leave is allowed to accumulate at the rate of one half day for each full month of service with a maximum accumulation of 120 days. At termination, an employee shall be compensated for all accumulated vacation pay and all accumulated sick leave is canceled. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

Accrued liabilities and long-term debt

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

For governmental funds, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount, if significant. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Long-term liabilities for revolving loan notes payable to the Kansas Department of Health and Environment are recorded in both the Waterworks System and Sewage Treatment enterprise funds. Principal payments are deducted from the liabilities as made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. This credit is collateralized with security deposits from new and slow paying customers.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Pension plans

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

Equity Classifications

In the government-wide financial statements, equity is reflected as net assets and classified into three components:

- Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted net assets – consisting of net assets with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.
- Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

During 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (see Note 11). The new statement changes how fund balances are classified and reported, and clarified the definitions of existing governmental fund types. In the governmental funds financial statements, equity is classified into potential five components:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Capital Improvement Reserve, Capital Equipment Reserve, The City Development special revenue fund and the Capital Equipment Reserve and Capital Improvement Reserve capital project funds are exempted from budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the originally adopted budget for 2011.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Accordingly, the actual data presented in the budgetary comparison statements can differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Controls over spending in funds that are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

2. DEPOSITS AND INVESTMENTS

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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

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

2. DEPOSITS AND INVESTMENTS (continued)

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. The City's allocation of investments as of December 31, 2011 is as follows:

| <u>Deposits and Investments</u> | <u>Percentage of Investments</u> |
|---|----------------------------------|
| Deposits with Farmers National Bank, Buhler, Kansas | 100% |

Custodial credit risk

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. All deposits were legally secured at December 31, 2011.

At year-end, the carrying amount of the City's deposits was \$670,012 with the bank balances of such accounts being \$710,234. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining balance of \$460,234 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of those pledged securities held by the City's custodial bank was \$580,532 at December 31, 2011.

The City had cash on hand at December 31, 2011 in the amount of \$50.

The City's component units' cash and investments at December 31, 2011 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount of the City's component units' deposits was \$102,542 and the bank balances were \$90,759. All of the individual component units' deposits were entirely covered by federal depository insurance at December 31, 2011.

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2011 is as follows:

3. CAPITAL ASSETS (continued)

| | Balance January 1, 2011 | Additions | Deletions | Balance December 31, 2011 |
|---|-------------------------------|-------------------|----------------|---------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 95,431 | \$ — | \$ — | \$ 95,431 |
| Capital assets being depreciated: | | | | |
| Buildings | 249,558 | — | — | 249,558 |
| Improvements other than buildings | 397,868 | — | — | 397,868 |
| Infrastructure | 859,729 | 58,036 | — | 917,765 |
| Machinery and equipment | 614,051 | 28,993 | 25,708 | 617,336 |
| Total capital assets being depreciated | <u>2,121,206</u> | <u>87,029</u> | <u>25,708</u> | <u>2,182,527</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 143,554 | 7,552 | — | 151,106 |
| Improvements other than buildings | 320,978 | 5,854 | — | 326,832 |
| Infrastructure | 73,536 | 45,889 | — | 119,425 |
| Machinery and equipment | 495,886 | 32,608 | 25,708 | 502,786 |
| Total accumulated depreciation | <u>1,033,954</u> | <u>91,903</u> | <u>25,708</u> | <u>1,100,149</u> |
| Total capital assets being depreciated, net | <u>1,087,252</u> | <u>(4,874)</u> | <u>—</u> | <u>1,082,378</u> |
| Governmental activities capital assets, net | <u>\$1,182,683</u> | <u>\$ (4,874)</u> | <u>\$ —</u> | <u>\$ 1,177,809</u> |
| <u>Business-Type Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 9,502 | \$ — | \$ — | \$ 9,502 |
| Construction work in progress | 430,188 | — | 430,188 | — |
| Total capital assets not being depreciated | <u>439,690</u> | <u>—</u> | <u>430,188</u> | <u>9,502</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 514,932 | 785,881 | — | 1,300,813 |
| Improvements other than buildings | 3,150,180 | 377,127 | — | 3,527,307 |
| Machinery and equipment | 256,528 | 837,649 | — | 1,094,177 |

3. CAPITAL ASSETS (continued)

| | Balance January 1, <u>2011</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2011</u> |
|--|--------------------------------------|--------------------|-------------------|--|
| Total capital assets being depreciated | <u>3,921,640</u> | <u>2,000,657</u> | <u>—</u> | <u>5,922,297</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 215,628 | 24,688 | — | 240,316 |
| Improvements other than buildings | 1,114,992 | 76,551 | — | 1,191,543 |
| Machinery and equipment | <u>196,302</u> | <u>49,596</u> | <u>—</u> | <u>245,898</u> |
| Total accumulated depreciation | <u>1,526,922</u> | <u>150,835</u> | <u>—</u> | <u>1,677,757</u> |
| Total capital assets being depreciated, net | <u>2,394,718</u> | <u>1,849,822</u> | <u>—</u> | <u>4,244,540</u> |
| Business-type activities capital assets, net | <u>\$2,834,408</u> | <u>\$1,849,822</u> | <u>\$ 430,188</u> | <u>\$4,254,042</u> |

