

CITY OF HALSTEAD

HALSTEAD, KANSAS

Special Financial Statements

December 31, 2011

City of Halstead, Kansas

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December 31, 2011

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Halstead  
Halstead, Kansas 67056

We have audited the accompanying financial statements of the City of Halstead, 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 April 29, 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 and guidance 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.

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 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 City as of December 31, 2011, the changes in 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 City 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

April 27, 2012

## City of Halstead, Kansas

## SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Funds</u>	Unencumbered Cash Balance <u>12/31/10</u>	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance <u>12/31/11</u>	Accounts Payable and <u>Encumbrances</u>	Cash Balance <u>12/31/11</u>
<b>Governmental Fund Types:</b>						
General	\$ 601,628	1,641,245	1,609,483	633,390	3,361	636,751
Special Revenue						
Library	14	78,104	75,839	2,279	-	2,279
Special liability	3,015	9,442	10,157	2,300	-	2,300
Special street and highway	109,749	52,222	67,616	94,355	-	94,355
Cemetery perpetual care	27,500	1,280	-	28,780	-	28,780
Special parks and recreation	4,994	875	1,000	4,869	-	4,869
Recreation	2,594	71,069	71,095	2,568	-	2,568
City equipment reserve	466,259	252,940	278,037	441,162		441,162
Capital improvement	303,406	83,444	91,000	295,850	-	295,850
Sales tax revenue reserve	-	153,000	153,000	-	-	-
Debt Service						
Bond and interest	185,179	640,475	620,371	205,283	-	205,283
Capital Project						
Fire/EMS building construction	1,419,836	3,857	999,619	424,074	68,653	492,727
<b>Proprietary Fund Types:</b>						
Enterprise, page 3	<u>850,719</u>	<u>2,571,778</u>	<u>2,507,394</u>	<u>915,103</u>	-	<u>915,103</u>
Total primary government	<u>\$ 3,974,893</u>	<u>5,559,731</u>	<u>6,484,611</u>	<u>3,050,013</u>	<u>72,014</u>	<u>3,122,027</u>
<b>Component units, Page 3</b>	<u>\$ 56,791</u>	<u>159,268</u>	<u>156,303</u>	<u>59,756</u>	<u>156</u>	<u>59,912</u>

## City of Halstead, Kansas

## SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Funds</u>	Cash Balance <u>12/31/10</u>	<u>Receipts</u>	<u>Expenditures</u>	Cash Balance <u>12/31/11</u>	Payable and <u>Encumbrances</u>	Cash Balance <u>12/31/11</u>
<b>Enterprise</b>						
Waterworks and waste water						
Waterworks operating	\$ 177,396	627,542	560,383	244,555	-	244,555
Waste water operating	109,632	267,678	267,321	109,989	-	109,989
Depreciation/replacement reserve	196,320	16,800	-	213,120	-	213,120
Gas						
Gas plant operating	277,326	1,513,276	1,541,596	249,006	-	249,006
Gas reserve	52,000	10,000	-	62,000	-	62,000
Refuse	22,445	126,065	127,296	21,214	-	21,214
Storm water	<u>15,600</u>	<u>10,417</u>	<u>10,798</u>	<u>15,219</u>	<u>-</u>	<u>15,219</u>
Total enterprise funds	<u>\$ 850,719</u>	<u>2,571,778</u>	<u>2,507,394</u>	<u>915,103</u>	<u>-</u>	<u>915,103</u>
<b>Component Units</b>						
Halstead Public Library	\$ 46,910	88,623	90,400	45,133	156	45,289
Halstead Recreation	<u>9,881</u>	<u>70,645</u>	<u>65,903</u>	<u>14,623</u>	<u>-</u>	<u>14,623</u>
Total component units	<u>\$ 56,791</u>	<u>159,268</u>	<u>156,303</u>	<u>59,756</u>	<u>156</u>	<u>59,912</u>

