

CITY OF DE SOTO, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2011

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CITY OF DE SOTO, KANSAS

Financial Statements
Year ended December 31, 2011

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MIZE & HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of De Soto, Kansas

We have audited the accompanying financial statements of the City of De Soto, 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. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2010. In our report dated April 4, 2011, on these financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of De Soto, Kansas prepares its financial statements on a basis of accounting prescribed by the State of Kansas which demonstrates 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 effect on the financial statements of those differences is also described in Note 1.

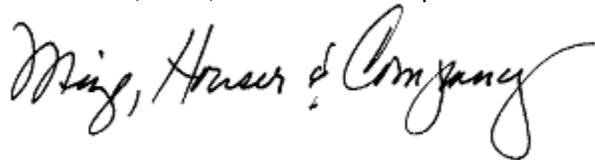
In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of De Soto, Kansas, as of December 31, 2011, or the respective changes in financial position for the year then ended.

Also, 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 De Soto, Kansas, as of December 31, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

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

A handwritten signature in black ink that reads "Ming, Houser & Company". The signature is written in a cursive, flowing style.

April 24, 2012

STATEMENT 1

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

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:		Ending Cash Balance
						Outstanding Encumbrances and Accounts Payable		
General Fund	\$ 767,809	\$ -	\$ 2,746,153	\$ 2,621,429	\$ 892,533	\$ 29,540		\$ 922,073
Special Revenue Funds:								
Law Enforcement Fund	67,161	-	441,775	460,990	47,946	113,637		161,583
Special Highway Fund	5,949	-	146,248	149,890	2,307	-		2,307
Special Parks and Recreation Fund	20,407	-	22,283	30,000	12,690	-		12,690
Transient Guest Tax Fund	28,247	-	19,611	26,607	21,251	-		21,251
Sponsorship Fund	13,020	-	4,469	2,370	15,119	-		15,119
Water Development Fee Fund	7,568	-	8,400	14,000	1,968	-		1,968
Sewer Development Fee Fund	5,000	-	39,000	14,000	30,000	-		30,000
Electric Utility Investment Fund	1,934,839	-	85,670	373,039	1,647,470	-		1,647,470
Enhancement Community Fountain Fund	1,141	-	-	101	1,040	-		1,040
Riverfest Park Improvement Fund	1,157	-	-	-	1,157	-		1,157
Debt Service Fund	1,112,112	-	962,417	1,139,922	934,607	-		934,607
Capital Project Funds:								
Capital Projects Fund	44,086	-	16,380	35,000	25,466	-		25,466
Capital Improvements Fund	982,471	-	736,833	1,437,196	282,108	207,336		489,444
Permanent Fund:								
Shughart Trust Fund	22,910	-	100	-	23,010	-		23,010
Enterprise Funds:								
Water System Fund	142,184	-	1,361,554	1,276,415	227,323	7,448		234,771
Sewer System Fund	122,248	-	466,678	463,486	125,440	17,264		142,704
Refuse System Fund	54,443	-	350,141	355,696	48,888	50		48,938
Internal Service Fund:								
Shop Fund	[5,756]	-	119,900	118,658	[4,514]	4,516		2
Total City	\$ 5,326,996	\$ -	\$ 7,527,612	\$ 8,518,799	\$ 4,335,809	\$ 379,791		\$ 4,715,600

Composition of Cash:

Great American Bank	
Checking	\$ 447,788
Certificates of Deposit	3,828,955
Deposit in Transit	12,785
Outstanding Checks	[130,189]
FCB Bank	
Checking	280,797
Outstanding Checks	[200,000]
Great Southern Bank	
Money Market	176,854
Checking	49,798
Deposit in Transit	2,626
Outstanding Checks	[894]
Kansas Municipal Investment Pool	<u>284,389</u>
Total Cash	4,752,909
Agency Funds per Statement 4	<u>[37,309]</u>
Total	<u>\$ 4,715,600</u>

