

**CITY OF CHAPMAN, KANSAS**

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

December 31, 2011

**CITY OF CHAPMAN**  
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December 31, 2011

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June 26, 2012

Mayor and City Council  
City of Chapman, Kansas

### Independent Auditors' Report

We have audited the accompanying financial statements of the City of Chapman, Kansas (the City), as of and for the year ended December 31, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Chapman, Kansas, as of December 31, 2011, and its cash receipts and expenditures, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important to assessing the results of our audit.

June 26, 2012  
City of Chapman, Kansas  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The remaining information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This report is intended for the information and use of the City Council and management of the City of Chapman, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants  
Manhattan, Kansas

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# *Independent Auditors' Report*

June 26, 2012

Mayor and City Council  
City of Chapman, Kansas

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of the City of Chapman, Kansas (the City), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

June 26, 2012  
City of Chapman, Kansas  
(Continued)

This report is intended for the information and use of the City Council and management of the City of Chapman, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants  
Manhattan, Kansas

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# *Independent Auditors' Report*

**CITY OF CHAPMAN, KANSAS**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
 For the Year Ended December 31, 2011

Fund	Beginning	Prior Year	Receipts	Expenditures	Ending	Add:	Ending
	Unencumbered						
	Balance	Encumbrances			Balance	Encumbrances	Balance
Governmental Funds							
General Fund	\$ 164,811	\$ -	\$ 560,782	\$ 630,527	\$ 95,066	\$ 11,616	\$ 106,682
Special Revenue Funds							
Fire Equipment	18,262	-	8,898	1,472	25,688	-	25,688
Recreation	766	-	1,357	1,327	796	-	796
Library	1,630	-	30,340	28,138	3,832	-	3,832
Special Highway	6,587	-	46,608	35,630	17,565	-	17,565
Employee Benefit	5,245	-	211,556	201,176	15,625	-	15,625
Special Parks and Recreation	12,341	-	3,779	-	16,120	-	16,120
Equipment Reserve	87,318	-	32,074	43,217	76,175	-	76,175
Capital Improvement Fund	-	-	100,994	14,410	86,584	795	87,379
Bond and Interest	15,923	-	95,664	94,836	16,751	-	16,751
Proprietary Fund Types							
Electric Utility	328,821	-	1,343,994	1,412,687	260,128	59,142	319,270
Water Utility	78,014	-	170,218	153,546	94,686	4,761	99,447
Rural Water District	12,333	-	-	12,333	-	-	-
Sewer Utility	46,078	-	157,796	156,123	47,751	597	48,348
Indian Hills Golf Course	360	-	-	360	-	-	-

(continued)

STATEMENT 1

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditors' Report.

# Financial Statements

**CITY OF CHAPMAN, KANSAS**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH (CONTINUED)**  
 For the Year Ended December 31, 2011

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Fiduciary Fund Types							
Expendable Trust Funds							
Recreation Payroll	-	-	8,195	8,195	-	-	-
Library Payroll	-	-	9,325	9,325	-	-	-
Housing Payroll	-	-	49,764	49,764	-	-	-
<b>Total Reporting Entity (Excluding Agency Funds)</b>	<b>\$ 778,489</b>	<b>\$ -</b>	<b>\$ 2,831,344</b>	<b>\$ 2,853,066</b>	<b>\$ 756,767</b>	<b>\$ 76,911</b>	<b>\$ 833,678</b>

<b>Composition of Cash</b>	
Checking Accounts	\$ 333,957
Petty Cash	300
Certificates of Deposit	500,000
<b>Total Cash</b>	<b>\$ 834,257</b>
Agency Funds per Statement 4	<b>(579)</b>
<b>Total Reporting Entity (Excluding Agency Funds)</b>	<b>\$ 833,678</b>

**STATEMENT 1**  
(continued)

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditors' Report.

