

CITY OF DEERFIELD, KANSAS
STATUTORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

The City Council Members
City of Deerfield, Kansas

We have audited the summary statement of cash receipts, expenditures and unencumbered cash of the City of Deerfield, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statement referred to in the first paragraph does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Deerfield, Kansas, as of December 31, 2011, or the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Further, in our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Deerfield, Kansas, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

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Our audit was performed for the purpose of forming an opinion on the financial statement of the City of Deerfield, Kansas. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

The 2010 actual columns presented in the individual fund schedules of cash receipts and expenditures (Schedule 2's as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2010 financial statement upon which we rendered an unqualified opinion dated March 1, 2011. The 2010 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2010 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statements or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



LEWIS, HOOPER & DICK, LLC

June 20, 2012

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

Funds	Unencumbered Cash 01/01/11	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash 12/31/11	Add Payables and Encumbrances	Treasurer's Cash 12/31/11
<u>Governmental Type Funds</u>						
General	\$ 38,241	\$ 242,202	\$ 192,122	\$ 88,321	\$ -	\$ 88,321
Special Revenue Funds:						
Employee Benefits	16,893	97,027	80,416	33,504	1,565	35,069
Machinery and Equipment	53,504	20,000	29,490	44,014	11,710	55,724
Special Highway	247,299	115,677	20,908	342,068	-	342,068
Special Liability	5,896	1,354	1,990	5,260	-	5,260
Shriver Development	56,933	95	-	57,028	-	57,028
Total Special Revenue	380,525	234,153	132,804	481,874	13,275	495,149
Debt Service Fund:						
Bond and Interest	8,117	25,000	27,395	5,722	-	5,722
<u>Proprietary Type Funds</u>						
Water Utility:						
General	75,708	186,172	194,076	67,804	-	67,804
Water Depreciation Reserve	8,901	30,000	7,995	30,906	-	30,906
Total Water Utility	84,609	216,172	202,071	98,710	-	98,710
Sewer Utility:						
General	15,395	35,265	26,866	23,794	-	23,794
Sewer Pond Reserve	2,733	5,000	-	7,733	-	7,733
Total Sewer Utility	18,128	40,265	26,866	31,527	-	31,527
Refuse Utility	3,606	43,255	42,760	4,101	-	4,101
Storm Sewer Utility	22,165	10,907	1,289	31,783	-	31,783
Customer Deposits	7,768	3,200	5,365	5,603	-	5,603
Total Proprietary	136,276	313,799	278,351	171,724	-	171,724
Total All Funds (Memorandum only)	\$ 563,159	\$ 815,154	\$ 630,672	\$ 747,641	\$ 13,275	\$ 760,916
Composition of Cash:						
Kearny County Bank					\$ 671,041	
Plains State Bank					101,820	
Outstanding checks					(12,195)	
Total cash in bank						\$ 760,666
Cash on hand						250
Total cash						\$ 760,916

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies

The City of Deerfield, Kansas, was incorporated under the provisions of the State of Kansas. The City operates under a Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture activities, public improvements, planning and zoning, and general administrative services. Other services include utilities.

A. Financial reporting entity

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

The City has no organizations, functions or activities which are considered component units of the City.

B. Measurement focus, basis of accounting and basis of presentation

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

C. Waiver of financial reporting requirements

The City's Council has determined by resolution that financial statements prepared in conformity with generally accepted accounting principles are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Council, the City or the members of the general public of the City. The Council approved the resolution which served as notice of the Council's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

D. Departure from accounting principles generally accepted in the United States of America

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

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

E. Fund accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following funds are used by the City:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all 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 (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments with the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

G. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, 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 or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

G. Property taxes and special assessments (continued)

20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the City by June 5th. The City Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments received prior to or after the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable.

H. Compensated absences

The City's policies regarding leave pay permits employees to accumulate vacation leave days at a maximum rate of 30 days per year with a carryover of 5 days. Employees accumulate sick leave days at a maximum rate of 12 days per year; no more than 90 sick leave days may be accumulated. The City has determined that \$2,496 of accumulated leave is payable at December 31, 2011.

I. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

J. Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

K. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

2. Stewardship, compliance and accountability

A. Budgetary information

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

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.

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. There were no budget amendments for the year ended December 31, 2011.

The legal level of budgetary control is the fund level. 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.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, fiduciary fund, permanent funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body. Special revenue funds of the City controlled by the spending limits established by the governing body include the Shriver Development fund.