Depreciation expense was charged to function/programs of the primary government as follows:

| | |
|---|------------------|
| Governmental activities: | |
| General government | \$ 1,375 |
| Public safety | 9,415 |
| Highways and streets | 72,158 |
| Culture and recreation | <u>8,955</u> |
| Total depreciation expense – governmental activities | <u>\$ 91,903</u> |
| Business-type activities: | |
| Waterworks System | \$ 96,097 |
| Sewage Treatment | <u>54,738</u> |
| Total depreciation expense – business-type activities | <u>\$150,835</u> |

4. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

4. LONG-TERM DEBT (continued)

| | Outstanding January 1, <u>2011</u> | <u>Additions</u> | <u>Deletions</u> | Outstanding December 31, <u>2011</u> | Due Within <u>One Year</u> |
|---|--|--------------------|-------------------|--|----------------------------------|
| <u>Governmental activities</u> | | | | | |
| General obligation bonds | \$ 835,000 | \$ - | \$ 70,000 | \$ 765,000 | \$ 70,000 |
| Compensated absences | <u>54,557</u> | <u>21,877</u> | <u>16,910</u> | <u>59,524</u> | <u>13,167</u> |
| Total long-term liabilities – Governmental activities | <u>\$ 889,557</u> | <u>\$ 21,877</u> | <u>\$ 86,910</u> | <u>\$ 824,524</u> | <u>\$ 83,167</u> |
| <u>Business-type activities</u> | | | | | |
| Revolving loan note payable - sewer | \$ 219,369 | \$ - | \$ 18,681 | \$ 200,688 | \$ 19,339 |
| Revolving loan note payable - sewer | 940,610 | - | 50,694 | 889,916 | 47,366 |
| Revolving loan note payable - water | 218,868 | 1,087,609 | 62,214 | 1,244,263 | 104,816 |
| Compensated absences | <u>21,725</u> | <u>9,300</u> | <u>7,700</u> | <u>23,325</u> | <u>5,787</u> |
| Total long-term liabilities – Business-Type activities | <u>\$1,400,572</u> | <u>\$1,096,909</u> | <u>\$ 139,289</u> | <u>\$ 2,358,192</u> | <u>\$ 177,308</u> |

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2018. At December 31, 2011 the bonds consist of the following:

| | <u>Interest rate</u> | <u>Bonds outstanding</u> |
|--|--------------------------|------------------------------|
| General Obligation Bonds, Series 2003, dated June 1, 2003 | 3.00 – 4.00% | \$ 290,000 |
| General Obligation Bonds, Series 2009, Dated May 1, 2009 | 2.50 – 4.50% | <u>475,000</u> |
| | | <u>\$ 765,000</u> |

Remaining debt service requirements for general obligations bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes. Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|--------------|
| 2012 | \$ 70,000 | \$ 26,905 | \$ 96,905 |
| 2013 | 80,000 | 24,542 | 104,542 |
| 2014 | 80,000 | 21,963 | 101,963 |

4. LONG-TERM DEBT (continued)

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|-------------------|-------------------|
| 2015 | \$ 85,000 | \$ 19,542 | \$ 104,542 |
| 2016 | 90,000 | 16,845 | 106,845 |
| 2017 | 95,000 | 13,808 | 108,808 |
| 2018 | 95,000 | 10,475 | 105,475 |
| 2019 | 50,000 | 6,975 | 56,975 |
| 2020 | 10,000 | 5,175 | 15,175 |
| 2021 | 10,000 | 4,775 | 14,775 |
| 2022 | 10,000 | 4,375 | 14,375 |
| 2023 | 10,000 | 3,975 | 13,975 |
| 2024 | 10,000 | 3,550 | 13,550 |
| 2025 | 10,000 | 3,125 | 13,125 |
| 2026 | 15,000 | 2,700 | 17,700 |
| 2027 | 15,000 | 2,025 | 17,025 |
| 2028 | 15,000 | 1,350 | 16,350 |
| 2029 | <u>15,000</u> | <u>675</u> | <u>15,675</u> |
| | <u>\$ 765,000</u> | <u>\$ 172,780</u> | <u>\$ 937,780</u> |

The Series 2003 bonds maturing on or after October 1, 2014 may be redeemed prior to maturity in whole or in part with selection of the bonds to be designated by the City in such equitable manner as it may determine on any interest paying date thereafter at par plus accrued interest to the date of the redemption.

The Series 2009 bonds maturing on or after October 1, 2019 may be redeemed prior to maturity in whole or in part with selection of the bonds to be designated by the City in such equitable manner as it may determine on at any time at par plus accrued interest to the date of the redemption.

Revolving loan note payable

The City Council entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for financing wastewater treatment plant improvements. At December 31, 2011, the principal amount of the loan agreement is \$200,688 at an interest rate of 3.49%. The loan agreement provides for semiannual payments in the amount of \$13,088, including principal and interest, through September 1, 2020. The debt service requirements for the loan will be provided from resources available in the Sewage Treatment Fund.

