

CITY OF HARPER, KANSAS

DECEMBER 31, 2011

CITY OF HARPER, KANSAS

TABLE OF CONTENTS
December 31, 2011

INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENT	
STATEMENT 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash - Regulatory Basis.....	3-5
NOTES TO THE FINANCIAL STATEMENT.....	6-14
SCHEDULE 1	
Summary of Expenditures - Regulatory Basis (Actual and Budget).....	15
SCHEDULE 2	
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual and Budget)	
2-1 General Fund.....	16-18
Special Revenue Funds	
2-2 Airport Fund.....	19
2-3 Employee Benefits Fund.....	20
2-4 Library Fund.....	21
2-5 Special Parks and Recreation Fund.....	22
2-6 Recreation Fund.....	23
2-7 Recreation Insurance Fund.....	24
2-8 Police and Fire Equipment Fund.....	25
2-9 Special Street and Highway Fund.....	26
2-10 Equipment Reserve Fund.....	27
2-11 Fire Equipment Reserve Fund.....	28
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual)	
2-12 Nonbudgeted Special Revenue Funds.....	29-30
Swimming Pool Sales Tax Revenue	
Infrastructure Sales Tax Revenue	
Firemen's Activity	
Police Activity	
Security Deposit	
Diversion	
FEMA Fire Grant	
Future Community Center	
Donations and Gifts	
Police Drug Seizure Trust	
Clearing	
Special Library	
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual and Budget)	
Debt Service Funds	
2-13 Bond and Interest Fund.....	31
Enterprise Funds	
2-14 Water Utility Fund.....	32
2-15 Water Reserve Fund.....	33
2-16 Sewer Utility Fund.....	34
2-17 Sewer Reserve Fund.....	35

TABLE OF CONTENTS (Continued)

SCHEDULE 3
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual)
Capital Project Funds..... 36

SCHEDULE 4
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual)
Permanent Funds..... 37

SCHEDULE 5
Schedule of Cash Receipts and Expenditures - Regulatory Basis (Actual) - Component Units
5-1 Harper Public Library..... 38
5-2 Harper Recreation Commission..... 39

REPORT REQUIRED BY GAO

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... 40-41

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Harper, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Harper, Kansas as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 prepares its financial statement on a prescribed basis of accounting that 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 effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does 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, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Edward C. Michel, CPA
Michael E. Evans, CPA
Roger W. Field, CPA
Gregory D. Daughhetee, CPA
Clark R. Cowl, CPA
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Kenneth D. Hamby, CPA
John W. Denney, CPA
Michael R. Meisenheimer, CPA
Nick L. Muetting, CPA
Billy J. Klug, CPA

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures – actual and budget, the individual fund schedules of cash receipts and expenditures – actual and budget, the schedule of cash receipts and expenditures – capital project funds, the schedule of cash receipts and expenditures – permanent funds, and the schedules of cash receipts and expenditures – component units (Schedules 1 through 5, as listed in the table of contents) are presented for additional analysis and are not a required part of the statutory financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Faris".

Certified Public Accountants

Hutchinson, Kansas
June 8, 2012

CITY OF HARPER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS

For the Year Ended December 31, 2011

Statement 1
Page 1 of 3

Funds	Unencumbered Cash 01/01/11	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balance 12/31/11
GENERAL FUND	\$ 289,354	\$ 667,287	\$ 688,889	\$ 267,752	\$ 19,583	\$ 287,335
SPECIAL REVENUE FUNDS						
Airport	60,230	227,196	217,750	69,676	295	69,971
Employee benefits	75,037	111,447	83,653	102,831	610	103,441
Library	1,283	34,636	34,121	1,798	-	1,798
Special parks and recreation	9,342	3,478	-	12,820	-	12,820
Recreation	13,118	29,524	40,165	2,477	-	2,477
Recreation insurance	1,130	1,600	2,500	230	-	230
Police and fire equipment	1,284	11,855	11,888	1,251	-	1,251
Special street and highway	106,677	37,098	-	143,775	-	143,775
Equipment reserve	412,989	138,310	-	551,299	-	551,299
Fire equipment reserve	39,720	8,637	5,073	43,284	-	43,284
Swimming pool sales tax revenue	350,764	-	350,764	-	-	-
Infrastructure sales tax revenue	-	158,602	-	158,602	-	158,602
Firemen's activity	4,488	2,280	6,029	739	-	739
Police activity	1,083	1,195	1,311	967	-	967
Security deposit	13,255	11,240	7,060	17,435	-	17,435
Diversion	350	500	-	850	-	850
FEMA fire grant	-	26,037	26,037	-	-	-
Future community center	84,332	-	-	84,332	-	84,332
Donations and gifts	17,276	1,144	-	18,420	-	18,420
Police drug seizure trust	50	-	-	50	-	50
Clearing fund	89	523,322	523,211	200	953	1,153
Special library	3	-	3	-	-	-
TOTAL SPECIAL REVENUE FUNDS	1,192,500	1,328,101	1,309,565	1,211,036	1,858	1,212,894
DEBT SERVICE FUND						
Bond and interest	63,459	376,474	391,152	48,781	-	48,781