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the City. The following violations occurred:

- K.S.A. 10-130 requires the remittance of principal and interest to the state fiscal agent at least 20 days prior to maturity. During 2011 payments were not submitted on a timely basis, although they were submitted to the State prior to the maturity dates.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

2. Stewardship, compliance and accountability (continued)

B. Compliance with Kansas statutes (continued)

- Kansas statutes 9-1402 and 9-1403 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". At December 31, 2011, the City had \$68,404 in unsecured funds at Kearny County Bank.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	\$	250
Carrying amount of deposits		760,666
Total cash	\$	760,916

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits

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

At December 31, 2011, the City's carrying amount of deposits was \$760,666 and the bank balance was \$772,861. Of the bank balance, 100% of the balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$352,060 was covered by federal depository insurance, \$352,397 was collateralized with securities held by the pledging financial institutions' agents in the City's name, and the balance of \$68,404 was unsecured. The City's cash deposits by financial institution at December 31, 2011, are as follows:

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk – deposits (continued)

	Kearny County Bank	Plains State Bank
FDIC coverage	\$ 250,240	\$ 101,820
Pledged securities at market value	352,397	213,618
Total coverage	\$ 602,637	\$ 315,438
Funds on deposit	\$ 671,041	\$ 101,820
Funds at risk	\$ 68,404	\$ -

Credit risk - investments

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

B. Interfund transfers between funds

Interfund operating transfers are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>		
Water Utility	General	12-825d	\$	20,000
Water Utility	Machinery and Equipment	12-825d		20,000
Water Utility	Water Depreciation Reserve	12-825d		30,000
Water Utility	Bond and Interest	12-825d		25,000
Sewer Utility	Sewer Pond Reserve	12-825d		5,000
Total				\$ 100,000

C. Capital projects in process

Capital project authorizations with approved change orders compared to expenditures from inception at December 31, 2011, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Crack sealing project	\$ 16,900	\$ 16,900	\$ -
Sewer maintenance cleaning	15,529	4,564	10,965
Manhole rehab	8,500	8,500	-

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

D. Long-term debt

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

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

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/11	Additions	Reductions/Payments	Net Change	Balance 12/31/11	Interest Paid
General obligation bonds payable:										
Water System Improvement, 2003	06/15/03	3.90%	06/01/18	\$ 350,000	\$ 210,000	\$ -	\$ 20,000		\$ 190,000	\$ 7,395
Capital lease obligations payable:										
Refuse truck	04/04/06	4.67%	04/04/13	105,276	41,556	-	16,049		25,507	1,755
Employee compensated absences payable:										
Accrued vacation, net change					1,386			\$ 1,110	2,496	
Total general long-term debt				\$ 455,276	\$ 252,942	\$ -	\$ 36,049	\$ 1,110	\$ 218,003	\$ 9,150

	Year						Total
	2012	2013	2014	2015	2016	2017-2018	
Principal:							
General obligation bonds payable	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 30,000	\$ 60,000	\$ 190,000
Capital leases payable	16,807	8,700	-	-	-	-	25,507
Total principal	41,807	33,700	25,000	25,000	30,000	60,000	215,507
Interest:							
General obligation bonds	6,685	5,872	4,972	3,998	2,925	2,340	26,792
Capital lease obligations	997	202	-	-	-	-	1,199
Total interest	7,682	6,074	4,972	3,998	2,925	2,340	27,991
Total principal and interest	\$ 49,489	\$ 39,774	\$ 29,972	\$ 28,998	\$ 32,925	\$ 62,340	\$ 243,498

Legal debt margin

The debt limit per K.S.A. 10-308 is thirty percent of the assessed tangible valuation of the City adjusted for exempt farm property, business aircraft and motor vehicles given by the County Assessor to the County Clerk on August 25th each year. Per K.S.A. 10-309, certain bond issues are not subject to the bonded indebtedness limitation; these include the refunding bonds and the limited obligation bonds issued for the purpose of acquiring, enlarging, extending or improving any municipal utility; or to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property. The amount of debt outstanding does not exceed the statutory limit.