## City of Halstead, Kansas

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 2,040,558	31,345	2,071,903	1,609,483	(462,420)
Special Revenue					
Library	75,839	-	75,839	75,839	-
Special liability	11,500	-	11,500	10,157	(1,343)
Special street and highway	129,928	-	129,928	67,616	(62,312)
Special parks and recreation	4,716	-	4,716	1,000	(3,716)
Recreation	72,695	-	72,695	71,095	(1,600)
Debt Service					
Bond and interest	720,371	-	720,371	620,371	(100,000)
Enterprise					
Waterworks and waste water					
Waterworks operating	652,737	-	652,737	560,383	(92,354)
Waste water operating	324,962	-	324,962	267,321	(57,641)
Gas plant operating	2,204,286	-	2,204,286	1,541,596	(662,690)
Refuse	142,684	-	142,684	127,296	(15,388)
Storm water	22,383	-	22,383	10,798	(11,585)
Expenditures subject to current budget	<u>\$ 6,402,659</u>	<u>31,345</u>	<u>6,434,004</u>	4,962,955	<u>(1,471,049)</u>
Add expenditures of unbudgeted funds					
Special Revenue				522,037	
Capital Projects				999,619	
Enterprise Reserves				-	
Total expenditures, primary government				<u>\$ 6,484,611</u>	

## City of Halstead, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 355,939	396,614	381,625	14,989
Vehicle tax	41,230	49,932	52,394	(2,462)
Local sales tax	424,179	434,114	430,000	4,114
Liquor tax	978	875	1,300	(425)
Transient guest tax	631	450	600	(150)
Franchise tax	104,055	125,321	103,000	22,321
Fines and fees	122,788	106,963	124,750	(17,787)
Ambulance - Harvey County	61,654	62,592	60,000	2,592
Fire protection fees	50,783	55,904	50,000	5,904
Interest	8,523	5,393	8,500	(3,107)
Cemetery fees and charges	19,580	21,820	16,200	5,620
Golf course fees	95,315	100,615	100,500	115
Rent	1,700	700	4,200	(3,500)
Sale of assets	13,850	8,995	300	8,695
Other	2,420	2,112	23,500	(21,388)
Transfers from other funds	245,000	237,500	325,000	(87,500)
Reimbursement - Federal SAFER grant	-	31,345	-	31,345
	<u>1,548,625</u>	<u>1,641,245</u>	<u>1,681,869</u>	<u>(40,624)</u>
EXPENDITURES, page 6	<u>1,579,448</u>	<u>1,609,483</u>		
Receipts over (under) expenditures	(30,823)	31,762		
UNENCUMBERED CASH, beginning	<u>632,451</u>	<u>601,628</u>		
UNENCUMBERED CASH, ending	<u>\$ 601,628</u>	<u>633,390</u>		

## City of Halstead, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
Administration	\$ 84,183	89,138	108,000	(18,862)
Court and legal	38,523	36,783	51,220	(14,437)
City hall/support services	40,859	45,717	93,600	(47,883)
Police	266,902	259,505	295,500	(35,995)
Street	35,078	30,497	55,700	(25,203)
Fire	86,441	91,608	99,800	(8,192)
Park	78,788	72,669	112,200	(39,531)
Golf	166,633	183,682	199,590	(15,908)
Emergency medical services	105,347	138,853	145,500	(6,647)
Community betterment	49,627	53,152	158,948	(105,796)
Street lighting	30,000	30,523	32,000	(1,477)
Cemetery	47,398	36,538	68,000	(31,462)
Employee benefits	239,153	243,383	322,000	(78,617)
Flood control maintenance	14,616	14,405	26,500	(12,095)
Transfers to other funds	295,900	283,030	272,000	11,030
	1,579,448	1,609,483	2,040,558	(431,075)
Budget adjustment - Qualifying budget Credits	-	-	31,591	(31,591)
Total expenditures	\$ 1,579,448	1,609,483	2,072,149	(462,666)

