

CITY OF GENESEO

GENESEO, KANSAS

Special Financial Statements

December 31, 2011

City of Geneseo, Kansas

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December 31, 2011

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Geneseo
Geneseo, Kansas 67444

We have audited the accompanying financial statements of the City of Geneseo, Kansas, 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 financial information has been derived from the City's 2010 financial statements and, in our report dated September 30, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of these component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the 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 effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the matter 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 City as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows 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 Primary Government of the City of Geneseo, as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company, LLC

Certified Public Accountants
November 9, 2012

City of Geneseo, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

Funds	Unencumbered Cash Balance 12/31/10	Receipts	Expenditures	Unencumbered Cash Balance 12/31/11	Accounts Payable and Encumbrances	Cash Balance 12/31/11
Governmental Funds:						
General	\$ 22,760	91,936	100,705	13,991	3,230	17,221
Special Revenue						
Library	180	3,700	1,298	2,582	1,298	3,880
Recreation	73	1,508	1,508	73	1,508	1,581
Employee Benefits	3,103	6,694	9,797	-	-	-
Special Street and Highway	1,566	6,876	6,511	1,931	-	1,931
Special Parks and Recreation	104	248	347	5	-	5
Equipment Reserve	347	-	119	228	-	228
Debt Service						
Bond and Interest	1,791	6,795	6,782	1,804	-	1,804
Proprietary Funds:						
Enterprise						
Waterworks	3,881	65,171	44,765	24,287	-	24,287
Waterworks Reserve	34,366	-	33,015	1,351	-	1,351
Sewer	46,450	28,902	26,171	49,181	-	49,181
Sewer Reserve	29	-	-	29	-	29
Refuse	5,140	13,540	16,675	2,005	-	2,005
Total Primary Government	\$ 119,790	225,370	247,693	97,467	6,036	103,503

City of Geneseo, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Funds:					
General	\$ 148,132	-	148,132	100,705	(47,427)
Special Revenue					
Library	3,731	-	3,731	1,298	(2,433)
Recreation	1,555	-	1,555	1,508	(47)
Employee Benefits	11,700	-	11,700	9,797	(1,903)
Special Street and Highway	8,939	-	8,939	6,511	(2,428)
Special Parks and Recreation	347	-	347	347	-
Debt Service					
Bond and Interest	8,868	-	8,868	6,782	(2,086)
Proprietary Funds:					
Enterprise					
Waterworks	45,027	-	45,027	44,765	(262)
Sewer	59,080	-	59,080	26,171	(32,909)
Refuse	16,675	-	16,675	16,675	-
Expenditures subject to current budget	<u>\$ 304,054</u>	<u>-</u>	<u>304,054</u>	214,559	<u>(89,495)</u>
Add expenditures of unbudgeted funds					
Special Revenue				119	
Enterprise Reserves				<u>33,015</u>	
Total Expenditures, Primary government				<u>\$ 247,693</u>	

City of Geneseo, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
RECEIPTS				
Ad Valorem property tax	\$ 33,968	31,813	32,634	(821)
Vehicle taxes	8,157	9,756	10,838	(1,082)
Local sales tax	23,325	32,881	35,000	(2,119)
Franchise tax	16,317	12,907	16,000	(3,093)
Liquor tax	326	248	326	(78)
Fines, fees, and permits	1,119	837	2,500	(1,663)
Land lease	1,600	1,375	1,300	75
Interest	1,472	561	4,000	(3,439)
Sale of assets and other	2,018	1,558	500	1,058
Donation	-	-	20,000	(20,000)
Transfers from other funds	-	-	11,283	(11,283)
Reimbursed expenditures	1,026	-	1,500	(1,500)
	<u>89,328</u>	<u>91,936</u>	<u>135,881</u>	<u>(43,945)</u>
EXPENDITURES				
Administration				
Salaries and benefits	24,546	33,944	25,000	8,944
Contractual services	27,471	39,938	36,000	3,938
Commodities and other	9,075	11,174	10,000	1,174
Capital outlay	-	-	8,407	(8,407)
Fire protection				
Salaries and benefits	1,354	1,490	1,500	(10)
Commodities and other	-	34	7,000	(6,966)
Contractual services	2,850	826	3,400	(2,574)
Capital outlay	-	124	2,100	(1,976)
Police protection				
Salaries and benefits	10,687	11,539	6,000	5,539
Commodities and other	570	69	2,000	(1,931)
Contractual services	3,965	1,567	5,000	(3,433)
Capital outlay	-	-	1,000	(1,000)
Transfer to other funds	-	-	40,725	(40,725)
	<u>80,518</u>	<u>100,705</u>	<u>148,132</u>	<u>(47,427)</u>
Receipts over (under) expenditures	8,810	(8,769)		
UNENCUMBERED CASH, beginning	<u>13,950</u>	<u>22,760</u>		
UNENCUMBERED CASH, ending	<u>\$ 22,760</u>	<u>13,991</u>		