4. Other information

A. 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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

4. Other information (continued)

B. Post-employment health care benefits

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

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

C. Defined benefit pension plan

Plan description: The City of Deerfield, Kansas, contributes to the Kansas Public Employees Retirement System ("KPERs"), a cost sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding policy: K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at up to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2011 is 7.74%. The City's contributions to KPERs for the years ending December 31, 2011, 2010 and 2009, were \$13,991, \$15,154, and \$13,391, respectively, equal to the required contributions for each year as set forth by the legislature.

D. Related party transactions

The City employs two individuals related to Council members. The City paid wages of \$27,714 to these related parties during the year ended December 31, 2011. Benefits paid on these wages totaled \$6,060.

E. Subsequent events

Subsequent to December 31, 2011, the City accepted a bid for the purchase of mower in the amount of \$14,200.

SUPPLEMENTAL SCHEDULES

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

	Certified Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
<u>Governmental Type Funds</u>			
General	\$ 283,648	\$ 192,122	\$ (91,526)
Special Revenue Funds:			
Employee Benefits	106,230	80,416	(25,814)
Machinery and Equipment	98,337	29,490	(68,847)
Special Highway	185,887	20,908	(164,979)
Special Liability	5,000	1,990	(3,010)
Debt Service Fund:			
Bond and Interest	33,067	27,395	(5,672)
<u>Proprietary Type Funds</u>			
Water Utility:			
General	208,000	194,076	(13,924)
Water Depreciation Reserve	21,822	7,995	(13,827)
Sewer Utility:			
General	48,000	26,866	(21,134)
Sewer Pond Reserve	7,733	-	(7,733)
Refuse Utility	58,500	42,760	(15,740)
Storm Sewer Utility	36,392	1,289	(35,103)
Customer Deposits	14,930	5,365	(9,565)

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Administration:				
Taxes	\$ 158,517	\$ 150,256	\$ 139,811	\$ 10,445
Intergovernmental	19,655	-	-	-
Franchises	22,123	23,526	22,000	1,526
Fines, licenses and permits	7,485	4,693	6,000	(1,307)
Use of money and property	22,425	18,240	24,000	(5,760)
Reimbursements and miscellaneous	17,259	18,987	15,600	3,387
Total administration	247,464	215,702	207,411	8,291
Streets	-	-	-	-
Parks	3,500	3,500	4,000	(500)
Fire	-	3,000	-	3,000
Transfer from Water	-	20,000	20,000	-
Total cash receipts	250,964	242,202	\$ 231,411	\$ 10,791
Expenditures:				
General administration:				
Personnel services	150,698	95,460	\$ 120,000	\$ (24,540)
Contractual services	45,703	23,071	48,352	(25,281)
Commodities	44,831	46,569	50,200	(3,631)
Capital outlay	12,500	-	15,000	(15,000)
Total general administration	253,732	165,100	233,552	(68,452)
Streets:				
Commodities	-	-	3,845	(3,845)
Street lighting:				
Contractual services	7,276	6,991	8,000	(1,009)
Police:				
Contractual services	1	1	1	-
Parks:				
Commodities	6,334	98	6,250	(6,152)
Zoning	17,609	19,932	22,000	(2,068)
Transfers out	10,000	-	10,000	(10,000)
Total expenditures	294,952	192,122	\$ 283,648	\$ (91,526)
Receipts over (under) expenditures	(43,988)	50,080		
Unencumbered cash, beginning of year	82,229	38,241		
Unencumbered cash, end of year	\$ 38,241	\$ 88,321		

CITY OF DEERFIELD, KANSAS
Employee Benefits Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 87,822	\$ 94,356	\$ 95,851	\$ (1,495)
Other receipts	-	2,671	-	2,671
Total cash receipts	<u>87,822</u>	<u>97,027</u>	<u>\$ 95,851</u>	<u>\$ 1,176</u>
Expenditures:				
Employee benefits	<u>84,273</u>	<u>80,416</u>	<u>\$ 106,230</u>	<u>\$ (25,814)</u>
Receipts over expenditures	3,549	16,611		
Unencumbered cash, beginning of year	<u>13,344</u>	<u>16,893</u>		
Unencumbered cash, end of year	<u>\$ 16,893</u>	<u>\$ 33,504</u>		