## City of Halstead, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>LIBRARY</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 53,945	70,461	67,767	2,694
Vehicle tax	8,740	7,643	7,935	(292)
	<u>62,685</u>	<u>78,104</u>	<u>75,702</u>	<u>2,402</u>
<b>EXPENDITURES</b>				
Appropriations to Library Board	<u>64,155</u>	<u>75,839</u>	<u>75,839</u>	-
Receipts over (under) expenditures	(1,470)	2,265		
UNENCUMBERED CASH, beginning	<u>1,484</u>	<u>14</u>		
UNENCUMBERED CASH, ending	<u>\$ 14</u>	<u>2,279</u>		
<b><u>SPECIAL LIABILITY</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 5,216	8,692	8,261	431
Vehicle tax	<u>1,311</u>	<u>750</u>	<u>763</u>	<u>(13)</u>
	<u>6,527</u>	<u>9,442</u>	<u>9,024</u>	<u>418</u>
<b>EXPENDITURES</b>				
Insurance premiums	<u>9,885</u>	<u>10,157</u>	<u>11,500</u>	<u>(1,343)</u>
Receipts over (under) expenditures	(3,358)	(715)		
UNENCUMBERED CASH, beginning	<u>6,373</u>	<u>3,015</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,015</u>	<u>2,300</u>		

See notes to financial statements

## City of Halstead, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>SPECIAL STREET AND HIGHWAY</u></b>				
<b>RECEIPTS</b>				
Gasoline tax	\$ 51,129	52,222	51,850	372
<b>EXPENDITURES</b>				
Contractual services	72,080	55,479	101,428	(45,949)
Commodities	7,958	12,137	11,500	637
Capital outlay	-	-	17,000	(17,000)
	80,038	67,616	129,928	(62,312)
Receipts over (under) expenditures	(28,909)	(15,394)		
UNENCUMBERED CASH, beginning	138,658	109,749		
UNENCUMBERED CASH, ending	\$ 109,749	94,355		
 <b><u>CEMETERY PERPETUAL CARE</u></b>				
<b>RECEIPTS</b>				
Transfers from other funds	\$ 900	1,280		
<b>EXPENDITURES</b>				
	-	-		NOT APPLICABLE
Receipts over (under) expenditures	900	1,280		
UNENCUMBERED CASH, beginning	26,600	27,500		
UNENCUMBERED CASH, ending	\$ 27,500	28,780		

## City of Halstead, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010 )

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>SPECIAL PARKS AND RECREATION</u></b>				
<b>RECEIPTS</b>				
Liquor tax	\$ 978	875	1,300	(425)
<b>EXPENDITURES</b>				
Capital outlay	-	-	3,716	(3,716)
Transfer to equipment reserve	1,000	1,000	1,000	-
	<u>1,000</u>	<u>1,000</u>	<u>4,716</u>	<u>(3,716)</u>
Receipts over (under) expenditures	(22)	(125)		
UNENCUMBERED CASH, beginning	<u>5,016</u>	<u>4,994</u>		
UNENCUMBERED CASH, ending	<u>\$ 4,994</u>	<u>4,869</u>		
 <b><u>RECREATION</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 23,685	24,835	23,701	1,134
Vehicle tax	3,359	3,271	3,410	(139)
Reimbursements and other	50,873	42,963	45,300	(2,337)
	<u>77,917</u>	<u>71,069</u>	<u>72,411</u>	<u>(1,342)</u>
<b>EXPENDITURES</b>				
Appropriation to Recreation Commission	25,800	28,120	27,395	725
Salaries and benefits	43,984	38,638	36,300	2,338
Supplies and other	5,930	4,337	9,000	(4,663)
	<u>75,714</u>	<u>71,095</u>	<u>72,695</u>	<u>(1,600)</u>
Receipts over (under) expenditures	2,203	(26)		
UNENCUMBERED CASH, beginning	<u>391</u>	<u>2,594</u>		
UNENCUMBERED CASH, ending	<u>\$ 2,594</u>	<u>2,568</u>		

