

CITY OF EDGERTON, KANSAS

Financial Statements

For the Year Ended December 31, 2011

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CITY OF EDGERTON, KANSAS
Financial Statements
For the Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Edgerton, Kansas

We have audited the accompanying financial statements of the City of Edgerton, 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 January 31, 2012 on these financial statements we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and a qualified 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 Edgerton, 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.

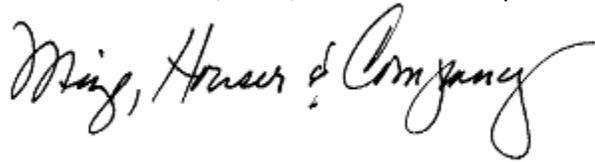
In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America,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

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash and unencumbered cash balances of the City of Edgerton, 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.

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 District's financial statements for the year ended December 31, 2010, from which such partial information was derived.

A handwritten signature in cursive script that reads "Ming, Horner & Company". The signature is written in black ink and is positioned below the main body of text.

June 7, 2012

STATEMENT 1

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

Funds	Restated	Prior Year	Cash		Ending	Add:	Ending
	Beginning Unencumbered Cash Balance	Cancelled Encumbrances	Receipts	Expenditures	Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Cash Balance
General Fund	\$ 163,360	\$ -	\$ 1,788,030	\$ 1,158,091	\$ 793,299	\$ 81,587	\$ 874,886
Special Revenue Funds:							
Alcohol and Drug Safety							
Action Program Fund	150	-	125	-	275	-	275
Special Highway Fund	46,358	-	45,845	4,450	87,753	256	88,009
Special Street and Equipment Reserve Fund	180,640	-	-	-	180,640	-	180,640
Building Permit Fund	170	-	-	60	110	-	110
Special Parks and Recreation Fund	4,314	-	-	-	4,314	-	4,314
Capital Project Fund:							
Public Infrastructure Fund	1,820,880	-	-	176,689	1,644,191	-	1,644,191
Enterprise Funds:							
Water Utility Fund	285,482	-	446,215	347,548	384,149	9,014	393,163
Water Principal and Interest Fund	2,407	-	85,200	82,391	5,216	-	5,216
Water Reserve Fund	52,763	-	-	15,540	37,223	-	37,223
Water Deposits Fund	-	-	-	-	-	-	-
Sewer Utility Fund	256,369	-	123,712	203,024	177,057	2,793	179,850
Sewer Principal and Interest Fund	952	-	26,163	26,163	952	-	952
Wastewater Improvement Reserve Fund	68,197	-	-	11,329	56,868	-	56,868
Benefit District							
Temporary Note	<u>387,766</u>	<u>-</u>	<u>2,745,000</u>	<u>2,820,320</u>	<u>312,446</u>	<u>-</u>	<u>312,446</u>
Total Reporting Entity	<u>\$ 3,269,808</u>	<u>\$ -</u>	<u>\$ 5,260,290</u>	<u>\$ 4,845,605</u>	<u>\$ 3,684,493</u>	<u>\$ 93,650</u>	<u>\$ 3,778,143</u>

Composition of Cash:

Metcalfe Bank	
Super NOW	\$ 2,572,877
Certificates of Deposit	1,225,000
Cash on Hand	275
Deposit in Transit	903
Outstanding Checks	<u>[20,912]</u>
Total	<u>\$ 3,778,143</u>

CITY OF EDGERTON, 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	\$ 3,789,963	\$ -	\$ 3,789,963	\$ 1,158,091	\$ 2,631,872
Special Revenue Funds:					
Alcohol and Drug Safety Action Program Fund	2,500	-	2,500	-	2,500
Special Highway Fund	68,118	-	68,118	4,450	63,668
Special Parks and Recreation Fund	4,703	-	4,703	-	4,703
Enterprise Funds:					
Water Utility Fund	559,342	-	559,342	347,548	211,794
Sewer Utility Fund	285,468	-	285,468	203,024	82,444