CITY OF DEERFIELD, KANSAS
 Machinery and Equipment Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from General	\$ 10,000	\$ -	\$ 10,000	\$ (10,000)
Transfer from Water	20,000	20,000	20,000	-
Transfer from Refuse	25,000	-	25,000	(25,000)
Total cash receipts	55,000	20,000	\$ 55,000	\$ (35,000)
Expenditures:				
Capital outlay and equipment lease	29,833	29,490	\$ 98,337	\$ (68,847)
Receipts over (under) expenditures	25,167	(9,490)		
Unencumbered cash, beginning of year	28,337	53,504		
Unencumbered cash, end of year	\$ 53,504	\$ 44,014		

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
State of Kansas - gas tax	\$ 21,984	\$ 19,856	\$ 23,340	\$ (3,484)
Reimbursements and miscellaneous	116,386	95,821	95,000	821
Total cash receipts	138,370	115,677	\$ 118,340	\$ (2,663)
Expenditures:				
Personnel services	-	-	\$ 7,640	\$ (7,640)
Contractual	29,108	16,984	177,247	(160,263)
Commodities	9,827	3,924	1,000	2,924
Total expenditures	38,935	20,908	\$ 185,887	\$ (164,979)
Receipts over expenditures	99,435	94,769		
Unencumbered cash, beginning of year	147,864	247,299		
Unencumbered cash, end of year	\$ 247,299	\$ 342,068		

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 742	\$ 1,354	\$ 1,183	\$ 171
Expenditures:				
Tort liability	2,941	1,990	\$ 5,000	\$ (3,010)
Receipts under expenditures	(2,199)	(636)		
Unencumbered cash, beginning of year	8,095	5,896		
Unencumbered cash, end of year	<u>\$ 5,896</u>	<u>\$ 5,260</u>		

CITY OF DEERFIELD, KANSAS
 Shriver Development Fund
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year Actual
Cash Receipts:		
Donations	\$ 56,933	\$ 95
Expenditures:		
Capital outlay and improvements	-	-
Receipts over expenditures	56,933	95
Unencumbered cash, beginning of year	-	56,933
Unencumbered cash, end of year	\$ 56,933	\$ 57,028

CITY OF DEERFIELD, KANSAS
 Bond and Interest Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Water Utility	\$ 27,995	\$ 25,000	\$ 25,000	\$ -
Expenditures:				
Bond principal	20,000	20,000	\$ 20,000	\$ -
Bond coupons	7,995	7,395	7,395	-
Fiscal fees	-	-	50	(50)
Cash basis reserve	-	-	5,622	(5,622)
Total expenditures	<u>27,995</u>	<u>27,395</u>	<u>\$ 33,067</u>	<u>\$ (5,672)</u>
Receipts over (under) expenditures	-	(2,395)		
Unencumbered cash, beginning of year	<u>8,117</u>	<u>8,117</u>		
Unencumbered cash, end of year	<u>\$ 8,117</u>	<u>\$ 5,722</u>		

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 135,776	\$ 154,896	\$ 145,766	\$ 9,130
Penalties and reconnect fees	4,850	324	8,000	(7,676)
Miscellaneous	1,212	27	-	27
Water protection fee	33,041	30,925	32,000	(1,075)
Transfer from Water Depreciation Reserve	20,000	-	-	-
Total cash receipts	194,879	186,172	\$ 185,766	\$ 406
Expenditures:				
Personnel services	39,117	60,756	\$ 55,000	\$ 5,756
Production	9,691	11,078	15,000	(3,922)
Distribution	23,609	21,124	33,000	(11,876)
General	8,820	4,454	5,000	(546)
Capital outlay	10,054	1,664	25,000	(23,336)
Transfers out	77,995	95,000	75,000	20,000
Total expenditures	169,286	194,076	\$ 208,000	\$ (13,924)
Receipts over (under) expenditures	25,593	(7,904)		
Unencumbered cash, beginning of year	50,115	75,708		
Unencumbered cash, end of year	<u>\$ 75,708</u>	<u>\$ 67,804</u>		

CITY OF DEERFIELD, KANSAS
 Water Depreciation Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Water Utility	\$ 30,000	\$ 30,000	\$ 10,000	\$ 20,000
Expenditures:				
Capital outlay and improvements	7,994	7,995	\$ 21,822	\$ (13,827)
Payment on temporary notes	6,166	-	-	-
Transfer to Water Utility	20,000	-	-	-
Total expenditures	<u>34,160</u>	<u>7,995</u>	<u>\$ 21,822</u>	<u>\$ (13,827)</u>
Receipts over (under) expenditures	(4,160)	22,005		
Unencumbered cash, beginning of year	<u>13,061</u>	<u>8,901</u>		
Unencumbered cash, end of year	<u>\$ 8,901</u>	<u>\$ 30,906</u>		