Annual debt service requirements to maturity for the loan agreement are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|--------------|
| 2012 | \$ 19,339 | \$ 6,837 | \$ 26,176 |

4. LONG-TERM DEBT (continued)

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 20,020 | \$ 6,156 | \$ 26,176 |
| 2014 | 20,725 | 5,451 | 26,176 |
| 2015 | 21,455 | 4,721 | 26,176 |
| 2016 | 22,210 | 3,966 | 26,176 |
| 2017 | 22,992 | 3,184 | 26,176 |
| 2018 | 23,801 | 2,375 | 26,176 |
| 2019 | 24,639 | 1,537 | 26,176 |
| 2020 | <u>25,507</u> | <u>669</u> | <u>26,176</u> |
| | <u>\$ 200,688</u> | <u>\$ 34,896</u> | <u>\$ 235,584</u> |

In October 2005, the City Council entered into a second loan agreement with the KDHE for financing additional wastewater facility improvements including a new bar screen, aerated digester, sludge building, sludge dewatering equipment, and other various improvement at the wastewater plant. The original loan agreement provided for semiannual payments in the amount of \$37,062, including interest, beginning September 1, 2007 with final payment due March 1, 2026. During 2011, the loan agreement was amended to provide for semiannual payments in the amount of \$35,011. At December 31, 2011, the principal amount of the loan agreement is \$889,916 at an interest rate of 2.58%.

Annual debt service requirements to maturity for the loan agreement are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|-------------------|---------------------|
| 2012 | \$ 47,366 | \$ 22,656 | \$ 70,022 |
| 2013 | 48,595 | 21,427 | 70,022 |
| 2014 | 49,857 | 20,165 | 70,022 |
| 2015 | 51,152 | 18,870 | 70,022 |
| 2016 | 52,480 | 17,542 | 70,022 |
| 2017 | 53,842 | 16,180 | 70,022 |
| 2018 | 55,241 | 14,781 | 70,022 |
| 2019 | 56,675 | 13,347 | 70,022 |
| 2020 | 58,147 | 11,875 | 70,022 |
| 2021 | 59,657 | 10,365 | 70,022 |
| 2022 | 61,206 | 8,816 | 70,022 |
| 2023 | 62,795 | 7,227 | 70,022 |
| 2024 | 64,425 | 5,597 | 70,022 |
| 2025 | 66,098 | 3,924 | 70,022 |
| 2026 | 67,815 | 2,207 | 70,022 |
| 2026 | <u>34,565</u> | <u>446</u> | <u>35,011</u> |
| | <u>\$ 889,916</u> | <u>\$ 195,425</u> | <u>\$ 1,085,341</u> |

4. LONG-TERM DEBT (continued)

The City Council entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for financing waterworks system plant improvements. The total loan commitment for the water project is \$2,038,095. At December 31, 2011, the principal amount of the loan agreement is \$1,244,263 at an interest rate of 3.63%. The loan agreement provides for semiannual payments in the amount of \$72,108, including principal and interest, through August 1, 2021 with a final payment due on February 1, 2022. The debt service requirements for the loan will be provided from resources available in the Waterworks System Fund. Annual debt service requirements to maturity for the loan agreement are as follows:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2012 | \$ 99,948 | \$ 44,268 | \$ 144,216 |
| 2013 | 103,609 | 40,607 | 144,216 |
| 2014 | 107,404 | 36,812 | 144,216 |
| 2015 | 111,339 | 32,877 | 144,216 |
| 2016 | 115,417 | 28,799 | 144,216 |
| 2017 | 119,645 | 24,571 | 144,216 |
| 2018 | 124,027 | 20,189 | 144,216 |
| 2019 | 128,570 | 15,646 | 144,216 |
| 2020 | 133,280 | 10,936 | 144,216 |
| 2021 | 138,162 | 6,054 | 144,216 |
| 2021 | <u>62,862</u> | <u>1,141</u> | <u>64,003</u> |
| | <u>\$ 1,244,263</u> | <u>\$ 261,900</u> | <u>\$ 1,506,163</u> |

The City has pledged future waterworks system customer revenues, sewage treatment customer revenues, or levy ad valorem taxes without limitation, to produce amounts which are sufficient to pay (a) the cost of operation and maintenance of the system, (b) pay the principal of and interest on the loans as when the same become due, and (c) pay all other amounts due at any time under the loan agreements. Annual principal and interest payments on the loans are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$2,334,867. Principal and interest paid for the current year and total customer net revenues were \$177,540 and \$4478,125, respectively.