See notes to financial statements

## City of Halstead, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>CITY EQUIPMENT RESERVE</u>				
RECEIPTS				
Transfers from other funds	\$ 201,469	178,750		
Public safety grants	-	61,369		
Sale of equipment and other	56,718	12,821		
	<u>258,187</u>	<u>252,940</u>		
EXPENDITURES				
Capital outlay and maintenance	<u>268,309</u>	<u>278,037</u>		NOT APPLICABLE
Receipts over (under) expenditures	(10,122)	(25,097)		
UNENCUMBERED CASH, beginning	<u>476,381</u>	<u>466,259</u>		
UNENCUMBERED CASH, ending	<u>\$ 466,259</u>	<u>441,162</u>		
<u>CAPITAL IMPROVEMENT</u>				
RECEIPTS				
Transfers from other funds	\$ 85,944	83,444		
Interest	12,606	-		
	<u>98,550</u>	<u>83,444</u>		
EXPENDITURES				
Capital outlay and maintenance	<u>158,371</u>	<u>91,000</u>		NOT APPLICABLE
Receipts over (under) expenditures	(59,821)	(7,556)		
UNENCUMBERED CASH, beginning	<u>363,227</u>	<u>303,406</u>		
UNENCUMBERED CASH, ending	<u>\$ 303,406</u>	<u>295,850</u>		
<u>SALES TAX REVENUE RESERVE</u>				
RECEIPTS				
Transfers from other funds	\$ 153,000	153,000		
EXPENDITURES				
Transfer to other funds	<u>153,000</u>	<u>153,000</u>		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>-</u>		

See notes to financial statements

## City of Halstead, Kansas

**Debt Service Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010 )

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>BOND AND INTEREST</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 362,022	376,677	347,086	29,591
Special assessments	14,410	15,482	14,650	832
Vehicle tax	59,240	51,260	53,192	(1,932)
Accrued interest and other	911	-	-	-
Transfers from other funds	159,056	197,056	114,556	82,500
	<u>595,639</u>	<u>640,475</u>	<u>529,484</u>	<u>110,991</u>
<b>EXPENDITURES</b>				
Bond principal	410,000	475,000	475,000	-
Interest	196,383	145,371	145,371	-
Cash basis reserve	-	-	100,000	(100,000)
	<u>606,383</u>	<u>620,371</u>	<u>720,371</u>	<u>(100,000)</u>
Receipts over (under) expenditures	(10,744)	20,104		
UNENCUMBERED CASH, beginning	<u>195,923</u>	<u>185,179</u>		
UNENCUMBERED CASH, ending	<u>\$ 185,179</u>	<u>205,283</u>		

City of Halstead, Kansas

**Capital Project Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET \*

Year ended December 31, 2011

FIRE/EMS BUILDING CONSTRUCTION

## RECEIPTS

Interest	\$ 3,857
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## EXPENDITURES

Capital outlay	982,636
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Contractual services	<u>16,983</u>
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	<u>999,619</u>
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Receipts over (under) expenditures	(995,762)
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UNENCUMBERED CASH, beginning	<u>1,419,836</u>
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UNENCUMBERED CASH, ending	<u>\$ 424,074</u>
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\* Capital project funds are not subject to a statutory budget

## City of Halstead, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>WATERWORKS OPERATING</u></b>				
<b>RECEIPTS</b>				
Sales	\$ 542,325	603,346	575,114	28,232
Service and other	26,630	24,196	15,000	9,196
	<u>568,955</u>	<u>627,542</u>	<u>590,114</u>	<u>37,428</u>
<b>EXPENDITURES</b>				
Personal services	125,791	130,969	145,500	(14,531)
Contractual services	96,622	115,343	135,700	(20,357)
Water purchases	99,289	105,617	97,615	8,002
Commodities	36,571	38,820	41,500	(2,680)
Capital outlay	71,285	52,634	115,422	(62,788)
Transfers to other funds	87,000	117,000	117,000	-
	<u>516,558</u>	<u>560,383</u>	<u>652,737</u>	<u>(92,354)</u>
Receipts over (under) expenditures	52,397	67,159		
UNENCUMBERED CASH, beginning	<u>124,999</u>	<u>177,396</u>		
UNENCUMBERED CASH, ending	<u>\$ 177,396</u>	<u>244,555</u>		