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

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 2,867,075	\$ -	\$ 2,867,075	\$ 2,621,429	\$ 245,646
Special Revenue Funds:					
Law Enforcement Fund	466,318	-	466,318	460,990	5,328
Special Highway Fund	166,268	-	166,268	149,890	16,378
Special Parks and Recreation Fund	30,000	-	30,000	30,000	-
Transient Guest Tax Fund	30,000	-	30,000	26,607	3,393
Sponsorship Fund	3,350	-	3,350	2,370	980
Water Development Fee Fund	28,000	-	28,000	14,000	14,000
Sewer Development Fee Fund	14,000	-	14,000	14,000	-
Debt Service Fund	2,098,964	-	2,098,964	1,139,922	959,042
Enterprise Funds:					
Water System Fund	1,295,809	-	1,295,809	1,276,415	19,394
Sewer System Fund	483,915	-	483,915	463,486	20,429
Refuse System Fund	360,000	-	360,000	355,696	4,304

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

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 601,239	\$ 503,482	\$ 487,069	\$ 16,413
Intergovernmental	1,004,317	1,163,427	1,037,480	125,947
Licenses and permits	31,323	42,312	25,550	16,762
Franchise fee	483,983	498,336	491,000	7,336
Charges for services	72,069	75,580	-	75,580
Use of money and property	119,315	87,619	106,800	[19,181]
Fines and fees	246,313	293,354	334,900	[41,546]
Miscellaneous	9,956	11,074	1,000	10,074
Transfers in	<u>72,724</u>	<u>70,969</u>	<u>125,000</u>	<u>[54,031]</u>
Total Cash Receipts	<u>2,641,239</u>	<u>2,746,153</u>	<u>\$ 2,608,799</u>	<u>\$ 137,354</u>
Expenditures and Transfers Subject to Budget				
Personal services	1,375,238	1,347,480	\$ 1,617,400	\$ 269,920
Contractual services	809,051	832,260	848,761	16,501
Commodities	388,678	365,305	333,800	[31,505]
Capital outlay	<u>89,943</u>	<u>76,384</u>	<u>67,114</u>	<u>[9,270]</u>
Total Expenditures and Transfers Subject to Budget	<u>2,662,910</u>	<u>2,621,429</u>	<u>\$ 2,867,075</u>	<u>\$ 245,646</u>
Receipts Over [Under] Expenditures	[21,671]	124,724		
Unencumbered Cash, Beginning	794,301	767,809		
Prior period adjustment	<u>[4,821]</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 767,809</u>	<u>\$ 892,533</u>		

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

CITY OF DE SOTO, KANSAS
 Law Enforcement Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 435,886	\$ 441,775	\$ 425,236	\$ 16,539
Total Cash Receipts	<u>435,886</u>	<u>441,775</u>	<u>\$ 425,236</u>	<u>\$ 16,539</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>435,262</u>	<u>460,990</u>	<u>\$ 466,318</u>	<u>\$ 5,328</u>
Total Expenditures and Transfers Subject to Budget	<u>435,262</u>	<u>460,990</u>	<u>\$ 466,318</u>	<u>\$ 5,328</u>
Receipts Over [Under] Expenditures	624	[19,215]		
Unencumbered Cash, Beginning	<u>66,537</u>	<u>67,161</u>		
Unencumbered Cash, Ending	<u>\$ 67,161</u>	<u>\$ 47,946</u>		

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

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 146,495	\$ 146,248	\$ 148,090	\$ [1,842]
Total Cash Receipts	<u>146,495</u>	<u>146,248</u>	<u>\$ 148,090</u>	<u>\$ [1,842]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	56,001	65,000	\$ 65,000	\$ -
Transfers out	<u>93,712</u>	<u>84,890</u>	<u>101,268</u>	<u>16,378</u>
Total Expenditures and Transfers Subject to Budget	<u>149,713</u>	<u>149,890</u>	<u>\$ 166,268</u>	<u>\$ 16,378</u>
Receipts Over [Under] Expenditures	[3,218]	[3,642]		
Unencumbered Cash, Beginning	<u>9,167</u>	<u>5,949</u>		
Unencumbered Cash, Ending	<u>\$ 5,949</u>	<u>\$ 2,307</u>		