Conduit debt

The City has issued limited-obligation bonds for the purpose of financing capital activities of unrelated third parties. Although conduit debt obligations bear the name of the City, they are payable solely from resources provided by leases with the third parties on whose behalf they were issued. The bonds do not constitute an indebtedness or pledge of the faith and credit of the City of Buhler, and accordingly, are not included as liabilities in the accompanying financial statements. The following is a summary of conduit debt transactions for the year ended December 31, 2011:

4. LONG-TERM DEBT (continued)

| | Debt Outstanding January 1, <u>2011</u> | <u>Additions</u> | <u>Deletions</u> | Debt Outstanding December 31, <u>2011</u> |
|---|--|------------------|------------------|--|
| Buhler Sunshine Home, Inc. Refunding Revenue Bond Series 2001 | \$ 2,513,275 | \$ — | \$169,106 | \$ 2,344,169 |

5. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011, individual capital project authorizations compared with project expenditures from inception, are as follows:

| | <u>Project authorization</u> | <u>Expenditures project inception to December 31, 2011</u> |
|----------------------------|----------------------------------|--|
| Water Quality Improvements | \$ 2,620,095 | \$ 1,883,382 |

The Water Quality Improvements activities are reported within the Waterworks System Fund.

6. WATER AND SEWER REPLACEMENT RESERVES

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future replacement of the water and sewer systems. Net assets have been reserved for the portion of assets legally restricted for future water and sewer system replacements.

7. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603.

7. PENSION PLAN (continued)

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS 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, for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. From April 1, 2011 through June 30, 2011 there was a moratorium on the collection of the premium for Group Death and Disability Insurance. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$25,341, \$24,254 and \$21,496, respectively, equal to the statutory required contributions for each year.

8. INTERFUND TRANSFERS

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

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------------|-------------------------|--------------------------|
| Major Funds: | | |
| General | \$ - | \$ 35,616 |
| Public Safety | - | 10,250 |
| Capital Equipment Reserve | 5,000 | - |
| Capital Improvement Reserve | 24,139 | - |
| Waterworks System | - | 122,689 |
| Sewage Treatment | <u>110,071</u> | <u>9,447</u> |
| Total transfers for major funds | <u>139,210</u> | <u>178,002</u> |
| Nonmajor Funds: | | |
| Special Highway | - | 900 |
| Employee Benefits | 43,919 | - |
| Cemetery | - | 1,240 |
| Street Maintenance and Improvement | <u>-</u> | <u>2,987</u> |
| Total transfers for nonmajor funds | <u>43,919</u> | <u>5,127</u> |
| Total transfers | <u>\$183,129</u> | <u>\$183,129</u> |

8. INTERFUND TRANSFERS (continued)

Nonroutine transfers from the General Fund to the Capital Equipment Reserve Fund and Capital Improvement Reserve Fund in the amounts of \$5,000 and \$24,139, respectively, reflect operating resources for establishment of reserves in the Capital Improvement Reserve and Capital Equipment Reserve funds.

In addition, a nonroutine transfer of sewer related assets from the Waterworks System Fund to the Sewage Treatment Fund in the amount of \$110,071 was made during 2011. These assets were related to the Water Treatment Plant Improvement Project which required certain sewer main and lift station improvements in conjunction with the project.

Routine transfers are made from all funds to which payroll is charged for employee benefit costs and were made from the General, Public Safety, Special Highway, Cemetery, Street Maintenance and Improvement, Waterworks System and Sewage Treatment funds in the amounts of \$6,477, \$10,250, \$900, \$1,240, \$2,987, \$12,618 and \$9,447, respectively.

9. OTHER POST EMPLOYMENT BENEFITS

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

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

10. COMMITMENTS AND CONTINGENCIES

The City has outstanding commitments for equipment purchases related to the Water Quality Improvements Project at December 31, 2011 in the amount of \$25,465.

11. SUBSEQUENT EVENTS

On February 9, 2012 the City approved a second loan amendment to the Kansas Department of Health and Environment (KDHE) water project loan agreement, which reduced the original loan commitment from \$2,038,095 to \$1,330,172. In addition, the loan amortization was amended to provide for semiannual payments of \$32,447 (from \$72,108) beginning August 1, 2012 for a period of 20 years. The interest rate on the loan agreement remained at 3.63%. Further, principal on the outstanding loan balance was forgiven by KDHE in the amount of \$312,173.

12. FUND RECLASSIFICATIONS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, became effective for periods beginning after June 15, 2010. GASB Statement No. 54 provides for clarification of the definitions of the general, special revenue, capital projects and permanent fund types. As a result, the Capital Equipment Reserve Fund and Capital Improvement Reserve Fund have been reclassified from a special revenue fund type to a capital project fund type for 2011. These funds were reported as major funds for 2010 and 2011 and, accordingly, there was no affect on the City's total reported fund balance or changes in fund balances.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following nonmajor Special Revenue Funds are reported:

Special Highway Fund – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

Employee Benefits Fund – to account for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes, health insurance, life insurance and pension contributions for employees of the City.

Recreation Fund – to account for the taxes levied for the funding for the operation of recreation programs of the Buhler Recreation Commission.

Library Fund – to account for the taxes levied for the funding for the operation of the public library.

Cemetery Fund – to account for the financing of the operations and maintenance of the City cemeteries.

Street Maintenance and Improvement Fund – to account for the taxes levied for street maintenance and improvement programs of the City.