# *Financial Statements*

## STATEMENT 2

**CITY OF CHAPMAN, KANSAS**  
**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET (BUDGETED FUNDS ONLY)**  
For the Year Ended December 31, 2011

Fund	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds			
General	\$ 672,104	\$ 630,527	\$ 41,577
Special Revenue Funds			
Fire Equipment	22,600	1,472	21,128
Recreation	1,327	1,327	-
Library	29,937	28,138	1,799
Special Highway	49,446	35,630	13,816
Employee Benefit	208,000	201,176	6,824
Special Parks and Recreation	9,608	-	9,608
Bond and Interest	95,836	94,836	1,000
Proprietary Funds			
Enterprise Funds			
Electric Utility	1,702,077 *	1,412,687	289,390
Water Utility	227,664	153,546	74,118
Rural Water District	12,333	12,333	-
Sewer Utility	171,053	156,123	14,930
Indian Hills Golf Course	5,336	360	4,976
<b>TOTAL</b>	<b>\$ 3,207,321</b>	<b>\$ 2,728,155</b>	<b>\$ 479,166</b>

\*Includes certified budget for Electric General Revenue Bond Fund of \$107,455.

*Financial Statements*

**CITY OF CHAPMAN, KANSAS**  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

For the Year Ended December 31, 2011

With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**GENERAL FUND**

	<b>Prior Year Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 63,019	\$ 124,447	\$ 128,267	\$ (3,820)
Delinquent and foreclosures	2,011	1,506	-	1,506
Motor vehicle/Recreational vehicle tax	17,592	17,845	23,154	(5,309)
Local alcoholic liquor	2,860	3,779	3,000	779
Sales tax	110,314	110,658	100,000	10,658
Swimming pool receipts	11,192	9,404	9,000	404
Licenses and permits	9,386	6,503	9,500	(2,997)
Fines and fees	27,888	18,945	30,500	(11,555)
Franchise tax	32,819	38,253	45,000	(6,747)
Interest	4,886	3,840	-	3,840
Miscellaneous reimbursements	7,260	9,467	10,000	(533)
Transfers in	10,000	132,043	140,000	(7,957)
Amount received in lieu of taxes	8,272.00	7,681	8,000	(319)
Grants - State of Kansas CDBG	1,000	13,511	-	13,511
Donations received	27,137	40	2,500	(2,460)
FEMA proceeds	99,568	-	-	-
Golf receipts	-	62,658	101,500	(38,842)
Miscellaneous	-	202	-	202
<b>Total Cash Receipts</b>	<b>\$ 435,204</b>	<b>\$ 560,782</b>	<b>\$ 610,421</b>	<b>\$ (49,639)</b>
<b>EXPENDITURES</b>				
Administration	\$ 115,788	\$ 113,079	\$ 152,256	\$ 39,177
Police	150,913	155,465	187,652	32,187
Municipal court	9,519	12,268	11,500	(768)
Parks and pool	31,064	38,763	41,517	2,754
Street	-	108,358	125,495	17,137
Fire, EMT, and EM	6,682	8,570	8,000	(570)
Golf course	52,875	117,538	129,684	12,146
Disaster recovery	51,733	76,486	-	(76,486)
Transfers out	35,000.00	-	16,000	16,000
<b>Total Expenditures</b>	<b>\$ 453,574</b>	<b>\$ 630,527</b>	<b>\$ 672,104</b>	<b>\$ 41,577</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>\$ (18,370)</b>	<b>\$ (69,745)</b>		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<b>183,181</b>	<b>164,811</b>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<b>\$ 164,811</b>	<b>\$ 95,066</b>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 FIRE EQUIPMENT FUND**

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 7,388	\$ 7,469	\$ 7,697	\$ (228)
Delinquent and foreclosures	208	96	-	96
Motor vehicle/Recreational vehicle tax	1,447	1,333	1,450	(117)
Miscellaneous	5,000	-	5,000	(5,000)
<b>Total Cash Receipts</b>	<u>\$ 14,043</u>	<u>\$ 8,898</u>	<u>\$ 14,147</u>	<u>\$ (5,249)</u>
<b>EXPENDITURES</b>				
Commodities	\$ 5,896	\$ 1,472	\$ 8,300	\$ 6,828
Capital outlay	-	-	14,300	14,300
Miscellaneous	2,285	-	-	-
<b>Total Expenditures</b>	<u>\$ 8,181</u>	<u>\$ 1,472</u>	<u>\$ 22,600</u>	<u>\$ 21,128</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 5,862	\$ 7,426		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>12,400</u>	<u>18,262</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 18,262</u>	<u>\$ 25,688</u>		