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 37,486	\$ 35,265	\$ 38,640	\$ (3,375)
Expenditures:				
Personnel services	7,611	-	\$ 20,000	\$ (20,000)
Contractual services	6,532	13,064	9,000	4,064
Commodities	17,495	8,802	14,000	(5,198)
Transfer to Sewer Pond Reserve	5,000	5,000	5,000	-
Total expenditures	36,638	26,866	\$ 48,000	\$ (21,134)
Receipts over expenditures	848	8,399		
Unencumbered cash, beginning of year	14,547	15,395		
Unencumbered cash, end of year	\$ 15,395	\$ 23,794		

CITY OF DEERFIELD, KANSAS
 Sewer Pond Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Sewer Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Expenditures:				
Capital outlay and improvements	-	-	\$ 7,733	\$ (7,733)
Payment on temporary notes	3,037	-	-	-
Total expenditures	3,037	-	\$ 7,733	\$ (7,733)
Receipts over expenditures	1,963	5,000		
Unencumbered cash, beginning of year	770	2,733		
Unencumbered cash, end of year	\$ 2,733	\$ 7,733		

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

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 42,621	\$ 43,255	\$ 50,126	\$ (6,871)
Expenditures:				
Personnel services	21,632	33,427	\$ 20,000	\$ 13,427
Contractual services	7,518	9,333	7,500	1,833
Capital outlay	1,500	-	6,000	(6,000)
Transfer to Machinery and Equipment	25,000	-	25,000	(25,000)
Total expenditures	<u>55,650</u>	<u>42,760</u>	<u>\$ 58,500</u>	<u>\$ (15,740)</u>
Receipts over (under) expenditures	(13,029)	495		
Unencumbered cash, beginning of year	<u>16,635</u>	<u>3,606</u>		
Unencumbered cash, end of year	<u>\$ 3,606</u>	<u>\$ 4,101</u>		

CITY OF DEERFIELD, KANSAS
 Storm Sewer Utility Fund
 Schedule 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)