City Development Fund – to account for public donations for use in City development activities.

Centennial Program Fund – to account for public donations specified for use in City centennial activities.

CITY OF BUHLER, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

| | Special Highway | Employee Benefits | Recreation | Library | Cemetery | Street Maintenance and Improvement | City Development | Total Nonmajor Special Revenue Funds |
|---------------------------------|-----------------|-------------------|------------|-----------|----------|------------------------------------|------------------|--------------------------------------|
| Cash and short-term investments | \$ 593 | \$ 11,633 | \$ - | \$ - | \$ 7,803 | \$ 9,472 | \$ 2,792 | \$ 32,293 |
| Taxes receivable | - | 21,064 | 10,820 | 35,305 | - | - | - | 67,189 |
| Total assets | \$ 593 | \$ 32,697 | \$ 10,820 | \$ 35,305 | \$ 7,803 | \$ 9,472 | \$ 2,792 | \$ 99,482 |

ASSETS

LIABILITIES AND FUND BALANCES

| | | | | | | | | |
|-------------------------------------|--------|-----------|-----------|-----------|----------|----------|----------|-----------|
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred revenue | - | 21,064 | 10,820 | 35,305 | - | - | - | 67,189 |
| Total liabilities | - | 21,064 | 10,820 | 35,305 | - | - | - | 67,189 |
| Fund balances: | | | | | | | | |
| Restricted | - | - | - | - | - | - | 2,792 | 2,792 |
| Committed | 593 | 11,633 | - | - | 7,803 | 9,472 | - | 29,501 |
| Total fund balances | 593 | 11,633 | - | - | 7,803 | 9,472 | 2,792 | 32,293 |
| Total liabilities and fund balances | \$ 593 | \$ 32,697 | \$ 10,820 | \$ 35,305 | \$ 7,803 | \$ 9,472 | \$ 2,792 | \$ 99,482 |

CITY OF BUHLER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2011

| | Special Highway | Employee Benefits | Recreation | Library | Cemetery | Street Maintenance and Improvement | City Develop- ment | Total Nonmajor Special Revenue Funds |
|--------------------------------------|--------------------|----------------------|------------|-----------|-----------|--|--------------------------|--|
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ 29,479 | \$ 11,283 | \$ 41,669 | \$ 11,175 | \$ 85,632 | \$ - | \$ 179,238 |
| Intergovernmental | 40,045 | - | - | - | - | - | - | 40,045 |
| Charges for services | - | - | - | - | 5,525 | - | - | 5,525 |
| Use of money and property | - | - | - | - | 600 | - | - | 600 |
| Reimbursements | - | 1,830 | - | - | - | - | - | 1,830 |
| Miscellaneous | - | - | - | - | - | - | 2,812 | 2,812 |
| Total revenues | 40,045 | 31,309 | 11,283 | 41,669 | 17,300 | 85,632 | 2,812 | 230,050 |
| Expenditures: | | | | | | | | |
| General government | - | 21,349 | - | - | 13,421 | - | - | 34,770 |
| Public Safety | - | 33,638 | - | - | - | - | - | 33,638 |
| Highways and streets | 43,238 | 11,600 | - | - | - | 81,023 | - | 135,861 |
| Culture and recreation | - | 18,335 | 11,283 | 41,669 | - | - | - | 71,287 |
| Economic development | - | - | - | - | - | - | 1,520 | 1,520 |
| Total expenditures | 43,238 | 84,922 | 11,283 | 41,669 | 13,421 | 81,023 | 1,520 | 277,076 |
| Revenues over (under) expenditures | (3,193) | (53,613) | - | - | 3,879 | 4,609 | 1,292 | (47,026) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | 43,919 | - | - | - | - | - | 43,919 |
| Transfers out | (900) | - | - | - | (1,240) | (2,987) | - | (5,127) |
| Total other financing sources (uses) | (900) | 43,919 | - | - | (1,240) | (2,987) | - | 38,792 |
| Net change in fund balances | (4,093) | (9,694) | - | - | 2,639 | 1,622 | 1,292 | (8,234) |
| Fund balances, beginning of year | 4,686 | 21,327 | - | - | 5,164 | 7,850 | 1,500 | 40,527 |
| Fund balances, end of year | \$ 593 | \$ 11,633 | \$ - | \$ - | \$ 7,803 | \$ 9,472 | \$ 2,792 | \$ 32,293 |

CITY OF BUHLER, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|-----------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 39,960 | \$ 39,960 | \$ 40,045 | \$ 85 |
| Expenditures and other uses: | | | | |
| Personal services | 9,500 | 9,500 | 1,451 | 8,049 |
| Contractual services | 29,800 | 29,800 | 720 | 29,080 |
| Commodities | 5,000 | 5,000 | 911 | 4,089 |
| Capital outlay | – | – | 40,156 | (40,156) |
| Transfers out | 952 | 952 | 900 | 52 |
| Total expenditures and other uses | 45,252 | 45,252 | 44,138 | 1,114 |
| Revenues over expenditures and other uses | (5,292) | (5,292) | (4,093) | 1,199 |
| Fund balance, beginning of year | 5,292 | 5,292 | 4,686 | (606) |
| Fund balance, end of year | \$ – | \$ – | \$ 593 | \$ 593 |