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

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 11,693	\$ 10,202	\$ 11,648	\$ [1,446]
Charges for services	<u>11,670</u>	<u>12,081</u>	<u>12,480</u>	<u>[399]</u>
Total Cash Receipts	<u>23,363</u>	<u>22,283</u>	<u>\$ 24,128</u>	<u>\$ [1,845]</u>
Expenditures and Transfers Subject to Budget				
Transfer out	<u>10,000</u>	<u>30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>
Total Expenditures and Transfers Subject to Budget	<u>10,000</u>	<u>30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	13,363	[7,717]		
Unencumbered Cash, Beginning	<u>7,044</u>	<u>20,407</u>		
Unencumbered Cash, Ending	<u>\$ 20,407</u>	<u>\$ 12,690</u>		

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

CITY OF DE SOTO, KANSAS
 Transient Guest Tax Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 17,782	\$ 19,611	\$ 19,000	\$ 611
Total Cash Receipts	<u>17,782</u>	<u>19,611</u>	<u>\$ 19,000</u>	<u>\$ 611</u>
Expenditures and Transfers Subject to Budget				
Contractual services	23,635	16,607	\$ 20,000	\$ 3,393
Transfers out	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>23,635</u>	<u>26,607</u>	<u>\$ 30,000</u>	<u>\$ 3,393</u>
Receipts Over [Under] Expenditures	[5,853]	[6,996]		
Unencumbered Cash, Beginning	<u>34,100</u>	<u>28,247</u>		
Unencumbered Cash, Ending	<u>\$ 28,247</u>	<u>\$ 21,251</u>		

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

CITY OF DE SOTO, KANSAS
 Sponsorship Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year End December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 5,109	\$ 4,469	\$ 2,250	\$ 2,219
Total Cash Receipts	<u>5,109</u>	<u>4,469</u>	<u>\$ 2,250</u>	<u>\$ 2,219</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>1,910</u>	<u>2,370</u>	<u>\$ 3,350</u>	<u>\$ 980</u>
Total Expenditures and Transfers Subject to Budget	<u>1,910</u>	<u>2,370</u>	<u>\$ 3,350</u>	<u>\$ 980</u>
Receipts Over [Under] Expenditures	3,199	2,099		
Unencumbered Cash, Beginning	<u>9,821</u>	<u>13,020</u>		
Unencumbered Cash, Ending	<u>\$ 13,020</u>	<u>\$ 15,119</u>		

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

CITY OF DE SOTO, KANSAS
 Water Development Fee Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 15,600	\$ 8,400	\$ 18,200	\$ [9,800]
Total Cash Receipts	<u>15,600</u>	<u>8,400</u>	<u>\$ 18,200</u>	<u>\$ [9,800]</u>
Expenditures and Transfers Subject to Budget				
Transfer out	<u>10,000</u>	<u>14,000</u>	<u>\$ 28,000</u>	<u>\$ 14,000</u>
Total Expenditures and Transfers Subject to Budget	<u>10,000</u>	<u>14,000</u>	<u>\$ 28,000</u>	<u>\$ 14,000</u>
Receipts Over [Under] Expenditures	5,600	[5,600]		
Unencumbered Cash, Beginning	<u>1,968</u>	<u>7,568</u>		
Unencumbered Cash, Ending	<u>\$ 7,568</u>	<u>\$ 1,968</u>		

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

CITY OF DE SOTO, KANSAS
 Sewer Development Fee Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	<u>\$ 18,000</u>	<u>\$ 39,000</u>	<u>\$ 9,000</u>	<u>\$ 30,000</u>
Total Cash Receipts	<u>18,000</u>	<u>39,000</u>	<u>\$ 9,000</u>	<u>\$ 30,000</u>
Expenditures and Transfers Subject to Budget				
Transfer out	<u>14,730</u>	<u>14,000</u>	<u>\$ 14,000</u>	<u>\$ -</u>
Total Expenditures and Transfers Subject to Budget	<u>14,730</u>	<u>14,000</u>	<u>\$ 14,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	3,270	25,000		
Unencumbered Cash, Beginning	<u>1,730</u>	<u>5,000</u>		
Unencumbered Cash, Ending	<u>\$ 5,000</u>	<u>\$ 30,000</u>		