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

CITY OF HARPER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS

For the Year Ended December 31, 2011

Statement 1
Page 2 of 3

Funds	Unencumbered Cash 01/01/11	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balance 12/31/11
PROPRIETARY FUNDS						
Enterprise						
Water and utility funds						
Operating Reserve	\$ 57,546	\$ 440,531	\$ 356,661	\$ 141,416	\$ 4,826	\$ 146,242
Sewer utility funds	376,216	80,000	7,698	448,518	-	448,518
Operating Reserve	31,367	171,662	175,150	27,879	871	28,750
	198,413	25,000	2,396	221,017	-	221,017
TOTAL PROPRIETARY FUNDS	663,542	717,193	541,905	838,830	5,697	844,527
CAPITAL PROJECT FUNDS						
Water tower project	-	1,305,490	69,252	1,236,238	-	1,236,238
Sewer / water extension project	77,205	-	-	77,205	-	77,205
Water project	161,646	-	-	161,646	-	161,646
TOTAL CAPITAL PROJECT FUNDS	238,851	1,305,490	69,252	1,475,089	-	1,475,089
PERMANENT FUND						
Cemetery endowment	53,970	325	-	54,295	-	54,295
TOTAL PRIMARY GOVERNMENT	2,501,676	4,394,870	3,000,763	3,895,783	27,138	3,922,921
COMPONENT UNITS						
Harper Public Library	49,440	46,410	46,223	49,627	1,151	50,778
Harper Recreation Commission	9,953	49,787	40,624	19,116	1,156	20,272
TOTAL COMPONENT UNITS	59,393	96,197	86,847	68,743	2,307	71,050
TOTAL	\$ 2,561,069	\$ 4,491,067	\$ 3,087,610	\$ 3,964,526	\$ 29,445	\$ 3,993,971

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

CITY OF HARPER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS

For the Year Ended December 31, 2011

Statement 1

Page 3 of 3

COMPOSITION OF CASH AND INVESTMENTS

Checking accounts	\$ 5,303
Money market accounts	3,448,237
Certificates of deposit	200,505
State municipal investment pool	268,577
Cash and cash items	<u>300</u>

TOTAL PRIMARY GOVERNMENT

3,922,922

COMPONENT UNITS

Harper Public Library	50,778
Harper Recreation Commission	<u>20,271</u>

TOTAL COMPONENT UNITS

71,049

TOTAL REPORTING ENTITY

\$ 3,993,971

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

CITY OF HARPER, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Harper, Kansas (the City) is a municipal corporation governed by an elected mayor and council. This financial statement presents the City (the primary government) and includes its component units – the Harper Public Library and the Harper Recreation Commission. These component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of the component units are appointed by the City. Component units of the City are as follows:

Library Board

The Harper Public Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City.

Recreation Commission

The Harper Recreation Commission operates the City's recreation activities. The Recreation Commission can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City.

Fund Accounting

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

The following types of funds were utilized in recording 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 expenditures for specified purposes.

Debt service funds – to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

Capital project funds – to account for financial resources segregated for the acquisition of major capital facilities.

Permanent funds – to account for gifts received by the City that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's activities.

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—or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of this statutory financial statement, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. 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 municipality to use the statutory basis of accounting.

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

Basis of Presentation – The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, and cash and unencumbered cash balances. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, 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 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

Policy for Applying FASB Pronouncements to Proprietary Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Use of Estimates

The process of preparing the financial statement may require the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual or accrual basis, as appropriate. All annual appropriations lapse at fiscal year end. The statutes provide for the following sequence in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the original 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. An amended budget was prepared for the bond and interest fund for the year ended December 31, 2011.

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.

A legal operating budget is not required for certain special revenue funds, capital project funds, enterprise utility reserve funds, and permanent funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Tax Cycle

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

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One half of the property taxes are due December 20 prior to the fiscal year for which they are budgeted, and the second half is due the following May 10. Delinquent taxes were assessed interest as prescribed by Kansas' statute. The interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1 and are distributed by the County Treasurer. Approximately 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

Deposits and Investments

Deposits include amounts in demand deposits, time deposits, and certificates of deposit with financial institutions. Kansas statute, K.S.A. 12-1675, authorizes the City to invest monies in temporary notes or no-fund warrants of the governmental unit; in time deposits, open accounts, or certificates of deposit with maturities not exceeding two years; repurchase agreements consisting of obligations insured by the U.S. Government or any agency thereof; U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool.

Cemetery Endowment Fund

The cemetery endowment fund was established to provide for perpetual care and maintenance of the cemetery. The funds were invested and only the interest earned on this may be used for maintenance and upkeep of the cemetery.