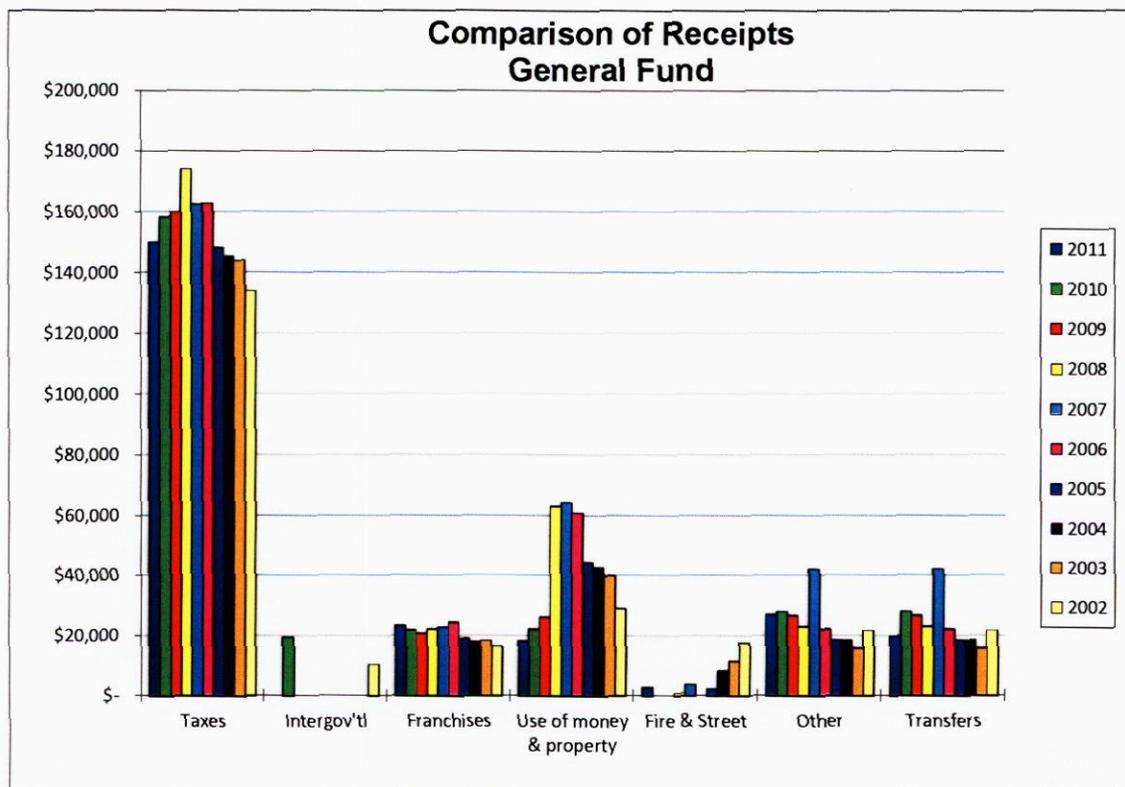
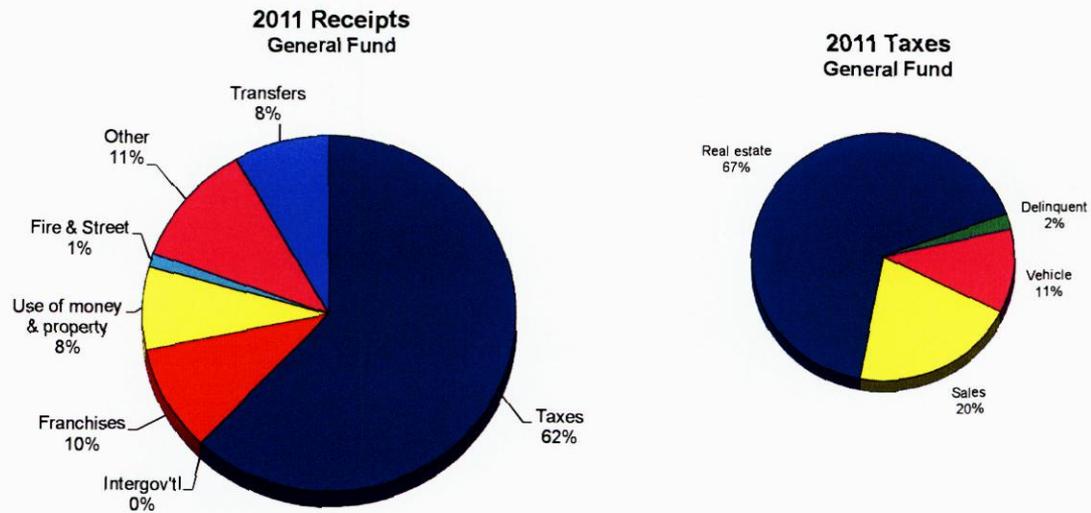
	Current Year			Variance Over (Under)
	Prior Year	Actual	Budget	
Cash Receipts:				
Charges for services	\$ 11,168	\$ 10,907	\$ 11,900	\$ (993)
Expenditures:				
Personnel services	9,533	1,274	\$ 5,356	\$ (4,082)
Miscellaneous	8,934	15	-	15
Construction	-	-	31,036	(31,036)
Total expenditures	<u>18,467</u>	<u>1,289</u>	<u>\$ 36,392</u>	<u>\$ (35,103)</u>
Receipts over (under) expenditures	(7,299)	9,618		
Unencumbered cash, beginning of year	<u>29,464</u>	<u>22,165</u>		
Unencumbered cash, end of year	<u>\$ 22,165</u>	<u>\$ 31,783</u>		

CITY OF DEERFIELD, KANSAS
 Customer Deposits Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