See notes to financial statements

City of Geneseo, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>LIBRARY FUND</u>				
RECEIPTS				
Ad Valorem property tax	\$ 2,677	2,770	2,869	(99)
Vehicle taxes	932	802	862	(60)
Reimbursements and other	-	128	-	128
	<u>3,609</u>	<u>3,700</u>	<u>3,731</u>	<u>(31)</u>
EXPENDITURES				
Appropriation to the library board	<u>3,429</u>	<u>1,298</u>	<u>3,731</u>	<u>(2,433)</u>
Receipts over (under) expenditures	180	2,402		
UNENCUMBERED CASH, beginning	-	180		
UNENCUMBERED CASH, ending	<u>\$ 180</u>	<u>2,582</u>		
 <u>RECREATION FUND</u>				
RECEIPTS				
Ad Valorem property tax	\$ 1,145	1,176	1,197	(21)
Vehicle taxes	377	332	358	(26)
	<u>1,522</u>	<u>1,508</u>	<u>1,555</u>	<u>(47)</u>
EXPENDITURES				
Appropriation to the recreation commission	<u>1,449</u>	<u>1,508</u>	<u>1,555</u>	<u>(47)</u>
Receipts over (under) expenditures	73	-		
UNENCUMBERED CASH, beginning	-	73		
UNENCUMBERED CASH, ending	<u>\$ 73</u>	<u>73</u>		

City of Geneseo, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>EMPLOYEE BENEFITS FUND</u>				
RECEIPTS				
Ad Valorem property tax	\$ 2,806	5,775	6,106	(331)
Vehicle taxes	2,280	919	865	54
Transfers from other funds	-	-	2,600	(2,600)
	<u>5,086</u>	<u>6,694</u>	<u>9,571</u>	<u>(2,877)</u>
EXPENDITURES				
Payroll taxes and benefits	<u>7,634</u>	<u>9,797</u>	<u>11,700</u>	<u>(1,903)</u>
Receipts over (under) expenditures	(2,548)	(3,103)		
UNENCUMBERED CASH, beginning	<u>5,651</u>	<u>3,103</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,103</u>	<u>-</u>		
 <u>SPECIAL STREET AND HIGHWAY FUND</u>				
RECEIPTS				
State payments - gasoline tax	<u>\$ 6,970</u>	<u>6,876</u>	<u>7,130</u>	<u>(254)</u>
EXPENDITURES				
Salary and benefits	3,376	2,855	-	2,855
Contractual services	2,212	3,406	7,000	(3,594)
Commodities and other	1,625	250	-	250
Transfer to other funds	-	-	1,939	(1,939)
	<u>7,213</u>	<u>6,511</u>	<u>8,939</u>	<u>(2,428)</u>
Receipts over (under) expenditures	(243)	365		
UNENCUMBERED CASH, beginning	<u>1,809</u>	<u>1,566</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,566</u>	<u>1,931</u>		

See notes to financial statements

City of Geneseo, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>SPECIAL PARKS AND RECREATION FUND</u>				
RECEIPTS				
State payments - Liquor tax	\$ 326	248	347	(99)
EXPENDITURES				
Salary and benefits	-	341	-	341
Contractual services	190	-	-	-
Commodities and other	144	6	347	(341)
	<u>334</u>	<u>347</u>	<u>347</u>	<u>-</u>
Receipts over (under) expenditures	(8)	(99)		
UNENCUMBERED CASH, beginning	<u>112</u>	<u>104</u>		
UNENCUMBERED CASH, ending	<u>\$ 104</u>	<u>5</u>		
 <u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
	\$ -	-		
EXPENDITURES				
Commodities and other	-	119		NOT APPLICABLE
Receipts over (under) expenditures	-	(119)		
UNENCUMBERED CASH, beginning	<u>347</u>	<u>347</u>		
UNENCUMBERED CASH, ending	<u>\$ 347</u>	<u>228</u>		