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

CITY OF DE SOTO, KANSAS
 Electric Utility Investment Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Interest income	\$ 25,969	\$ 27,448
Loan repayment	53,451	41,560
Grants	<u>6,250</u>	<u>-</u>
Total Cash Receipts	<u>85,670</u>	<u>69,008</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	347,070	256,076
Transfer out	<u>25,969</u>	<u>27,448</u>
Total Expenditures and Transfers Subject to Budget	<u>373,039</u>	<u>283,524</u>
Receipts Over [Under] Expenditures	[287,369]	[214,516]
Unencumbered Cash, Beginning	<u>1,934,839</u>	<u>2,149,355</u>
Unencumbered Cash, Ending	<u>\$ 1,647,470</u>	<u>\$ 1,934,839</u>

* - This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 Enhancement Community Fountain Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Donations	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Miscellaneous	<u>101</u>	<u>539</u>
Total Expenditures and Transfers Subject to Budget	<u>101</u>	<u>539</u>
Receipts Over [Under] Expenditures	[101]	[539]
Unencumbered Cash, Beginning	<u>1,141</u>	<u>1,680</u>
Unencumbered Cash, Ending	<u>\$ 1,040</u>	<u>\$ 1,141</u>

* - This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 Riverfest Park Improvement Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Charges for services	\$ _____ -	\$ _____ -
Total Cash Receipts	_____ -	_____ -
Expenditures and Transfers Subject to Budget		
Miscellaneous	_____ -	_____ -
Total Expenditures and Transfers Subject to Budget	_____ -	_____ -
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	_____ 1,157	_____ 1,157
Unencumbered Cash, Ending	<u>\$ 1,157</u>	<u>\$ 1,157</u>

* - This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 Debt Service Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 484,124	\$ 628,436	\$ 597,619	\$ 30,817
Special assessments	31,291	70,079	107,963	[37,884]
Transfers in	225,997	224,380	222,000	2,380
Interest income	263	291	25,000	[24,709]
Miscellaneous	<u>5,094</u>	<u>39,231</u>	<u>14,910</u>	<u>24,321</u>
Total Cash Receipts	<u>746,769</u>	<u>962,417</u>	<u>\$ 967,492</u>	<u>\$ [5,075]</u>
Expenditures and Transfers Subject to Budget				
Bond principal	275,000	345,000	\$ 1,067,848	\$ 722,848
Interest expense	690,556	794,922	67,334	[727,588]
Cash basis reserve	<u>-</u>	<u>-</u>	<u>963,782</u>	<u>963,782</u>
Total Expenditures and Transfers Subject to Budget	<u>965,556</u>	<u>1,139,922</u>	<u>\$ 2,098,964</u>	<u>\$ 959,042</u>
Receipts Over [Under] Expenditures	[218,787]	[177,505]		
Unencumbered Cash, Beginning	<u>1,330,899</u>	<u>1,112,112</u>		
Unencumbered Cash, Ending	<u>\$ 1,112,112</u>	<u>\$ 934,607</u>		

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

CITY OF DE SOTO, KANSAS
 Capital Projects Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Intergovernmental	\$ <u>16,380</u>	\$ <u>8,794</u>
Total Cash Receipts	<u>16,380</u>	<u>8,794</u>
Expenditures and Transfers Subject to Budget		
Transfers out	<u>35,000</u>	<u>60,000</u>
Total Expenditures and Transfers Subject to Budget	<u>35,000</u>	<u>60,000</u>
Receipts Over [Under] Expenditures	[18,620]	[51,206]
Unencumbered Cash, Beginning	<u>44,086</u>	<u>95,292</u>
Unencumbered Cash, Ending	<u>\$ 25,466</u>	<u>\$ 44,086</u>