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 RECREATION FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 6,743	\$ (10)	\$ -	\$ (10)
Delinquent and foreclosures	227	84	-	84
Motor vehicle/Recreational vehicle tax	1,457	1,283	-	1,283
<b>Total Cash Receipts</b>	<u>\$ 8,427</u>	<u>\$ 1,357</u>	<u>\$ -</u>	<u>\$ 1,357</u>
<b>EXPENDITURES</b>				
Appropriations	\$ 8,500	\$ 1,327	\$ 1,327	\$ -
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ (73)	\$ 30		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>839</u>	<u>766</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 766</u>	<u>\$ 796</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 LIBRARY FUND**

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 23,000	\$ 23,632	\$ 24,364	\$ (732)
Delinquent and foreclosures	603	308	-	308
Motor vehicle/Recreational vehicle tax	4,561	4,262	4,514	(252)
Miscellaneous	-	2,138	-	2,138
<b>Total Cash Receipts</b>	<u>\$ 28,164</u>	<u>\$ 30,340</u>	<u>\$ 28,878</u>	<u>\$ 1,462</u>
<b>EXPENDITURES</b>				
Appropriations to library	\$ 27,970	\$ 26,000	\$ 29,937	\$ 3,937
Miscellaneous	-	2,138	-	(2,138)
<b>Total Expenditures</b>	<u>\$ 27,970</u>	<u>\$ 28,138</u>	<u>\$ 29,937</u>	<u>\$ 1,799</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 194	\$ 2,202		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>1,436</u>	<u>1,630</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 1,630</u>	<u>\$ 3,832</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011  
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

SPECIAL REVENUE FUND  
SPECIAL HIGHWAY FUND

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 48,214	\$ (23)	\$ -	\$ (23)
Delinquent and foreclosures	923	68	-	68
Motor vehicle/Recreational vehicle tax	5,624	4,053	-	4,053
State payments	36,156	35,922	35,180	742
Miscellaneous	69	-	-	-
Transfers in	10,000	6,588	14,266	(7,678)
<b>Total Cash Receipts</b>	<u>\$ 100,986</u>	<u>\$ 46,608</u>	<u>\$ 49,446</u>	<u>\$ (2,838)</u>
<b>EXPENDITURES</b>				
Personnel services	\$ 69,800	\$ -	\$ -	\$ -
Commodities	21,231	-	-	-
Contractual services	8,603	-	-	-
Capital outlay	-	29,042	49,446	20,404
Transfers out	10,000	6,588	-	(6,588)
<b>Total Expenditures</b>	<u>\$ 109,634</u>	<u>\$ 35,630</u>	<u>\$ 49,446</u>	<u>\$ 20,404</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ (8,648)	\$ 10,978		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>15,235</u>	<u>6,587</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 6,587</u>	<u>\$ 17,565</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 EMPLOYEE BENEFIT FUND**