## City of Halstead, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>WASTE WATER OPERATING</u>				
RECEIPTS				
User fees	\$ 256,724	266,481	253,000	13,481
Service and other	1,180	1,197	500	697
	<u>257,904</u>	<u>267,678</u>	<u>253,500</u>	<u>14,178</u>
EXPENDITURES				
Personal services	74,656	74,026	89,000	(14,974)
Contractual services	68,733	76,052	96,250	(20,198)
Commodities	22,845	19,591	29,000	(9,409)
Capital outlay	-	-	3,000	(3,000)
Transfers to other funds	14,800	14,800	14,800	-
Debt service	82,852	82,852	82,852	-
Capital reserve	-	-	10,060	(10,060)
	<u>263,886</u>	<u>267,321</u>	<u>324,962</u>	<u>(57,641)</u>
Receipts over (under) expenditures	(5,982)	357		
UNENCUMBERED CASH, beginning	115,614	109,632		
UNENCUMBERED CASH, ending	<u>\$ 109,632</u>	<u>109,989</u>		
<u>DEPRECIATION/REPLACEMENT RESERVE</u>				
RECEIPTS				
Transfers from other funds	\$ 16,800	16,800		
EXPENDITURES				
Commodities and other	<u>22,692</u>	-	NOT APPLICABLE	
Receipts over (under) expenditures	(5,892)	16,800		
UNENCUMBERED CASH, beginning	<u>202,212</u>	<u>196,320</u>		
UNENCUMBERED CASH, ending	<u>\$ 196,320</u>	<u>213,120</u>		

See notes to financial statements

## City of Halstead, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010 )

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>GAS PLANT OPERATING</u>				
RECEIPTS				
Sales	\$ 1,594,442	1,493,712	1,949,000	(455,288)
Service and other	22,774	19,564	25,000	(5,436)
	<u>1,617,216</u>	<u>1,513,276</u>	<u>1,974,000</u>	<u>(460,724)</u>
EXPENDITURES				
Personal services	125,854	132,233	135,500	(3,267)
Contractual services	178,194	157,053	257,000	(99,947)
Commodities	32,025	39,537	41,500	(1,963)
Gas purchased	875,153	903,238	1,344,000	(440,762)
Capital outlay	8,950	4,535	20,000	(15,465)
Transfers to other funds	316,469	305,000	365,000	(60,000)
Capital reserve	-	-	41,286	(41,286)
	<u>1,536,645</u>	<u>1,541,596</u>	<u>2,204,286</u>	<u>(662,690)</u>
Receipts over (under) expenditures	80,571	(28,320)		
UNENCUMBERED CASH, beginning	<u>196,755</u>	<u>277,326</u>		
UNENCUMBERED CASH, ending	<u>\$ 277,326</u>	<u>249,006</u>		
<u>GAS RESERVE</u>				
RECEIPTS				
Transfers from other funds	\$ 10,000	10,000		
EXPENDITURES				
	-	-		NOT APPLICABLE
Receipts over (under) expenditures	10,000	10,000		
UNENCUMBERED CASH, beginning	<u>42,000</u>	<u>52,000</u>		
UNENCUMBERED CASH, ending	<u>\$ 52,000</u>	<u>62,000</u>		