* - This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 Capital Improvements Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Bond proceeds	\$ -	\$ 3,160,000
Intergovernmental	485,165	-
Miscellaneous	150,400	93,503
Transfers in	<u>101,268</u>	<u>77,445</u>
 Total Cash Receipts	 <u>736,833</u>	 <u>3,330,948</u>
 Expenditures and Transfers Subject to Budget		
Capital outlay	1,403,723	565,671
Bond refunding	-	1,640,000
Bond issuance costs	715	206,377
Transfer out	<u>32,758</u>	<u>-</u>
 Total Expenditures and Transfers Subject to Budget	 <u>1,437,196</u>	 <u>2,412,048</u>
 Receipts Over [Under] Expenditures	 [700,363]	 918,900
 Unencumbered Cash, Beginning	 <u>982,471</u>	 <u>63,571</u>
 Unencumbered Cash, Ending	 <u>\$ 282,108</u>	 <u>\$ 982,471</u>

* - This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 Shughart Trust Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Interest income	\$ 100	\$ 248
Total Cash Receipts	<u>100</u>	<u>248</u>
Expenditures and Transfers Subject to Budget		
Contractual	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	100	248
Unencumbered Cash, Beginning	<u>22,910</u>	<u>22,662</u>
Unencumbered Cash, Ending	<u>\$ 23,010</u>	<u>\$ 22,910</u>

* - This fund is not required to be budgeted.

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 1,224,478	\$ 1,361,554	\$ 1,254,427	\$ 107,127
Miscellaneous	<u>8,029</u>	<u>-</u>	<u>25,000</u>	<u>[25,000]</u>
Total Cash Receipts	<u>1,232,507</u>	<u>1,361,554</u>	<u>\$ 1,279,427</u>	<u>\$ 82,127</u>
Expenditures and Transfers Subject to Budget				
Personal services	498,575	500,281	\$ 489,050	\$ [11,231]
Contractual services	395,692	417,660	434,500	16,840
Commodities	260,347	303,474	301,950	[1,524]
Capital outlay	-	-	15,309	15,309
Transfer out	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>1,209,614</u>	<u>1,276,415</u>	<u>\$ 1,295,809</u>	<u>\$ 19,394</u>
Receipts Over [Under] Expenditures	22,893	85,139		
Unencumbered Cash, Beginning	120,664	142,184		
Prior period adjustment	<u>[1,373]</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 142,184</u>	<u>\$ 227,323</u>		

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

CITY OF DE SOTO, KANSAS
 Sewer System Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 431,513	\$ 466,678	\$ 446,871	\$ 19,807
Total Cash Receipts	<u>431,513</u>	<u>466,678</u>	<u>\$ 446,871</u>	<u>\$ 19,807</u>
Expenditures and Transfers Subject to Budget				
Personal services	167,520	152,113	\$ 154,115	\$ 2,002
Contractual	126,098	161,470	152,050	[9,420]
Capital outlay	580	480	-	[480]
Commodities	56,189	54,423	82,750	28,327
Transfer out	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>445,387</u>	<u>463,486</u>	<u>\$ 483,915</u>	<u>\$ 20,429</u>
Receipts Over [Under] Expenditures	[13,874]	3,192		
Unencumbered Cash, Beginning	<u>136,122</u>	<u>122,248</u>		
Unencumbered Cash, Ending	<u>\$ 122,248</u>	<u>\$ 125,440</u>		

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

CITY OF DE SOTO, KANSAS
 Refuse System Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Sales to consumers	\$ 324,666	\$ 350,141	\$ 324,720	\$ 25,421
Total Cash Receipts	<u>324,666</u>	<u>350,141</u>	<u>\$ 324,720</u>	<u>\$ 25,421</u>
Expenditures and Transfers Subject to Budget				
Contractual	<u>331,173</u>	<u>355,696</u>	<u>\$ 360,000</u>	<u>\$ 4,304</u>
Total Expenditures and Transfers Subject to Budget	<u>331,173</u>	<u>355,696</u>	<u>\$ 360,000</u>	<u>\$ 4,304</u>
Receipts Over [Under] Expenditures	[6,507]	[5,555]		
Unencumbered Cash, Beginning	<u>60,950</u>	<u>54,443</u>		
Unencumbered Cash, Ending	<u>\$ 54,443</u>	<u>\$ 48,888</u>		