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 69,630	\$ 103,939	\$ 107,107	\$ (3,168)
Delinquent and foreclosures	2,014	986	-	986
Motor vehicle/Recreational vehicle tax	15,019	13,031	13,667	(636)
Transfers in	70,000	88,500	90,000	(1,500)
Miscellaneous	4,710	5,100	-	5,100
<b>Total Cash Receipts</b>	<u>\$ 161,373</u>	<u>\$ 211,556</u>	<u>\$ 210,774</u>	<u>\$ 782</u>
<b>EXPENDITURES</b>				
KPERS	\$ 36,480	\$ 39,283	\$ 42,000	\$ 2,717
Social Security	39,689	39,397	49,000	9,603
Unemployment	551	923	2,000	1,077
Insurance	87,295	121,573	115,000	(6,573)
<b>Total Expenditures</b>	<u>\$ 164,015</u>	<u>\$ 201,176</u>	<u>\$ 208,000</u>	<u>\$ 6,824</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ (2,642)	\$ 10,380		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>7,887</u>	<u>5,245</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 5,245</u>	<u>\$ 15,625</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND**  
**SPECIAL PARKS AND RECREATION FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Intergovernmental	\$ 2,999	\$ 3,779	\$ 3,100	\$ 679
Miscellaneous	-	-	250	(250)
<b>Total Cash Receipts</b>	<u>\$ 2,999</u>	<u>\$ 3,779</u>	<u>\$ 3,350</u>	<u>\$ 429</u>
<b>EXPENDITURES</b>				
Commodities	\$ 4,168	\$ -	\$ 9,000	\$ 9,000
Capital outlay	748	-	608	608
<b>Total Expenditures</b>	<u>\$ 4,916</u>	<u>\$ -</u>	<u>\$ 9,608</u>	<u>\$ 9,608</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ (1,917)	\$ 3,779		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>14,258</u>	<u>12,341</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 12,341</u>	<u>\$ 16,120</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 EQUIPMENT RESERVE FUND**

	<u>Prior Year Actual</u>	<u>Actual</u>
<b>CASH RECEIPTS</b>		
Transfers in	\$ 20,000	\$ 30,024
Miscellaneous	5,000	2,050
<b>Total Cash Receipts</b>	<u>\$ 25,000</u>	<u>\$ 32,074</u>
 <b>EXPENDITURES</b>		
Capital outlay	\$ -	\$ 43,217
 <b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	 \$ 25,000	 \$ (11,143)
 <b>UNENCUMBERED CASH - JANUARY 1</b>	 <u>62,318</u>	 <u>87,318</u>
 <b>UNENCUMBERED CASH - DECEMBER 31</b>	 <u>\$ 87,318</u>	 <u>\$ 76,175</u>

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**SPECIAL REVENUE FUND  
 CAPITAL IMPROVEMENT FUND**

	<u>Prior Year Actual</u>	<u>Actual</u>
<b>CASH RECEIPTS</b>		
Transfers in	\$ -	\$ 66,223
Miscellaneous	-	34,771
<b>Total Cash Receipts</b>	<u>\$ -</u>	<u>\$ 100,994</u>
<b>EXPENDITURES</b>		
Capital outlay	\$ -	\$ 14,410
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ -	\$ 86,584
<b>UNENCUMBERED CASH - JANUARY 1</b>	-	-
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ -</u>	<u>\$ 86,584</u>