## City of Halstead, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010 )

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>REFUSE</u></b>				
<b>RECEIPTS</b>				
User fees	\$ 91,127	93,350	93,500	(150)
Recycle fees	32,336	32,715	32,500	215
	<u>123,463</u>	<u>126,065</u>	<u>126,000</u>	<u>65</u>
<b>EXPENDITURES</b>				
Personal services	13,083	13,526	15,500	(1,974)
Contractual services	111,019	113,770	117,400	(3,630)
Commodities and other	-	-	500	(500)
Capital reserve	-	-	9,284	(9,284)
	<u>124,102</u>	<u>127,296</u>	<u>142,684</u>	<u>(15,388)</u>
Receipts over (under) expenditures	(639)	(1,231)		
UNENCUMBERED CASH, beginning	<u>23,084</u>	<u>22,445</u>		
UNENCUMBERED CASH, ending	<u>\$ 22,445</u>	<u>21,214</u>		
<b><u>STORM WATER</u></b>				
<b>RECEIPTS</b>				
User fees	\$ 10,369	10,417	10,000	417
<b>EXPENDITURES</b>				
Contractual services	3,122	1,614	5,000	(3,386)
Maintenance and repair	6,419	5,184	11,383	(6,199)
Transfers to other funds	4,000	4,000	4,000	-
Capital reserve	-	-	2,000	(2,000)
	<u>13,541</u>	<u>10,798</u>	<u>22,383</u>	<u>(11,585)</u>
Receipts over (under) expenditures	(3,172)	(381)		
UNENCUMBERED CASH, beginning	<u>18,772</u>	<u>15,600</u>		
UNENCUMBERED CASH, ending	<u>\$ 15,600</u>	<u>15,219</u>		

## City of Halstead, Kansas

**Component Units**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Year ended December 31, 2011 and December 31, 2010

	<u>2011</u>	<u>2010</u>
<b><u>HALSTEAD PUBLIC LIBRARY</u></b>		
<b>RECEIPTS</b>		
City of Halstead	\$ 75,839	64,155
SCKLS and other grants	8,338	8,301
State aid	942	1,062
Interest and other	<u>3,504</u>	<u>2,781</u>
	<u>88,623</u>	<u>76,299</u>
<b>EXPENDITURES</b>		
Personal services	46,381	44,872
Books, periodicals and materials	11,723	6,866
Operating supplies and commodities	4,087	3,811
Telephone and utilities	6,421	5,618
Capital outlay	14,853	3,164
Other	<u>6,935</u>	<u>7,308</u>
	<u>90,400</u>	<u>71,639</u>
Receipts over (under) expenditures	(1,777)	4,660
UNENCUMBERED CASH, beginning	<u>46,910</u>	<u>42,250</u>
UNENCUMBERED CASH, ending	<u>\$ 45,133</u>	<u>46,910</u>
 <b><u>HALSTEAD RECREATION</u></b>		
<b>RECEIPTS</b>		
City of Halstead	\$ 28,120	25,800
Athletic programs and pool receipts	41,124	41,102
Interest and other	<u>1,401</u>	<u>668</u>
	<u>70,645</u>	<u>67,570</u>
<b>EXPENDITURES</b>		
Personal services	42,454	49,684
Athletic programs and pool	17,303	13,364
Other	<u>6,146</u>	<u>7,654</u>
	<u>65,903</u>	<u>70,702</u>
Receipts over (under) expenditures	4,742	(3,132)
UNENCUMBERED CASH, beginning	<u>9,881</u>	<u>13,013</u>
UNENCUMBERED CASH, ending	<u>\$ 14,623</u>	<u>9,881</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Discretely Presented Component Units

The component units section of the financial statements includes the financial data of the discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of all of these component units are appointed by the City.

1. Halstead Library Board - The City of Halstead Library Board operates the City's public library. The City provides funding for the library through special revenue and general fund appropriations.
2. Halstead Recreation Commission - The Commission organizes youth and adult recreational leagues and events in the City of Halstead and oversees the operations of the municipal swimming pool.

Related Organization

The Halstead Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash 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, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

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 of 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.