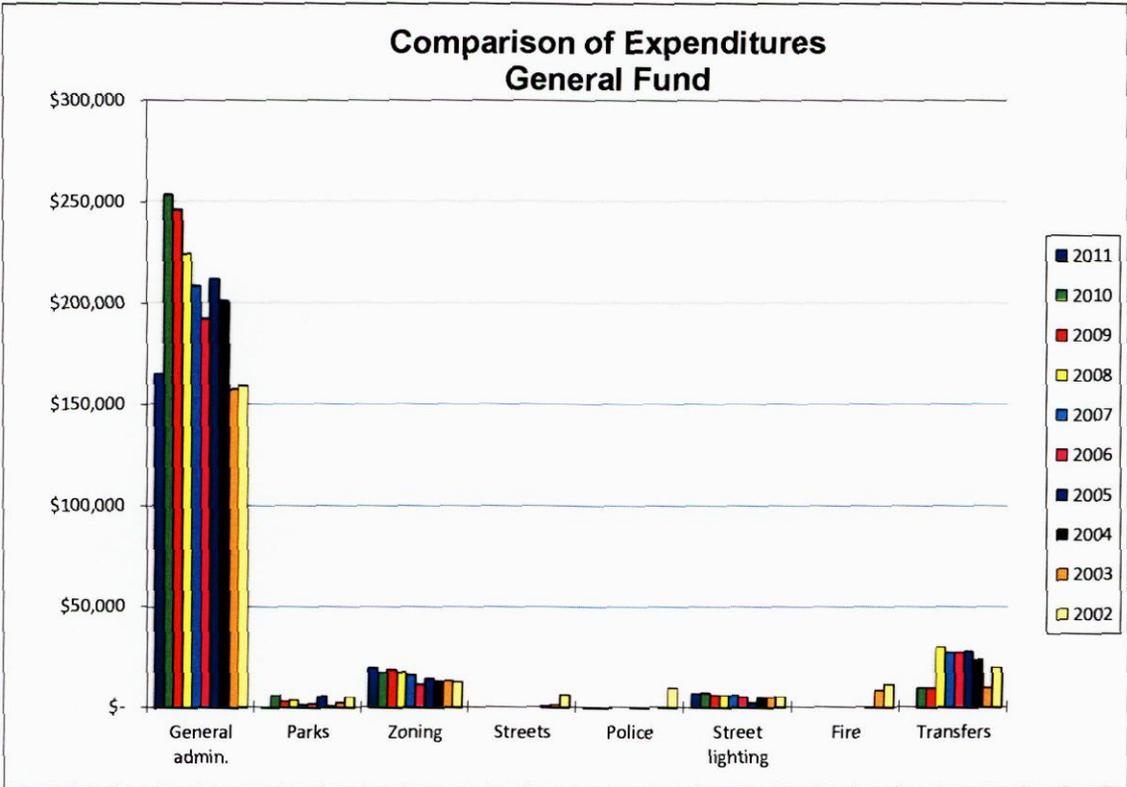
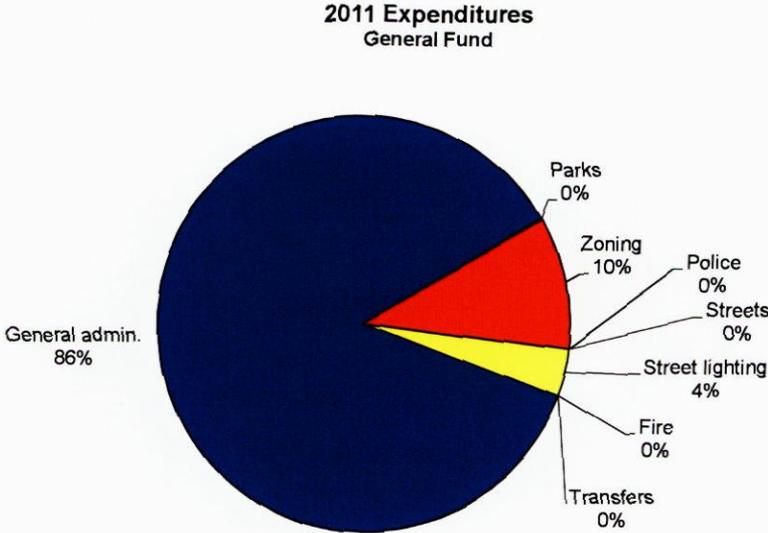
	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Customer deposits	\$ 3,961	\$ 3,200	\$ 6,200	\$ (3,000)
Expenditures:				
Contractual services	3,723	5,365	\$ 14,930	\$ (9,565)
Receipts over (under) expenditures	238	(2,165)		
Unencumbered cash, beginning of year	7,530	7,768		
Unencumbered cash, end of year	<u>\$ 7,768</u>	<u>\$ 5,603</u>		

OTHER SUPPLEMENTAL INFORMATION

CITY OF DEERFIELD, KANSAS
 Receipts - General Fund
 For the Year Ended December 31



CITY OF DEERFIELD, KANSAS
 Expenditures - General Fund
 For the Year Ended December 31



CITY OF DEERFIELD, KANSAS
Comparison of Receipts and Expenditures - General Fund
For the Year Ended December 31