**Financial Statements**

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**DEBT SERVICE FUND  
 BOND AND INTEREST FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Taxes and Shared Revenue				
Ad Valorem property tax	\$ 36,118	\$ 14,321	\$ 14,787	\$ (466)
Delinquent and foreclosures	769	352	-	352
Motor vehicle/Recreational vehicle tax	3,865	5,132	7,102	(1,970)
Special assessments	52,495	55,843	47,206	8,637
Transfers in	-	20,016	20,000	-
<b>Total Cash Receipts</b>	<u>\$ 93,247</u>	<u>\$ 95,664</u>	<u>\$ 69,095</u>	<u>\$ 6,553</u>
<b>EXPENDITURES</b>				
Bond principal	\$ 45,000	\$ 55,000	\$ 55,000	\$ -
Interest	41,790	39,836	39,836	-
Miscellaneous	-	-	1,000	1,000
<b>Total Expenditures</b>	<u>\$ 86,790</u>	<u>\$ 94,836</u>	<u>\$ 95,836</u>	<u>\$ 1,000</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 6,457	\$ 828		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>9,466</u>	<u>15,923</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 15,923</u>	<u>\$ 16,751</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**PROPRIETARY FUND  
 ELECTRIC UTILITY FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Sale of electricity	\$ 1,253,001	\$ 1,321,564	\$ 1,150,000	\$ 171,564
Sales tax	15,554	16,543	15,000	1,543
Miscellaneous	30,404	3,277	1,000	2,277
Utility connect fee	3,286	2,610	3,000	(390)
<b>Total Cash Receipts</b>	<u>\$ 1,302,245</u>	<u>\$ 1,343,994</u>	<u>\$ 1,169,000</u>	<u>\$ 174,994</u>
<b>EXPENDITURES</b>				
General and Administrative				
Personnel services	\$ 124,907	\$ 157,802	\$ 172,430	\$ 14,628
Commodities	61,371	52,732	83,000	30,268
Contractual services	25,411	827,228	969,310	142,082
Capital outlay	5,467	9,969	81,882	71,913
Production				
Commodities	86,672	69,244	30,000	(39,244)
Contractual services	697,389	59,075	10,000	(49,075)
Capital outlay	3,429	-	-	-
Transfers out	95,000	130,182	248,000	117,818
Revenue bond principal payment	60,000	65,000	65,000	-
Interest expense	43,855	41,455	41,455	-
Miscellaneous	-	-	1,000	1,000
<b>Total Expenditures</b>	<u>\$ 1,203,501</u>	<u>\$ 1,412,687</u>	<u>\$ 1,702,077</u>	<u>* \$ 288,390</u>
<b>RECEIPTS OVER (UND) EXPENDITURES</b>	\$ 98,744	\$ (68,693)		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>230,077</u>	<u>328,821</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 328,821</u>	<u>\$ 260,128</u>		

\*Includes certified budget for Electric General Revenue Bond Fund of \$107,455.

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**PROPRIETARY FUND  
 WATER UTILITY FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Sale of water	\$ 150,577	\$ 154,839	\$ 161,000	\$ (6,161)
Utility connect fee	1,655	3,015	1,500	1,515
Miscellaneous	26,526	30	2,500	(2,470)
Transfers in	15,492	12,334	13,000	(666)
<b>Total Cash Receipts</b>	<u>\$ 194,250</u>	<u>\$ 170,218</u>	<u>\$ 178,000</u>	<u>\$ (7,782)</u>
<b>EXPENDITURES</b>				
Personnel services	\$ 89,132	\$ 36,321	\$ 46,197	\$ 9,876
Commodities	49,216	32,302	46,700	14,398
Contractual services	24,500	24,911	41,500	16,589
Capital outlay	-	-	33,267	33,267
Transfers out	10,000	60,012	60,000	(12)
Miscellaneous	3,543	-	-	-
<b>Total Expenditures</b>	<u>\$ 176,391</u>	<u>\$ 153,546</u>	<u>\$ 227,664</u>	<u>\$ 74,118</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 17,859	\$ 16,672		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>60,155</u>	<u>78,014</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 78,014</u>	<u>\$ 94,686</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**PROPRIETARY FUND  
 RURAL WATER DISTRICT FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Commodities	\$ 8,344	\$ -	\$ -	\$ -
Capital outlay	-	12,333	12,333	-
Transfers out	15,493	-	-	-
<b>Total Expenditures</b>	<u>\$ 23,837</u>	<u>\$ 12,333</u>	<u>\$ 12,333</u>	<u>\$ -</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ (23,837)	\$ (12,333)		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>36,170</u>	<u>12,333</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 12,333</u>	<u>\$ -</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011  
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

PROPRIETARY FUND  
SEWER UTILITY FUND

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Sewer fees	\$ 116,361	\$ 143,307	\$ 150,000	\$ (6,693)
Miscellaneous	924	-	1,000	(1,000)
Late charges	12,457	14,489	10,000	4,489
<b>Total Cash Receipts</b>	<u>\$ 129,742</u>	<u>\$ 157,796</u>	<u>\$ 161,000</u>	<u>\$ (3,204)</u>
<b>EXPENDITURES</b>				
Personnel services	\$ 44,058	\$ 33,576	\$ 29,548	\$ (4,028)
Commodities	35,659	32,417	25,250	(7,167)
Contractual services	17,500	13,703	32,500	18,797
Capital outlay	-	6,407	13,755	7,348
Transfers out	10,000	70,020	70,000	(20)
<b>Total Expenditures</b>	<u>\$ 107,217</u>	<u>\$ 156,123</u>	<u>\$ 171,053</u>	<u>\$ 14,930</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 22,525	\$ 1,673		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>23,553</u>	<u>46,078</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 46,078</u>	<u>\$ 47,751</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
 For the Year Ended December 31, 2011  
 With Comparative Actual Totals for the Prior Year Ended December 31, 2010