CITY OF BUHLER, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|-------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues and other sources: | | | | |
| Taxes | \$ 31,930 | \$ 31,930 | \$ 29,479 | \$ (2,451) |
| Reimbursements | – | – | 1,830 | 1,830 |
| Transfers in | <u>57,450</u> | <u>57,450</u> | <u>43,919</u> | <u>(13,531)</u> |
| Total revenues and other sources | 89,380 | 89,380 | 75,228 | (14,152) |
| Expenditures: | | | | |
| Personal services | <u>109,700</u> | <u>109,700</u> | <u>84,922</u> | <u>24,778</u> |
| Revenues and other sources over (under) expenditures | (20,320) | (20,320) | (9,694) | 10,626 |
| Fund balance, beginning of year | <u>20,320</u> | <u>20,320</u> | <u>21,327</u> | <u>1,007</u> |
| Fund balance, end of year | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 11,633</u> | <u>\$ 11,633</u> |

CITY OF BUHLER, KANSAS

RECREATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 11,406 | \$ 11,406 | \$ 11,283 | \$ (123) |
| Expenditures: | | | | |
| Personal services | 10,100 | 10,100 | 10,086 | 14 |
| Contractual services | - | - | 115 | (115) |
| Appropriations to Recreation Commission | <u>1,500</u> | <u>1,500</u> | <u>1,082</u> | <u>418</u> |
| Total expenditures | <u>11,600</u> | <u>11,600</u> | <u>11,283</u> | <u>317</u> |
| Revenues over (under) expenditures | (194) | (194) | - | 194 |
| Fund balance, beginning of year | <u>194</u> | <u>194</u> | <u>-</u> | <u>(194)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF BUHLER, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|---------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 43,097 | \$ 43,097 | \$ 41,669 | \$ (1,428) |
| Expenditures: | | | | |
| Personal services | 23,500 | 23,500 | 18,476 | 5,024 |
| Contractual services | - | - | 3,789 | (3,789) |
| Commodities | - | - | 122 | (122) |
| Appropriation to Library Board | <u>20,000</u> | <u>20,000</u> | <u>19,282</u> | <u>718</u> |
| Total expenditures | <u>43,500</u> | <u>43,500</u> | <u>41,669</u> | <u>1,831</u> |
| Revenues over (under) expenditures | (403) | (403) | - | 403 |
| Fund balance, beginning of year | <u>403</u> | <u>403</u> | <u>-</u> | <u>(403)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF BUHLER, KANSAS

CEMETERY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|------------------|-----------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 11,482 | \$ 11,482 | \$ 11,175 | \$ (307) |
| Charges for services | 5,000 | 5,000 | 5,525 | 525 |
| Use of money and property | 1,800 | 1,800 | 600 | (1,200) |
| Total revenues | 18,282 | 18,282 | 17,300 | (982) |
| Expenditures: | | | | |
| Personal services | 14,000 | 14,000 | 9,174 | 4,826 |
| Contractual services | 2,200 | 2,200 | 2,810 | (610) |
| Commodities | 2,500 | 2,500 | 1,437 | 1,063 |
| Capital outlay | 2,500 | 2,500 | - | 2,500 |
| Transfers out | 1,440 | 1,440 | 1,240 | 200 |
| Total expenditures and other uses | 22,640 | 22,640 | 14,661 | 7,979 |
| Revenues over (under) expenditures and other uses | (4,358) | (4,358) | 2,639 | 6,997 |
| Fund balance, beginning of year | 4,358 | 4,358 | 5,164 | 806 |
| Fund balance, end of year | \$ - | \$ - | \$ 7,803 | \$ 7,803 |

CITY OF BUHLER, KANSAS

STREET MAINTENANCE AND IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 88,446 | \$ 88,446 | \$ 85,632 | \$ (2,814) |
| Expenditures: | | | | |
| Personal services | 30,000 | 30,000 | 38,748 | (8,748) |
| Contractual services | 46,550 | 46,550 | 4,570 | 41,980 |
| Commodities | 5,000 | 5,000 | 14,169 | (9,169) |
| Capital outlay | 10,000 | 10,000 | 23,536 | (13,536) |
| Transfers out | <u>3,008</u> | <u>3,008</u> | <u>2,987</u> | <u>21</u> |
| Total expenditures and other uses | <u>94,558</u> | <u>94,558</u> | <u>84,010</u> | <u>10,548</u> |
| Revenues over (under) expenditures and other uses | (6,112) | (6,112) | 1,622 | 7,734 |
| Fund balance, beginning of year | <u>6,112</u> | <u>6,112</u> | <u>7,850</u> | <u>1,738</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,472</u> | <u>\$ 9,472</u> |