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities other than those financed totally by proprietary funds.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION (Continued)

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 fund and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

City of Halstead, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION (Continued)

A legal operating budget is not required for capital project funds, enterprise reserve accounts, and the following special revenue funds:

1. Cemetery Perpetual Care Fund
2. City Equipment Reserve Fund
3. Capital Improvement Fund
4. Sales Tax Revenue Reserve Fund

Spending in funds that 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. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violations occurring in the year ended December 31, 2011.

5. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories that 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 savings accounts and certificates of deposit with a fair value of \$337,090 which are not subject to investment rating.

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.

City of Halstead, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

5. DEPOSITS AND INVESTMENTS (Continued)

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, including component units, was \$3,181,939. The bank balance totaled \$3,279,281. Of the bank balance, \$339,494 was covered by FDIC insurance and the remaining \$2,939,787 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Composition of Cash Balance

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Financial institution deposits			
Checking accounts:			
Operating	\$ 2,836,482	8,367	2,844,849
Savings and time deposits:			
Cemetery perpetual care	28,780	-	28,780
Idle funds	<u>256,765</u>	<u>51,545</u>	<u>308,310</u>
	<u>\$ 3,122,027</u>	<u>59,912</u>	<u>3,181,939</u>

6. CAPITAL PROJECTS

Project Authorization

Capital improvement authorizations compared to actual expenditures since the beginning of the projects are as follows:

	<u>Project Authorization</u>	<u>Expenditures to Date</u>	<u>Excess Authorization</u>
Fire/EMS Building Construction	<u>\$ 1,500,000</u>	<u>1,084,192</u>	<u>415,808</u>

City of Halstead, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

7. 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	Retired/Refunded	Balance 12/31/11	Interest Paid 2011
<b>General Obligation Bonds:</b>									
1999 Series	4.90-6.75%	07/01/99	\$2,065,000	10/01/14	\$ 130,000	-	20,000	110,000	6,800
2003 Refunding and Improvement	2.50-4.30%	10/01/03	1,510,000	10/01/18	520,000	-	200,000	320,000	17,815
2005 Refunding	4.00%	06/01/05	1,540,000	10/01/14	1,355,000	-	205,000	1,150,000	54,200
2006 Golf Course	3.70-3.90%	09/01/06	325,000	09/01/16	210,000	-	30,000	180,000	8,090
2009 GO Sales Tax Revenue	4.00-5.375%	03/23/09	1,400,000	10/01/29	1,390,000	-	50,000	1,340,000	66,556
2010 GO	3.00-4.25%	09/01/10	1,500,000	10/01/30	1,500,000	-	-	1,500,000	-
					<u>5,105,000</u>	<u>-</u>	<u>505,000</u>	<u>4,600,000</u>	<u>153,461</u>
<b>Kansas Revolving Fund Loan:</b>									
Waste Water Treatment Upgrade	3.33%	01/11/00	793,585	09/01/20	533,369	-	45,765	487,604	17,383
Water Pollution Control	2.50%	02/07/07	325,000	03/01/28	277,909	-	12,836	265,073	6,868
					<u>811,278</u>	<u>-</u>	<u>58,601</u>	<u>752,677</u>	<u>24,251</u>
<b>Total Long-Term Debt</b>					<u>\$ 5,916,278</u>	<u>-</u>	<u>563,601</u>	<u>5,352,677</u>	<u>177,712</u>