**PROPRIETARY FUND  
 INDIAN HILLS GOLF COURSE FUND**

	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<b>CASH RECEIPTS</b>				
Golf fees	\$ 81,462	\$ -	\$ -	\$ -
Transfers in	45,000	-	-	-
Miscellaneous	1,536	-	-	-
<b>Total Cash Receipts</b>	<u>\$ 127,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Personnel services	\$ 68,282	\$ -	\$ -	\$ -
Commodities	37,976	-	-	-
Contractual services	11,497	-	-	-
Capital lease payments	5,076	-	-	-
Capital outlay	5,143	-	-	-
Transfers out	-	360	5,336	4,976
<b>Total Expenditures</b>	<u>\$ 127,974</u>	<u>\$ 360</u>	<u>\$ 5,336</u>	<u>\$ 4,976</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ 24	\$ (360)		
<b>UNENCUMBERED CASH - JANUARY 1</b>	<u>336</u>	<u>360</u>		
<b>UNENCUMBERED CASH - DECEMBER 31</b>	<u>\$ 360</u>	<u>\$ -</u>		

*Financial Statements*

CITY OF CHAPMAN, KANSAS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011

REIMBURSED PAYROLL

	<u>Library</u>	<u>Housing</u>	<u>Recreation</u>
<b>CASH RECEIPTS</b>			
Reimbursements	\$ 9,325	\$ 49,764	\$ 8,195
<b>EXPENDITURES</b>			
Salaries and benefits	\$ 9,325	\$ 49,764	\$ 8,195
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	\$ -	\$ -	\$ -
<b>UNENCUMBERED CASH - JANUARY 1</b>	-	-	-
<b>UNENCUMBERED CASH - DECEMBER 31</b>	\$ -	\$ -	\$ -

*Financial Statements*

**CITY OF CHAPMAN, KANSAS**  
**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
 For the Year Ended December 31, 2011

**AGENCY FUNDS**

<b>Funds</b>	<b>Beginning Cash Balance</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Ending Cash Balance</b>
Sanitary Landfill Fund	\$ 3	\$ 6,936	\$ 6,360	\$ 579

**Financial Statements**

**CITY OF CHAPMAN, KANSAS**  
**STATEMENT OF CHANGES IN LONG-TERM DEBT**  
For the Year Ended December 31, 2011

ISSUE	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 2004-A	3.00-4.40%	1/15/04	\$ 94,500	10/1/13	\$ 60,000	\$ -	\$ 20,000	\$ (20,000)	\$ 40,000	\$ 2,580
Series 2006-A	4.65-7.25%	6/15/06	275,000	10/1/26	235,000	-	10,000	(10,000)	225,000	11,328
Series 2007-A	3.85-4.50%	8/15/07	670,000	10/1/27	610,000	-	25,000	(25,000)	585,000	25,928
<b>Total General Obligation Bonds</b>					<u>\$ 905,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ (55,000)</u>	<u>\$ 850,000</u>	<u>\$ 39,836</u>
<b>Revenue Bonds</b>										
Series 2006-A - Electric Utility	4.00-4.50%	12/1/06	\$ 1,160,000	10/1/22	\$ 965,000	\$ -	\$ 65,000	\$ (65,000)	\$ 900,000	\$ 41,455
<b>Total Contractual Indebtedness</b>					<u>\$ 1,870,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ (120,000)</u>	<u>\$ 1,750,000</u>	<u>\$ 81,291</u>
<b>Compensated Absences</b>					<u>26,172</u>	<u>1,296</u>	<u>-</u>	<u>1,296</u>	<u>27,468</u>	<u>-</u>
<b>TOTAL LONG-TERM DEBT</b>					<u>\$ 1,896,172</u>	<u>\$ 1,296</u>	<u>\$ 120,000</u>	<u>\$ (118,704)</u>	<u>\$ 1,777,468</u>	<u>\$ 81,291</u>

STATEMENT 5

The accompanying notes are an integral part of these financial statements.  
See Independent Auditors' Report.