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

CITY OF DE SOTO, KANSAS
 Shop Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Charges for services	\$ 119,900	\$ 110,060
Total Cash Receipts	<u>119,900</u>	<u>110,060</u>
Expenditures and Transfers Subject to Budget		
Commodities	112,143	106,354
Contractual	<u>6,515</u>	<u>7,945</u>
Total Expenditures and Transfers Subject to Budget	<u>118,658</u>	<u>114,299</u>
Receipts Over [Under] Expenditures	1,242	[4,239]
Unencumbered Cash, Beginning	[5,756]	[1,432]
Prior period adjustment	<u>-</u>	<u>[85]</u>
Unencumbered Cash, Ending	<u>\$ [4,514]</u>	<u>\$ [5,756]</u>

* - This fund is not required to be budgeted.

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

<u>FUNDS</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
Payroll Sec. 125 Fund	\$ 16,468	\$ 30,198	\$ 24,027	\$ 22,639
IRB Fund	3,058	-	-	3,058
Municipal Court Fund	<u>18,817</u>	<u>24,804</u>	<u>32,009</u>	<u>11,612</u>
Total Agency Funds	<u>\$ 38,343</u>	<u>\$ 55,002</u>	<u>\$ 56,036</u>	<u>\$ 37,309</u>

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

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of De Soto (City) is a municipal corporation governed by a mayor and five-member council. These financial statements present the City and any component units—entities for which the City is considered to be financially accountable. The City has no component units.

Basis of Accounting

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

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

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

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

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

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

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

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

The Debt Service Fund is used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

The Capital Project Funds are used to account for the construction of major capital projects.

The Permanent Fund is used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for government programs.

Proprietary Fund Types

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

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - to account for operations that provide services to other departments.

Fiduciary Funds

Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in 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 city council to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was amended for the Law Enforcement, Water System and Refuse System Funds.

The statutes permit transferring budgeted amounts between accounts 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.

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for certain special revenue, capital project, permanent and the internal service 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 city council.

NOTE 2 - Deposits

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

Various City investments are considered to be idle funds by management and are invested according to K.S.A. 12-1675. The statute requires that at the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes, the Municipal Investment Pool (KMIP) and certain other investments if the municipality has extended investment authority. Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the US government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in K.S.A. 10-131.

At December 31, 2011, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 284,389	S&P AA Af/S1+
Total fair value	<u>\$ 284,389</u>	

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

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

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 2 – Deposits (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to K.S.A. 9-1402.

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

NOTE 3 - Retirement Plan

Plan Description - The City participates in the Kansas Public Employees Retirement System ("System"), 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 required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate 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 by an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 6.74% from January 1 to December 31, 2011. The employer contributions to KPERS for years ending December 31, 2011, 2010 and 2009 were \$123,005, \$111,793, and \$91,418, respectively, equal to the required contributions for each year.

NOTE 4 - Long-Term Debt

General Obligation (G.O.) Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Amount Issued</u>	<u>Balance Due At December 31, 2011</u>
G.O. bonds issued:				
03/15/02	4.00-4.35	2012	\$ 237,369	\$ 30,000
04/15/03	2.00-4.00	2017	1,180,000	295,000
06/09/04	4.00-5.55	2025	2,650,000	2,040,000
10/15/05	3.75-4.375	2032	9,000,000	8,965,000
08/02/07	3.80-4.20	2026	1,250,000	1,250,000
08/02/07	3.90	2013	140,000	100,000
04/29/08	2.70-4.25	2028	1,080,000	960,000
03/25/09	4.10-5.25	2039	1,320,000	1,320,000
04/19/10	1.00-4.30	2030	1,285,000	1,250,000
04/19/10	6.00	2035	710,000	710,000
11/23/10	6.50-7.00	2040	1,080,000	1,080,000
11/23/10	4.60	2027	85,000	<u>85,000</u>
				 <u>\$ 18,085,000</u>