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

CITY OF EDGERTON, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative 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	\$ 447,700	\$ 1,123,869	\$ 1,054,161	\$ 69,708
Intergovernmental	259,133	403,390	247,328	156,062
Franchise tax	54,543	47,174	52,905	[5,731]
Excise tax	83	-	-	-
Licenses	4,753	75,871	5,633	70,238
Fines and fees	16,575	19,687	19,727	[40]
Interest	9,207	5,076	19,606	[14,530]
Use of property	21,254	32,640	30,162	2,478
Charges for services	-	13	21,699	[21,686]
Solid waste fees	95,995	54,986	47,880	7,106
Park impact fee	-	-	2,500	[2,500]
Miscellaneous	370	6,522	-	6,522
Reimbursements	2,017,308	18,802	318,616	[299,814]
Total Cash Receipts	<u>2,926,921</u>	<u>1,788,030</u>	<u>\$ 1,820,217</u>	<u>\$ [32,187]</u>
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	163,053	188,202	\$ 185,929	\$ [2,273]
Contractual services	141,195	235,338	61,083	[174,255]
Commodities	16,937	13,730	12,463	[1,267]
Capital outlay	26,917	35,340	58,501	23,161
Law Enforcement				
Personnel	-	-	20,000	20,000
Contractual services	281,916	273,842	300,000	26,158
Commodities	232	2,057	250	[1,807]
Capital outlay	324	-	-	-
Parks and Recreation				
Personnel	-	-	26,780	26,780
Contractual services	7,287	6,004	16,284	10,280
Commodities	8,504	4,482	26,176	21,694
Capital outlay	18,020	9,349	80,320	70,971
Streets				
Personnel	88,167	93,656	139,649	45,993
Contractual services	11,688	4,259	2,256	[2,003]
Commodities	11,285	23,996	157,000	133,004
Capital outlay	6,091	90,507	66,163	[24,344]
Employee Benefits				
Health insurance and dental	86,366	32,087	78,446	46,359
FICA	14,837	15,956	16,200	244
Workman's compensation	3,516	-	9,000	9,000
KPERS	16,151	15,037	25,132	10,095
Medicare	3,470	3,693	3,498	[195]
Library	14,283	7,995	22,766	14,771
Solid Waste	92,425	92,978	100,000	7,022
Community Development	-	-	71,100	71,100
Economic Development	-	-	25,000	25,000
Capital Project	50,521	9,583	-	[9,583]
Transfers out	-	-	2,285,967	2,285,967
Total Expenditures and Transfers Subject to Budget	<u>1,063,185</u>	<u>1,158,091</u>	<u>\$ 3,789,963</u>	<u>\$ 2,631,872</u>
Receipts Over [Under] Expenditures	<u>1,863,736</u>	<u>629,939</u>		
Unencumbered Cash, Beginning (as originally stated)	118,408	1,982,144		
Prior period adjustment	-	[1,818,784]		
Unencumbered Cash, Beginning (restated)	<u>118,408</u>	<u>163,360</u>		
Unencumbered Cash, Ending	<u>\$ 1,982,144</u>	<u>\$ 793,299</u>		

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

CITY OF EDGERTON, KANSAS
 Alcohol and Drug Safety Action Program Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative 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				
Fines	\$ 150	\$ 125	\$ 2,500	\$ [2,375]
Total Cash Receipts	<u>150</u>	<u>125</u>	<u>\$ 2,500</u>	<u>\$ [2,375]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	-	-	\$ 2,500	\$ 2,500
Total Expenditures and Transfers Subject to Budget	-	-	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Receipts Over [Under] Expenditures	150	125		
Unencumbered Cash, Beginning	-	<u>150</u>		
Unencumbered Cash, Ending	<u>\$ 150</u>	<u>\$ 275</u>		

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

STATEMENT 3 - 3

CITY OF EDGERTON, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative 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	\$ 49,154	\$ 45,845	\$ 49,620	\$ [3,775]
Total Cash Receipts	<u>49,154</u>	<u>45,845</u>	<u>\$ 49,620</u>	<u>\$ [3,775]</u>
Expenditures and Transfers Subject to Budget				
Contractual	6,254	330	\$ 51,088	\$ 50,758
Commodities	6,410	4,120	-	[4,120]
Transfers out	-	-	17,030	17,030
Total Expenditures and Transfers Subject to Budget	<u>12,664</u>	<u>4,450</u>	<u>\$ 68,118</u>	<u>\$ 63,668</u>
Receipts Over [Under] Expenditures	36,490	41,395		
Unencumbered Cash, Beginning	<u>9,868</u>	<u>46,358</u>		
Unencumbered Cash, Ending	<u>\$ 46,358</u>	<u>\$ 87,753</u>		

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

CITY OF EDGERTON, KANSAS
Special Street and Equipment Reserve Fund
Statement of Cash Receipts and Expenditures - Actual *
For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfer in	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures and Transfers		
Capital outlay	-	42,592
Total Expenditures and Transfers	-	42,592
Receipts Over [Under] Expenditures	-	[42,592]
Unencumbered Cash, Beginning	180,640	223,232
Unencumbered Cash, Ending	\$ 180,640	\$ 180,640

* This fund is not required to be budgeted.