City of Geneseo, Kansas

Debt Service Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>BOND AND INTEREST FUND</u>				
RECEIPTS				
Ad Valorem property tax	\$ 5,194	5,279	5,437	(158)
Vehicle taxes	<u>1,556</u>	<u>1,516</u>	<u>1,653</u>	<u>(137)</u>
	<u>6,750</u>	<u>6,795</u>	<u>7,090</u>	<u>(295)</u>
EXPENDITURES				
Bond principal	3,400	3,600	3,600	-
Interest	3,348	3,182	3,268	(86)
Cash basis reserve	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
	<u>6,748</u>	<u>6,782</u>	<u>8,868</u>	<u>(2,086)</u>
Receipts over (under) expenditures	2	13		
UNENCUMBERED CASH, beginning	<u>1,789</u>	<u>1,791</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,791</u>	<u>1,804</u>		

City of Geneseo, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>WATERWORKS FUND</u>				
RECEIPTS				
Sales	\$ 39,155	64,606	45,000	19,606
Connection fees	-	446	-	446
Reimbursements and other	108	119	-	119
	<u>39,263</u>	<u>65,171</u>	<u>45,000</u>	<u>20,171</u>
EXPENDITURES				
Salary and benefits	11,538	16,168	7,000	9,168
Contractual services	17,943	15,639	10,000	5,639
Commodities and other	3,394	9,650	10,000	(350)
Capital outlay	3,308	3,308	8,308	(5,000)
Transfer to other funds	-	-	9,719	(9,719)
	<u>36,183</u>	<u>44,765</u>	<u>45,027</u>	<u>(262)</u>
Receipts over (under) expenditures	3,080	20,406		
UNENCUMBERED CASH, beginning	801	3,881		
UNENCUMBERED CASH, ending	<u>\$ 3,881</u>	<u>24,287</u>		
<u>WATERWORKS RESERVE FUND</u>				
RECEIPTS				
Transfer from other funds	\$ -	-		
EXPENDITURES				
Contractual services	1,579	33,015		
Commodities	492	-		
	<u>2,071</u>	<u>33,015</u>		
Receipts over (under) expenditures	(2,071)	(33,015)		
UNENCUMBERED CASH, beginning	36,437	34,366		
UNENCUMBERED CASH, ending	<u>\$ 34,366</u>	<u>1,351</u>		

NOT APPLICABLE

City of Geneseo, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>SEWER FUND</u>				
RECEIPTS				
Connection fees and other	\$ 36,499	28,902	35,500	(6,598)
EXPENDITURES				
Salary and benefits	625	3,263	10,000	(6,737)
Contractual services	2,647	6,151	7,000	(849)
Commodities and other	-	148	2,000	(1,852)
Capital outlay	-	-	10,000	(10,000)
Debt service	16,609	16,609	16,639	(30)
Transfer to other funds	-	-	13,441	(13,441)
	<u>19,881</u>	<u>26,171</u>	<u>59,080</u>	<u>(32,909)</u>
Receipts over (under) expenditures	16,618	2,731		
UNENCUMBERED CASH, beginning	<u>29,832</u>	<u>46,450</u>		
UNENCUMBERED CASH, ending	\$ <u>46,450</u>	<u>49,181</u>		
 <u>SEWER RESERVE FUND</u>				
RECEIPTS				
Transfer from other funds	\$ -	-		
EXPENDITURES				
Contractual services	<u>9,478</u>	-		
Receipts over (under) expenditures	(9,478)	-	NOT APPLICABLE	
UNENCUMBERED CASH, beginning	<u>9,507</u>	<u>29</u>		
UNENCUMBERED CASH, ending	\$ <u>29</u>	<u>29</u>		

City of Geneseo, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparable actual totals for the prior year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>REFUSE FUND</u>				
RECEIPTS				
Refuse collection fees	\$ 16,254	13,540	14,400	(860)
EXPENDITURES				
Contractual services	12,381	16,675	13,392	3,283
Transfer to other funds	-	-	3,283	(3,283)
	<u>12,381</u>	<u>16,675</u>	<u>16,675</u>	<u>-</u>
Receipts over (under) expenditures	3,873	(3,135)		
UNENCUMBERED CASH, beginning	<u>1,267</u>	<u>5,140</u>		
UNENCUMBERED CASH, ending	<u>\$ 5,140</u>	<u>2,005</u>		

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Geneseo, Kansas is a municipal corporation incorporated under the laws of the State of Kansas. The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council members. These financial statements present only the City of Geneseo as the primary government.