# Financial Statements

**CITY OF CHAPMAN, KANSAS**  
**SCHEDULE OF MATURITY OF LONG-TERM DEBT**  
For the Years Ended December 31,

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2030	Total
<b>PRINCIPAL</b>									
Series 2004-A	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Series 2006-A - GO	10,000	10,000	10,000	10,000	15,000	75,000	95,000	-	225,000
Series 2006-A - Revenue	65,000	70,000	70,000	75,000	80,000	440,000	100,000	-	900,000
Series 2007-A	25,000	25,000	25,000	30,000	30,000	175,000	220,000	55,000	585,000
<b>Total Principal</b>	<b>\$ 120,000</b>	<b>\$ 125,000</b>	<b>\$ 105,000</b>	<b>\$ 115,000</b>	<b>\$ 125,000</b>	<b>\$ 690,000</b>	<b>\$ 415,000</b>	<b>\$ 55,000</b>	<b>\$ 1,750,000</b>
<b>INTEREST</b>									
Series 2004-A	\$ 1,740	\$ 880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,620
Series 2006-A - GO	10,788	10,257	9,738	9,738	8,698	33,025	14,013	-	96,257
Series 2006-A - Revenue	38,855	36,225	33,455	33,455	27,580	83,475	4,500	-	257,545
Series 2007-A	24,952	23,965	22,965	22,965	20,750	83,783	42,735	2,475	244,590
<b>Total Interest</b>	<b>\$ 76,335</b>	<b>\$ 71,327</b>	<b>\$ 66,158</b>	<b>\$ 66,158</b>	<b>\$ 57,028</b>	<b>\$ 200,283</b>	<b>\$ 61,248</b>	<b>\$ 2,475</b>	<b>\$ 601,012</b>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<b>\$ 196,335</b>	<b>\$ 196,327</b>	<b>\$ 171,158</b>	<b>\$ 181,158</b>	<b>\$ 182,028</b>	<b>\$ 890,283</b>	<b>\$ 476,248</b>	<b>\$ 57,475</b>	<b>\$ 2,351,012</b>

**STATEMENT 5**  
(continued)

The accompanying notes are an integral part of these financial statements.  
See Independent Auditors' Report.

# *Financial Statements*

**CITY OF CHAPMAN, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**Note 1: Summary of Significant Accounting Policies**

The City of Chapman, Kansas (the City) is a municipal corporation governed by an elected five-member council. The accounting policies of the City conform to the cash-basis and budget laws of Kansas (statutory basis). The following is a summary of the more significant policies:

***The Financial Reporting Entity***

The financial reporting entity of the City is comprised of the primary government.

***Fund Accounting***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the financial statements in this report, the various funds are grouped into generic fund types and broad fund categories as follows:

***Governmental Funds***

*General Fund* - The general fund is the general operating fund of the City. It is used to account for all unrestricted financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

*Debt Service Fund* - Debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

***Proprietary Funds***

Proprietary funds are used to account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private business enterprises and a) are intended to be self-supporting through charges to users or b) the governing body has deemed it appropriate to account for them as enterprise funds for capital maintenance, public policy, management control, accountability, or other purposes.

***Fiduciary Funds***

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

***Statutory Basis of Presentation***

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The municipality has approved a resolution waiving generally accepted accounting principles which allows the municipality to use the statutory basis of accounting.

**CITY OF CHAPMAN, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2011

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Statutory Basis of Presentation (Continued)***

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

***Departure from Generally Accepted Accounting Principles***

The basis of accounting described above results in a financial presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenditures, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds and temporary notes are not presented in the financial statements.