STATEMENT 3 - 5

CITY OF EDGERTON, KANSAS
 Building Permit Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Miscellaneous	\$ -	\$ 220
Total Cash Receipts	-	220
Expenditures and Transfers Subject to Budget		
Contractual services	60	300
Total Expenditures and Transfers Subject to Budget	60	300
Receipts Over [Under] Expenditures	[60]	[80]
Unencumbered Cash, Beginning	170	250
Unencumbered Cash, Ending	\$ 110	\$ 170

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative 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	\$ 472	\$ -	\$ 3,830	\$ [3,830]
Total Cash Receipts	<u>472</u>	<u>-</u>	<u>\$ 3,830</u>	<u>\$ [3,830]</u>
Expenditures and Transfers Subject to Budget				
Special projects	<u>2,076</u>	<u>-</u>	<u>\$ 4,703</u>	<u>\$ 4,703</u>
Total Expenditures and Transfers Subject to Budget	<u>2,076</u>	<u>-</u>	<u>\$ 4,703</u>	<u>\$ 4,703</u>
Receipts Over [Under] Expenditures	[1,604]	-		
Unencumbered Cash, Beginning	<u>5,918</u>	<u>4,314</u>		
Unencumbered Cash, Ending	<u>\$ 4,314</u>	<u>\$ 4,314</u>		

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

STATEMENT 3 - 7

CITY OF EDGERTON, KANSAS
 Payroll Withholding Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	2011	2010
Cash Receipts		
General fund	\$ -	\$ 295,052
Water fund	-	60,213
Sewer fund	-	42,063
	-	42,063
Total Cash Receipts	-	397,328
Expenditures and Transfers Subject to Budget		
Personnel	-	394,497
	-	394,497
Total Expenditures and Transfers Subject to Budget	-	394,497
Receipts Over [Under] Expenditures	-	2,831
Unencumbered Cash, Beginning (as originally stated)	2,831	-
Prior period adjustment	[2,831]	-
Unencumbered Cash, Beginning (restated)	-	-
Unencumbered Cash, Ending	\$ -	\$ 2,831

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
 Public Infrastructure Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011

Cash Receipts	
Reimbursements	\$ <u> -</u>
Total Cash Receipts	<u> -</u>
Expenditures and Transfers Subject to Budget	
Contractual services	<u> 176,689</u>
Total Expenditures and Transfers Subject to Budget	<u> 176,689</u>
Receipts Over [Under] Expenditures	<u> [176,689]</u>
Unencumbered Cash, Beginning (as originally stated)	-
Prior period adjustment	<u> 1,820,880</u>
Unencumbered Cash, Beginning (restated)	<u> 1,820,880</u>
Unencumbered Cash, Ending	<u>\$ 1,644,191</u>

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative 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	\$ 385,632	\$ 429,777	\$ 400,138	\$ 29,639
Service fees	1,730	1,740	3,600	[1,860]
Forfeitures	5,461	12,982	3,050	9,932
Use of money and property	2,519	1,871	4,000	[2,129]
Reimbursed expense	10,993	[155]	-	[155]
	<u>406,335</u>	<u>446,215</u>	<u>\$ 410,788</u>	<u>\$ 35,427</u>
Total Cash Receipts				
Expenditures and Transfers Subject to Budget				
Production	148,510	159,860	\$ 143,150	\$ [16,710]
Distribution	68,509	70,681	39,055	[31,626]
Commercial and general	51,720	18,304	60,275	41,971
Employee benefit	18,006	13,503	39,162	25,659
Transfers out	25,200	85,200	277,700	192,500
	<u>311,945</u>	<u>347,548</u>	<u>\$ 559,342</u>	<u>\$ 211,794</u>
Total Expenditures and Transfers Subject to Budget				
Receipts Over [Under] Expenditures	<u>94,390</u>	<u>98,667</u>		
Unencumbered Cash, Beginning (as originally stated)	190,660	285,050		
Prior period adjustment	-	432		
Unencumbered Cash, Beginning (restated)	<u>190,660</u>	<u>285,482</u>		
Unencumbered Cash, Ending	<u>\$ 285,050</u>	<u>\$ 384,149</u>		