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

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2030	Total
<b>Principal</b>									
General Obligation Bonds	\$ 530,000	590,000	640,000	185,000	195,000	775,000	910,000	775,000	4,600,000
Kansas Revolving Fund Loan	60,461	62,380	64,361	66,406	68,516	313,015	88,706	28,832	752,677
Total Principal	<u>590,461</u>	<u>652,380</u>	<u>704,361</u>	<u>251,406</u>	<u>263,516</u>	<u>1,088,015</u>	<u>998,706</u>	<u>803,832</u>	<u>5,352,677</u>
<b>Interest</b>									
General Obligation Bonds	248,542	169,420	145,435	119,245	112,630	471,135	308,819	83,637	1,658,863
Kansas Revolving Fund Loan	22,392	20,472	18,492	16,447	14,336	38,100	9,816	725	140,780
Total Interest	<u>270,934</u>	<u>189,892</u>	<u>163,927</u>	<u>135,692</u>	<u>126,966</u>	<u>509,235</u>	<u>318,635</u>	<u>84,362</u>	<u>1,799,643</u>
Total Principal and Interest	<u>\$ 861,395</u>	<u>842,272</u>	<u>868,288</u>	<u>387,098</u>	<u>390,482</u>	<u>1,597,250</u>	<u>1,317,341</u>	<u>888,194</u>	<u>7,152,320</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Halstead 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.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4-6% 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 Halstead contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$63,821, \$56,161 and \$41,489 respectively, equal to the statutory required contributions for each year.

9. COMPENSATED ABSENCES

Full-time employees earn one week of paid vacation upon completion of one year of employment and two weeks of vacation after completing two or more years of service through ten years of service. After ten years of service, employees earn three weeks of paid vacation per year. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time employees earn 13 days of paid sick leave in one year of service which can be accumulated to a maximum of 90 days. Employees who have accrued more than 90 days sick leave may exchange 4 days of sick leave for 1 day of additional vacation. Unused sick leave is not paid to employees upon termination. On retirement at age 62 or after 20 years of service to the City, payment for unused sick leave will be made at a ratio of 1 day per 4 days of accrued leave. Unused sick leave has not been recorded in the accompanying financial statements.

City of Halstead, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

10. COMMITMENTS

Public Wholesale Water Supply District No. 17

The City of Halstead participates in a joint venture agreement with the cities of Newton, North Newton and Sedgwick to form the Public Wholesale Water Supply District No. 17 (the District). The purpose of the District is to secure an additional water supply for sale to member cities and other potential customers. As a part of the operating agreement with the joint venture, the City of Halstead is committed to paying 100% of the cost of the water line that serves Halstead customers. The total of the City of Halstead's separate portion, including design, engineering, construction and administration, was \$395,201. These costs have been included in the total amounts financed by the District through a state water revolving loan. The City of Halstead is paying the District for its portion of the total debt service as it comes due. At December 31, 2011, the remaining balance of the City's separate portion of was \$221,299. Water line payments totaling \$30,417 are included in Waterworks fund capital outlay expenditures in the accompanying financial statements for the year ended December 31, 2011.

In addition, the organization agreement specifies that in the event that the District terminates or otherwise fails to meet debt service requirements, the member cities are required to tender their pro rata share of the deficiency.

11. INTERFUND TRANSFERS

Transfers between funds consisted of the following during the year ended December 31, 2011:

<u>Transfers To</u>	<u>Transfers From</u>							<u>Total</u>
	<u>General</u>	<u>Special Parks</u>	<u>Sales Tax Revenue</u>	<u>Water Operating</u>	<u>Waste Water Operating</u>	<u>Storm Water</u>	<u>Gas</u>	
General	\$ -	-	-	27,500	-	-	210,000	237,500
Cemetery Perpetual Care	1,280	-	-	-	-	-	-	1,280
Equipment Reserve	109,750	1,000	-	20,000	5,000	3,000	40,000	178,750
Capital Improvement	19,000	-	28,444	15,000	5,000	1,000	15,000	83,444
Sales Tax Reserve	153,000	-	-	-	-	-	-	153,000
Bond and Interest	-	-	124,556	42,500	-	-	30,000	197,056
Water/Waste Water								
Depreciation	-	-	-	12,000	4,800	-	-	16,800
Gas Reserve	-	-	-	-	-	-	10,000	10,000
	<u>\$ 283,030</u>	<u>1,000</u>	<u>153,000</u>	<u>117,000</u>	<u>14,800</u>	<u>4,000</u>	<u>305,000</u>	<u>877,830</u>

12. 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 April 27, 2012, which is the date at which the financial statements were available to be issued.