***Budgetary Information***

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal and annual operating budget.

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The electric fund budget was amended in 2010.

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

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. any unused budgeted expenditure authority lapses at year end.

**CITY OF CHAPMAN, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2011

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Budgetary Information (Continued)***

A legal operating budget is not required for capital projects funds, fiduciary funds, and some special revenue funds.

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

***Compensated Absences***

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, upon termination, employees are entitled to accumulated vacation leave. Full-time permanent employees that retire from the City are reimbursed at the rate of \$2.00 per hour for accumulated sick leave. At December 31, 2011, the City's liability for unused vacation time is \$27,468. No liability has been estimated for the accrued sick leave, as it is not possible to reasonably estimate which employees will retire.

**Note 2: 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 FDIC coverage.

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

As of December 31, 2011, the City's carrying amount of the City's deposits was \$834,257. The bank balance was \$915,410. The bank balance was held by one bank, in checking, money market and certificates of deposit. Of the bank balance, \$500,000 was covered by FDIC insurance and \$415,410 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2010.

**Note 3: Property Taxes**

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1st 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 of the full amount of the taxes levied on or before December 20th of the ensuing year. State statutes prohibit the county treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

**CITY OF CHAPMAN, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2011

**Note 5: Defined Benefit 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 KSA 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, KS 66503-3803) or by calling 1-888-275-5737.

KSA 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employers rate established by statute for calendar year 2010 is 7.74%. The City's employer contributions to KPERs for the year ended December 31, 2011, 2010, and 2009 were \$34,072, \$33,456, and \$26,396, respectively, equal to the statutory required contributions for each year.

**Note 6: Interfund Transfers**

Transfers for the year ended December 31, 2010 were as follows:

<u>To</u>	<u>From</u>	<u>In</u>	<u>Out</u>
Electric Utility	Revenue Bond Generation	\$ 108,000 *	\$ 108,000
Water Utility	General	20,004	20,004
Electric Utility	General	91,674	91,674
Golf	General	361	361
Sewer Utility	General	20,004	20,004
General	Equipment Reserve	10,008	10,008
Sewer Utility	Equipment Reserve	10,008	10,008
Street Lighting	Special Highway	6,588	6,588
Electric Utility	Employee Benefits	28,500	28,500
Electric Utility	Equipment Reserve	10,008	10,008
Sewer Utility		10,008	10,008
Water Utility	Bond and Interest	10,008	10,008
Water Utility	Employee Benefits	30,000	30,000
Sewer Utility	Employee Benefits	30,000	30,000
Rural Water	Water	12,334	12,334
<b>Total Transfers</b>		<b>\$ 397,505</b>	<b>\$ 397,505</b>

\*This transfer does not show up in the fund statements, as Electric General Revenue Bond Fund transactions are presented within the Electric Fund.

**Note 7: Long-Term Debt**

All general obligation bonds are secured by the full faith and credit of the City. See Statement 5 for details of long-term debt.

Upon authorization of the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, must be interest-bearing and have a maturity date of not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are usually retired from the proceeds of the sale of general obligation bonds.

**Notes to Financial Statements**

**CITY OF CHAPMAN, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2011

**Note 8: 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no decreases in insurance coverage from the prior year.

**Note 9: Firemen's Relief Association**

The Firemen's Relief Association began 2011 with \$30,051 in funds. During 2011, total revenues received were \$3,508, comprised of \$3,009 from the State of Kansas, \$125 in interest income, and \$374 in miscellaneous revenue. Total expenditures were \$2,492 for insurance premiums. The balance of cash as of December 31, 2011 was \$31,067. This cash is held in the following accounts: checking - \$1,908; savings - \$6,559; and certificates of deposit - \$22,600.

**Note 10: Compliance with Finance-Related Legal and Contractual Provisions**

For the year ended December 31, 2011, the City was in compliance with all provisions of the revenue bond covenants. There were no budget or cash violations during 2011.

**Note 11: Other Post Employment Benefits**

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

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