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

CITY OF EDGERTON, KANSAS
 Water Principal and Interest Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfers in	\$ 85,200	\$ 25,200
Total Cash Receipts	<u>85,200</u>	<u>25,200</u>
Expenditures and Transfers Subject to Budget		
Interest and commission	29,852	31,911
KPWSLF principal	<u>52,539</u>	<u>50,479</u>
Total Expenditures and Transfers Subject to Budget	<u>82,391</u>	<u>82,390</u>
Receipts Over [Under] Expenditures	2,809	[57,190]
Unencumbered Cash, Beginning	<u>2,407</u>	<u>59,597</u>
Unencumbered Cash, Ending	<u>\$ 5,216</u>	<u>\$ 2,407</u>

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
 Water Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfers in	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers		
Commercial and general	<u>15,540</u>	<u>16,009</u>
Total Expenditures and Transfers	<u>15,540</u>	<u>16,009</u>
Receipts Over [Under] Expenditures	[15,540]	[16,009]
Unencumbered Cash, Beginning	<u>52,763</u>	<u>68,772</u>
Unencumbered Cash, Ending	<u>\$ 37,223</u>	<u>\$ 52,763</u>

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
 Water Deposits Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Miscellaneous	\$ -	\$ -
Total Cash Receipts	-	-
Expenditures and Transfers		
Distribution	-	35
Total Expenditures and Transfers	-	35
Receipts Over [Under] Expenditures	-	[35]
Unencumbered Cash, Beginning	-	35
Unencumbered Cash, Ending	\$ -	\$ -

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
Sewer Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative 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 service	\$ 138,836	\$ 122,270	\$ 146,742	\$ [24,472]
Use of money and property	2,783	1,442	9,500	[8,058]
Reimbursed expenses	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>141,769</u>	<u>123,712</u>	<u>\$ 156,242</u>	<u>\$ [32,530]</u>
Expenditures and Transfers Subject to Budget				
Treatment plant	86,164	93,738	\$ 83,071	\$ [10,667]
Maintenance and repair	6,893	63,631	3,129	[60,502]
Mechanical lifts	3,329	3,429	3,829	400
Commercial and general	3,448	4,302	9,537	5,235
Employee benefits	17,558	11,761	18,775	7,014
Transfers out	<u>25,679</u>	<u>26,163</u>	<u>167,127</u>	<u>140,964</u>
Total Expenditures and Transfers Subject to Budget	<u>143,071</u>	<u>203,024</u>	<u>\$ 285,468</u>	<u>\$ 82,444</u>
Receipts Over [Under] Expenditures	<u>[1,302]</u>	<u>[79,312]</u>		
Unencumbered Cash, Beginning (as originally stated)	257,368	256,066		
Prior period adjustment	<u>-</u>	<u>303</u>		
Unencumbered Cash, Beginning (restated)	<u>257,368</u>	<u>256,369</u>		
Unencumbered Cash, Ending	<u>\$ 256,066</u>	<u>\$ 177,057</u>		

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

CITY OF EDGERTON, KANSAS
 Sewer Principal and Interest Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfers in	\$ 26,163	\$ 25,679
Total Cash Receipts	<u>26,163</u>	<u>25,679</u>
Expenditures and Transfers Subject to Budget		
Interest and commission	3,458	4,021
KWPCRLF principal	<u>22,705</u>	<u>22,143</u>
Total Expenditures and Transfers Subject to Budget	<u>26,163</u>	<u>26,164</u>
Receipts Over [Under] Expenditures	-	[485]
Unencumbered Cash, Beginning	<u>952</u>	<u>1,437</u>
Unencumbered Cash, Ending	<u>\$ 952</u>	<u>\$ 952</u>

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
Wastewater Improvement Reserve Fund
Statement of Cash Receipts and Expenditures - Actual *
For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfers in	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers		
Sewer line maintenance and repair	<u>11,329</u>	<u>30,730</u>
Total Expenditures and Transfers	<u>11,329</u>	<u>30,730</u>
Receipts Over [Under] Expenditures	[11,329]	[30,730]
Unencumbered Cash, Beginning	<u>68,197</u>	<u>98,927</u>
Unencumbered Cash, Ending	<u>\$ 56,868</u>	<u>\$ 68,197</u>

* This fund is not required to be budgeted.