CITY OF BUHLER, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u> | <u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|----------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 25,310 | \$ 25,310 | \$ 30,587 | \$ 5,277 |
| Special assessments | <u>72,450</u> | <u>72,450</u> | <u>75,400</u> | <u>2,950</u> |
| Total revenues and other sources | <u>97,760</u> | <u>97,760</u> | <u>105,987</u> | <u>8,227</u> |
| Expenditures and other uses: | | | | |
| Bond principal | 70,000 | 70,000 | 70,000 | – |
| Bond interest and commission | 29,765 | 29,765 | 29,513 | 252 |
| Cash basis reserve | <u>4,000</u> | <u>4,000</u> | <u>–</u> | <u>4,000</u> |
| Total expenditures and other uses | <u>103,765</u> | <u>103,765</u> | <u>99,513</u> | <u>4,252</u> |
| Revenues over (under) expenditures and other uses | (6,005) | (6,005) | 6,474 | 12,479 |
| Fund balance, beginning of year | <u>6,005</u> | <u>6,005</u> | <u>13,170</u> | <u>7,165</u> |
| Fund balance, end of year | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 19,644</u> | <u>\$ 19,644</u> |

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Waterworks System Fund – to account for the operation of municipal water utility including water supply, treatment and distribution.

Sewage Treatment Fund – to account for the operation of sewer utility including the collection and treatment of wastewater.

CITY OF BUHLER, KANSAS

WATERWORKS SYSTEM FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|--------------------|--------------------|---|---|
| Revenues: | | | | |
| Charges for services | \$ 248,900 | \$ 248,900 | \$ 269,007 | \$ 20,107 |
| Use of money and property | 30 | 30 | 5 | (25) |
| Miscellaneous | <u>150</u> | <u>150</u> | <u>1,626</u> | <u>1,476</u> |
| Total revenues | <u>249,080</u> | <u>249,080</u> | <u>270,638</u> | <u>21,558</u> |
| Expenditures and other uses: | | | | |
| Personnel services | 64,000 | 64,000 | 61,189 | 2,811 |
| Contractual services | 45,000 | 45,000 | 44,477 | 523 |
| Commodities | 32,000 | 32,000 | 18,684 | 13,316 |
| Capital outlay | 21,668 | 21,668 | – | 21,668 |
| Miscellaneous | 500 | 500 | – | 500 |
| Transfers out | <u>125,700</u> | <u>125,700</u> | <u>120,818</u> | <u>4,882</u> |
| Total expenditures and other uses | <u>288,868</u> | <u>288,868</u> | <u>245,168</u> | <u>43,700</u> |
| Revenues over (under) expenditures and other uses | (39,788) | (39,788) | 25,470 | 65,258 |
| Fund balance, beginning of year | <u>39,788</u> | <u>39,788</u> | <u>60,471</u> | <u>20,683</u> |
| Fund balance, end of year | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 85,941</u> | <u>\$ 85,941</u> |

CITY OF BUHLER, KANSAS

SEWAGE TREATMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-----------------|----------------|---|---|
| Revenues: | | | | |
| Charges for services | \$ 208,020 | \$ 208,020 | \$ 203,105 | \$ (4,915) |
| Expenditures and other uses: | | | | |
| Personnel services | 58,500 | 58,500 | 39,862 | 18,638 |
| Contractual services | 28,850 | 28,850 | 29,677 | (827) |
| Commodities | 8,000 | 8,000 | 2,788 | 5,212 |
| Capital outlay | 3,007 | 3,007 | – | 3,007 |
| Transfers out | <u>140,070</u> | <u>140,070</u> | <u>134,767</u> | <u>5,303</u> |
| Total expenditures and other uses | <u>238,427</u> | <u>238,427</u> | <u>207,094</u> | <u>31,333</u> |
| Revenues over (under) expenditures and other uses | (30,407) | (30,407) | (3,989) | 26,418 |
| Fund balance, beginning of year | <u>30,407</u> | <u>30,407</u> | <u>48,874</u> | <u>18,467</u> |
| Fund balance, end of year | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 44,885</u> | <u>\$ 44,885</u> |

COMPONENT UNITS

Buhler Public Library

The Buhler Public Library is reported as a discretely presented component unit within the financial statements of the City of Buhler (the reporting entity) to emphasize its separate legal status. The Buhler Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The following funds are used to account for the operations of the Buhler Public Library:

Library General Fund – to account for moneys held directly by the Library Board and made available as needed to assist in financing the operations of the public library.

Buhler Recreation Commission

The Buhler Recreation Commission is reported as a discretely presented component unit within the financial statements of the City of Buhler (the reporting entity) to emphasize its separate legal status. The Buhler Recreation Commission is appointed by the City Council and operates the recreation programs of the City. The Recreation Commission taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Recreation Commission special revenue fund of the City. The Recreation Commission also receives funding through participant fees and concession sales at the activities sponsored by the Recreation Commission. The following funds are used to account for the operations of the Buhler Recreation Commission:

Recreation Commission General Fund – to account for moneys held directly by the Recreation Commission and made available as needed to provide financing of the recreation program activities.