Component Units

The Geneseo Public Library and Geneseo Recreation Commission, component units of the City of Geneseo, Kansas, are not included in these financial statements.

Basis of Accounting

These financial statements are presented on a statutory 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. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

Departure from Generally Accepted Accounting Principles

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 generally accepted accounting principles (GAAP), 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 GAAP. 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, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION

In governmental 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 types of funds comprise the financial activities of the City for the year 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent 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.

3. 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 on notice of hearing.
4. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. 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 City's 2011 budget was not amended.

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

All legal annual operating budgets are prepared using the modified cash 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. 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 project funds, enterprise reserve funds, and the Equipment Reserve special revenue fund.

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

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located 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 investment policy 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.

As of December 31, 2011, the City's investments included only bank certificates of deposit with a fair value of \$60,663, which are not subject to investment rating.

City of Geneseo, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

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 has not designated peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits was \$103,503. The bank balance totaled \$99,657. The balance was held by one bank resulting in a concentration of credit risk. As of December 31, 2011, 100% of the bank balance was covered by FDIC insurance.

Composition of Cash Balance

Amount on deposit with financial institutions	
City checking	\$ 42,840
Time deposits	<u>60,663</u>
	<u>\$ 103,503</u>

5. COMPLIANCE WITH KANSAS STATUTES

Required Publications

The City did not publish an annual financial statement for 2011, as required by Kansas statutes governing third class cities. This is a violation of K.S.A. 12-1608.

City of Geneseo, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12/31/10	Additions	Retirements	Balance 12/31/11	Interest Paid
General Obligation Bonds, including special assessments:									
Series 1999	4.750%	07/07/99	\$ 99,000	07/07/24	\$ 68,800	-	3,600	65,200	3,182
Series 2007-A	4.125%	06/05/07	336,700	06/05/46	308,664	-	3,891	304,773	12,718
					<u>377,464</u>	<u>-</u>	<u>7,491</u>	<u>369,973</u>	<u>15,900</u>
Capital Lease Obligation:									
2005 Pickup	4.250%	06/04/09	15,070	12/04/13	9,221	-	2,947	6,274	361
Total Long-Term Debt					<u>\$ 386,685</u>	<u>-</u>	<u>10,438</u>	<u>376,247</u>	<u>16,261</u>

Current maturities of long-term debt and interest through final maturity are as follows:

Year(s)	Principal			Interest		
	GO Bonds	Capital Leases	Total	GO Bonds	Capital Leases	Total
2012	\$ 7,715	3,074	10,789	15,654	234	15,888
2013	8,117	3,200	11,317	15,313	109	15,422
2014	8,491	-	8,491	14,954	-	14,954
2015	8,872	-	8,872	14,578	-	14,578
2016	9,226	-	9,226	14,185	-	14,185
2017-2021	52,875	-	52,875	64,396	-	64,396
2022-2026	51,595	-	51,595	51,928	-	51,928
2027-2031	40,266	-	40,266	42,750	-	42,750
2032-2036	49,271	-	49,271	33,732	-	33,732
2037-2041	60,337	-	60,337	22,693	-	22,693
2042-2046	73,208	-	73,208	9,163	-	9,163
	<u>\$ 369,973</u>	<u>6,274</u>	<u>376,247</u>	<u>299,346</u>	<u>343</u>	<u>299,689</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Geneseo 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) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 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 was 7.74% at December 31, 2011. The City of Geneseo contribution to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$3,326, \$894 and \$0 respectively, equal to the statutory required contribution for each year.

8. SUBSEQUENT EVENTS

Capital Improvements

The City is in the planning process for major capital improvements to the City owned water distribution system. The estimated cost of the improvements is \$1,082,600, to be financed with an approved federal Community Development Block Grant of \$496,000, and long-term debt to be issued by the City. As of the date of this report, \$236,500 in general obligation bonds have been issued in connection with the project.

9. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through November 9, 2012, which is the date the financial statements were available to be issue.