CITY OF EDGERTON, KANSAS
 Benefit District Temporary Note Fund
 Statement of Cash Receipts and Expenditures - Actual *
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Temporary note proceeds	\$ 2,745,000	\$ 2,680,000
Use of money and property	<u> -</u>	<u> 858</u>
Total Cash Receipts	<u>2,745,000</u>	<u>2,680,858</u>
Expenditures and Transfers		
Temporary note principal	2,680,000	2,590,000
Interest and other charges	18,702	40,285
Capital outlay	<u>121,618</u>	<u>628,410</u>
Total Expenditures and Transfers	<u>2,820,320</u>	<u>3,258,695</u>
Receipts Over [Under] Expenditures	[75,320]	[577,837]
Unencumbered Cash, Beginning	<u>387,766</u>	<u>965,603</u>
Unencumbered Cash, Ending	<u>\$ 312,446</u>	<u>\$ 387,766</u>

* This fund is not required to be budgeted.

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

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Edgerton (the City), is a municipal corporation governed by a mayor and five member council. These financial statements present the City and any component unit entities for which the City would be considered to be financially accountable. The City had no component unit entities in 2011.

Basis of Accounting

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

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

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

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

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

Fund Descriptions

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

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

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

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

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

Capital Project Funds - to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Fund Types

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

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

Budgetary Information

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.

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. The budget was not amended in 2011.

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.

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 interest rate, credit or custodial credit risks beyond state statutes.

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

NOTE 3 - Retirement Plan

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

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 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 was 7.74% from January 1 to March 31, 2011, 6.74% from April 1, 2011 to June 30, 2011 and 7.74% from July 1, 2011 to December 31, 2011. The City employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$22,002, \$23,174, and \$20,864, respectively, equal to the required contributions for each year.

NOTE 4 - Long-Term Debt

Following is a summary of changes in long-term debt for the year ended December 31, 2011:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
State Agency Loans:				
Kansas Public Water Supply	\$ 751,908	\$ -	\$ 52,539	\$ 699,369
Kansas Water Pollution Control	142,897	-	22,705	120,192
Total state agency loans	<u>\$ 894,805</u>	<u>\$ -</u>	<u>\$ 75,244</u>	<u>\$ 819,561</u>
Temporary Notes				
Series 2010	\$2,680,000	\$ -	\$2,680,000	\$ -
Series 2011	-	2,745,000	-	2,745,000
Total temporary notes	<u>\$2,680,000</u>	<u>\$2,745,000</u>	<u>\$2,680,000</u>	<u>\$ 2,745,000</u>

State Agency Loans. On April 15, 1999, the City entered into a loan agreement with the Kansas Department of Health and Environment to borrow up to \$1,141,617 to fund Water Utility Fund projects. As of December 31, 2011, the City had borrowed \$1,141,617 on this loan and repaid \$442,248. The interest rate on the loan is 3.69% with an additional .35% service fee rate. The final maturity date on the loan is February 1, 2022. The following is a schedule of future loan payments.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 54,683	\$ 27,708	\$ 82,391
2013	56,914	25,476	82,390
2014	59,237	23,154	82,391
2015	61,654	20,736	82,390
2016	64,170	18,220	82,390
2017 - 2021	362,332	49,619	411,951
2022	40,379	816	41,195
Total	<u>\$ 699,369</u>	<u>\$ 165,729</u>	<u>\$ 865,098</u>

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

NOTE 4 - Long-Term Debt (Continued)

State Agency Loans (Continued). On May 8, 2007, the City entered into a loan agreement with the Kansas Department of Health and Environment to borrow up to \$197,615 to fund Water Utility Fund projects. As of December 31, 2011, the City had borrowed \$197,615 on this loan and repaid \$77,423. The interest rate on the loan is 2.27% with an additional .25% service fee rate. The final maturity date on the loan is March 1, 2018. The following is a schedule of future loan payments for the full loan proceeds amount.