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

<u>Year Ending December 31,</u>	
2012	\$ 1,213,863
2013	1,444,220
2014	1,429,853
2015	1,424,778
2016	1,413,275
2017-2021	6,959,100
2022-2026	6,591,060
2027-2031	5,489,503
2032-2036	2,452,429
2037-2041	<u>773,875</u>
Total Principal and Interest	29,191,954
Less: Interest	<u>11,106,954</u>
Total Principal	<u>\$ 18,085,000</u>

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

Changes in General Long-term Liabilities. During the year ended December 31, 2011, the following changes occurred in long-term debt:

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2011</u>
General obligation debt	\$ 18,430,000	\$ -	\$ 345,000	\$ 18,085,000
Totals	<u>\$ 18,430,000</u>	<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ 18,085,000</u>

Conduit Debt Obligations. From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, there was three series of Industrial Revenue bonds outstanding, with an aggregate original principal amount payable of \$26,050,000.

NOTE 5 - Risk Management

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

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 6 - Interfund Transfers

A reconciliation of transfers by fund type for 2011 follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 70,969	\$ -
Special Highway Fund	-	84,890
Special Parks and Recreation Fund	-	30,000
Transient Guest Tax Fund	-	10,000
Water Development Fee Fund	-	14,000
Sewer Development Fee Fund	-	14,000
Electric Utility Investment Fund	-	25,969
Debt Service Fund	224,380	-
Capital Improvement Fund	101,268	32,758
Capital Projects Fund	-	35,000
Water System Fund	-	55,000
Sewer System Fund	-	95,000
	<u>\$ 396,617</u>	<u>\$ 396,617</u>

NOTE 7 - Developer Deposits

Developer deposits payable, in the amount of \$9,000, are outstanding as of December 31, 2011. The deposits are payable to the developer upon completion of the specific project.

NOTE 8 - Compensated Absences

Full-time employees accrue vacation each year at the following rate:

- One to four years of service - ten days
- Five to nine years of service - fifteen days
- Ten to fourteen years of service - twenty days
- Fifteen to nineteen years of service - twenty-five days
- After twenty years of service - thirty days

Employees cannot carry over more than one half of the annual entitlement for the year in which it was earned of accrued vacation from one payroll year to the next. Upon termination or resignation, an employee on regular status shall be compensated for all authorized accumulated, unused vacation leave, but the compensation is limited to the maximum number of hours the departing employee could accumulate in one year. Total accrued vacation leave was \$66,998 at December 31, 2011.

CITY OF DE SOTO, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 9 - Lease Agreement

The City of De Soto continues to operate the water treatment plant at the former Sunflower Army Ammunition Plant, now owned by private developer Sunflower Redevelopment LLC. The City's use is pursuant to a perpetual lease agreement dated July 29, 2005. Pursuant to a Real Estate Transfer Agreement dated July 29, 2005 between City of De Soto and Sunflower Redevelopment, LLC, the City will receive fee title interest to the treatment plant as soon as the land receives a CERCLA Covenant pursuant to 42 U.S.C. § 9620(h)(3)(A)(ii). The City completed improvements to the water treatment plant site initiated in 2010; the improvements included a back-up electrical generator, the installation of new electrical service to the plant, and a new water main leading from the plant to the City's distribution system. Construction was completed in 2011. The City, in conjunction with the City of Baldwin, City of Wellsville, and Douglas County Rural Water District #4, completed a broader water facilities study in 2011; study evaluated the concept and costs of creating a regional wholesale water supply district. The study and the decision to proceed with the creation of a regional wholesale water supply district is now in the respective hands of the study group's policy-making boards to determine whether each entity will commit to proceeding with the regional district or not.

NOTE 10 - Due To—Due From

The Electric Utility Investment Fund has advanced money to the Water System Fund. The advance was made in 2001. The City plans to pay back the \$150,000 loan, with interest, when bonds are issued for additional major capital improvements needed for the City's water system. The Electric Utility Investment Fund has advanced money to the General and Water Fund for the purchase of vehicles in the amount of \$301,081. The General and Water Fund paid the Electric Utility Investment Fund \$53,451 in 2011 for repayment of the vehicle advance. The balance of the advance remaining at December 31, 2011 was \$188,529.