Buhler Economic Development Board

The Buhler Economic Development Board Commission is reported as a discretely presented component unit within the financial statements of the City of Buhler (the reporting entity) to emphasize its separate legal status. The Buhler Economic Development Board is appointed by the City Council and provides economic development efforts within the City. Resources are provided through City Council appropriation from the City's General Fund. The Buhler Economic Development Board also periodically receives funding from private donations and grants made available through public and private sources.

CITY OF BUHLER, KANSAS

COMBINING BALANCE SHEET – COMPONENT UNITS

December 31, 2011

| | <u>Buhler Public Library</u> | <u>Buhler Recreation Commission</u> | <u>Buhler Economic Development Board</u> | <u>Total</u> |
|--|--------------------------------------|---|--|-------------------|
| <u>ASSETS</u> | | | | |
| Cash and investments | \$ <u>69,356</u> | \$ <u>25,253</u> | \$ <u>7,933</u> | \$ <u>102,542</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ <u> –</u> | \$ <u> –</u> | \$ <u> –</u> | \$ <u> –</u> |
| Fund balances: | | | | |
| Assigned | 2,807 | 20,070 | – | 22,877 |
| Unassigned | <u>66,549</u> | <u>5,183</u> | <u>7,933</u> | <u>79,665</u> |
| Total fund balances | <u>69,356</u> | <u>25,253</u> | <u>7,933</u> | <u>102,542</u> |
| Total liabilities and fund balances | \$ <u>69,356</u> | \$ <u>25,253</u> | \$ <u>7,933</u> | \$ <u>102,542</u> |
| Reconciliation to total net assets: | | | | |
| Total fund balances per above | | | | \$102,542 |
| Add capital assets | | | | 18,667 |
| Less accumulated depreciation on capital assets | | | | <u>(13,111)</u> |
| Total net assets | | | | \$ <u>108,098</u> |

CITY OF BUHLER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – COMPONENT UNITS**

Year ended December 31, 2011

| | Buhler Public Library | Buhler Recreation Commission | Buhler Economic Development Board | Total |
|---|-----------------------------|------------------------------------|--|-----------------------|
| Revenues: | | | | |
| Appropriation from City of Buhler | \$ 23,782 | \$ 1,082 | \$ 14,500 | \$ 39,364 |
| Intergovernmental | 8,395 | – | – | 8,395 |
| Charges for services | 2,729 | 14,179 | – | 16,908 |
| Use of money and property | 70 | 151 | 21 | 242 |
| Miscellaneous | <u>22,602</u> | <u>–</u> | <u>3,615</u> | <u>26,217</u> |
| Total revenues | <u>57,578</u> | <u>15,412</u> | <u>18,136</u> | <u>91,126</u> |
| Expenditures and other uses: | | | | |
| Contractual services | 4,717 | 1,035 | 16,650 | 22,402 |
| Commodities | 13,522 | 13,396 | 170 | 27,088 |
| Capital outlay | <u>5,998</u> | <u>5,353</u> | <u>–</u> | <u>11,351</u> |
| Total expenditures and other uses | <u>24,237</u> | <u>19,784</u> | <u>16,820</u> | <u>60,841</u> |
| Net change in fund balance | 33,341 | (4,372) | 1,316 | 30,285 |
| Fund balances, beginning of year | <u>36,015</u> | <u>29,625</u> | <u>6,617</u> | <u>72,257</u> |
| Fund balances, end of year | <u>\$ 69,356</u> | <u>\$ 25,253</u> | <u>\$ 7,933</u> | <u>\$ 102,542</u> |
| Reconciliation of change in net assets: | | | | |
| Net change in fund balances per above | | | | \$ 30,285 |
| Add current year assets capitalized | | | | 5,998 |
| Less current year depreciation on capital assets | | | | <u>(1,373)</u> |
| Change in net assets | | | | <u>\$ 34,910</u> |

CITY OF BUHLER, KANSAS

BUHLER RECREATION COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u> | <u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|-------------------------|-------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Appropriation from City of Buhler | \$ 1,500 | \$ 1,500 | \$ 1,082 | \$ (418) |
| Charges for services | 6,000 | 6,000 | 14,179 | 8,179 |
| Interest earnings | <u>300</u> | <u>300</u> | <u>151</u> | <u>(149)</u> |
| Total revenues | <u>7,800</u> | <u>7,800</u> | <u>15,412</u> | <u>7,612</u> |
| Expenditures and other uses: | | | | |
| Contractual services | 8,000 | 8,000 | 1,035 | 6,965 |
| Commodities | 8,000 | 8,000 | 13,396 | (5,396) |
| Capital outlay | <u>21,173</u> | <u>21,173</u> | <u>5,353</u> | <u>15,820</u> |
| Total expenditures and other uses | <u>37,173</u> | <u>37,173</u> | <u>19,784</u> | <u>17,389</u> |
| Revenues over (under) expenditures | (29,373) | (29,373) | (4,372) | 25,001 |
| Fund balance, beginning of year | <u>29,373</u> | <u>29,373</u> | <u>29,625</u> | <u>252</u> |
| Fund balance, end of year | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 25,253</u> | <u>\$ 25,253</u> |

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