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 17,242	\$ 2,921	\$ 20,163
2013	17,679	2,484	20,163
2014	18,128	2,035	20,163
2015	18,587	1,576	20,163
2016	19,059	1,104	20,163
2017 - 2018	<u>29,497</u>	<u>746</u>	<u>30,243</u>
Total	<u>\$ 120,192</u>	<u>\$ 10,866</u>	<u>\$ 131,058</u>

Temporary Notes. A \$2,745,000 enterprise fund renewal temporary note was issued on September 28, 2011, for water supply and distribution improvements. The note is due in 2012 at an interest rate of 0.50%. The temporary notes will be refunded through the issuance of general obligation bonds.

NOTE 5 – Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment.

During the year ended December 31, 2011, the following changes occurred in capital leases:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Capital lease obligations -				
Governmental funds	\$ 43,655	\$ -	\$ 13,787	\$ 29,868
Proprietary funds	<u>31,255</u>	<u>-</u>	<u>9,983</u>	<u>21,272</u>
Total capital leases	<u>\$ 74,910</u>	<u>\$ -</u>	<u>\$ 23,770</u>	<u>\$ 51,140</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, are as follows:

Year Ended December 31,	Governmental Funds	Proprietary Funds
2012	\$ 16,166	\$ 11,329
2013	<u>16,166</u>	<u>11,330</u>
Total minimum lease payments	32,332	22,659
Less: amount representing interest	<u>[2,464]</u>	<u>[1,387]</u>
Present value of minimum lease payments	<u>\$ 29,868</u>	<u>\$ 21,272</u>

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

NOTE 6 - 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.

NOTE 7 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the city expects such amounts, if any, to be immaterial.

NOTE 8 - Interfund Transfers

A reconciliation of all transfers by fund type for 2011 follows:

<u>Fund</u>	<u>In</u>	<u>Out</u>
Water Utility Fund	\$ -	\$ 85,200
Water Principal and Interest Reserve Fund	85,200	-
Sewer Utility Fund	-	26,163
Sewer Principal and Interest Reserve Fund	<u>26,163</u>	<u>-</u>
Total	<u>\$ 111,363</u>	<u>\$ 111,363</u>

NOTE 9 - Compensated Absences

Under terms of the City's personnel policy, employees are granted vacation leave in varying amounts, based upon length of service. Vacation pay accumulated as of December 31, 2011 was \$12,443.

NOTE 10 - Restatements

During 2011, the City elected to close out the Payroll Withholding Fund and move its cash balance to the General Fund, Water Utility Fund and Sewer Utility Fund. Additionally, the City elected in 2011 to begin reporting the Public Infrastructure Fund as a separate fund in the financial statements. In previous years, this fund had been combined with the General Fund. These changes in presentation resulted in the following restatements to beginning unencumbered cash.

	General Fund	Payroll Withholding Fund	Public Infrastructure Fund	Water Utility Fund	Sewer Utility Fund
Unencumbered Cash Balance December 31, 2010	\$ 1,982,144	\$ 2,831	\$ -	\$ 285,050	\$ 256,066
Adjustment to Close Out Payroll Withholding Fund	2,096	[2,831]	-	432	303
Adjustment to Allocate a Portion of Balance in the General Fund to the Public Infrastructure Fund	<u>[1,820,880]</u>	<u>-</u>	<u>1,820,880</u>	<u>-</u>	<u>-</u>
Unencumbered Cash Balance December 31, 2010, Restated	<u>\$ 163,360</u>	<u>\$ -</u>	<u>\$ 1,820,880</u>	<u>\$ 285,482</u>	<u>\$ 256,369</u>

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

NOTE 11 - Capital Projects

Burlington Northern Santa Fe (BNSF) Intermodal and Logistics Park KC (LPKC): In 2010, the City of Edgerton entered into a financing agreement with BNSF and The Allen Group (development company for LPKC) for construction of certain infrastructure projects associated with the BNSF Intermodal and LPKC. The financing agreement is structured such that infrastructure projects are built only after certain square footage amounts of distribution facilities are leased, assuming money is available. Based on the amount of distribution warehouses announced before the end of 2011, the City is required to construct two Quiet Zones (Nelson Street and 199th Street) valued at approximately \$600,000 and to provide wastewater treatment to the Intermodal project when it opens in 2013. The City approved a preliminary design/build contract with Burns and McDonnell/CAS Construction, LLC in July, 2011 for the wastewater treatment facility. The City anticipates considering the next stage of approvals of that project in 2012.