Risk Management

The City has obtained coverage through commercial insurance to limit its exposure to various risks or loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and work related injuries or illnesses.

There were no significant reductions in coverage during the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Compensated Absences

Under City personnel policies in effect at year end, the City is liable for payments to employees for vacation and sick pay when taken in agreement with the policy. Under certain conditions employees may carry over limited credits and may be paid for unused time at termination.

NOTE 2—COMPLIANCE WITH KANSAS STATUTES

Management was not aware of any statutory violations.

NOTE 3—DEPOSITS AND INVESTMENTS

The City's policies relating to deposits and investments are governed by various Kansas statutes. Those statutes specify the type of deposits and investments as well as the securing of those 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.

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. The rating of the City's investments is noted below.

Interest Rate Risk

In accordance with K.S.A. 12-1675, the City manages its exposure to interest rate fluctuations by limiting all time investments to maturities of two years or less. The City has no other policies that would further limit interest rate risk.

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, the Federal Home Loan Bank of Topeka, or deposit guaranty bonds coverage.

At December 31, 2011, the City's carrying amount of deposits (including component units) was \$3,696,594 and the bank balance was \$3,742,574. Of the bank balance, \$463,401 was covered by federal depository insurance and \$3,279,173 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes limit the amount of credit risk by restricting governments to specific investment types as listed in K.S.A. 12-1675. The City's practice is to invest funds in U. S. obligations and the Kansas Municipal Investment Pool.

As of December 31, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	<u>\$ 268,577</u>	<u>\$ 268,577</u>	S & P AAAf/S1+

Investments of the Harper Public Library at December 31, 2011, consisted of the following:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Savings Bonds, Series HH	<u>\$ 28,500</u>	<u>\$ 28,500</u>	S & P AA+

At December 31, 2011, the City had invested \$268,577 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than 10% of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. The City manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and monies in the Kansas Municipal Investment Pool are diverse according to the policies of the investment pool.

NOTE 4—LONG-TERM DEBT

At year end, the City's long-term debt consisted of the following:

<u>Issue</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Year of Final Maturity</u>
General obligation bonds				
Public building	06/01/99	4.50%-6.70%	\$ 155,000	2014
Sewer extension	09/15/06	3.65%-4.15%	575,000	2021
Fire truck	10/20/10	3.75%	183,600	2025
Public water storage improvements	05/05/11	5.25%-3.00%	1,300,000	2031
Kansas pollution control revolving loan fund - sewer lagoon project				
	02/2004	2.94%	1,076,000	2025

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

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds					
Public building	\$ 50,000	\$ -	\$ 10,000	\$ 40,000	\$ 2,490
Sewer extension	455,000	-	35,000	420,000	18,070
Fire truck	183,600	-	9,400	174,200	6,885
Public water storage improvements	-	1,300,000	-	1,300,000	-
	688,600	1,300,000	54,400	1,934,200	27,445
Revenue bonds					
Swimming pool	310,000	-	310,000	-	9,300
Kansas pollution control revolving loan fund - sewer lagoon project					
	880,009	-	49,470	830,539	25,511
	\$ 1,878,609	\$ 1,300,000	\$ 413,870	\$ 2,764,739	\$ 62,256

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

General Obligation Bonds	Principal	Interest
2012	\$ 79,700	\$ 95,649
2013	110,100	71,466
2014	115,400	67,065
2015	100,800	62,635
2016	106,200	58,990
2017-2021	582,800	234,769
2022-2026	409,200	140,346
2027-2031	430,000	58,620
	\$ 1,934,200	\$ 789,540
Kansas Pollution Control Revolving Loan	Principal	Interest
2012	\$ 50,935	\$ 24,046
2013	52,443	22,538
2014	53,997	20,985
2015	55,596	19,385
2016	57,242	17,739
2017-2021	312,667	62,238
2022-2026	247,659	14,774
	\$ 830,539	\$ 181,705

NOTE 5—CONDUIT DEBT

The City has issued Industrial Revenue Bonds (IRBs) to provide financial assistance to local manufacturing companies. These bonds are secured by the property financed and are payable solely from the revenues of these companies. The City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

As of December 31, 2011, the principal balance outstanding of the IRBs was as follows:

City of Harper Economic development revenue bonds Series 2001 Harper Industries, Inc.	<u>\$ 520,000</u>
City of Harper Economic development and refunding revenue bonds Series 2004 Harper Industries, Inc.	<u>\$ 920,000</u>

NOTE 6—INTERFUND TRANSFERS

Operating transfers were made as follows:

From	To	Statutory Authority	Amount
General fund	Equipment reserve fund	K.S.A. 12-1117	\$ 100,000
Water utility fund	Equipment reserve fund	K.S.A. 12-1117	30,000
Police and fire equipment fund	Equipment reserve fund	K.S.A. 12-1117	7,150
Sewer utility fund	Sewer reserve fund	K.S.A. 12-825d	25,000
Water utility fund	Water reserve fund	K.S.A. 12-825d	80,000
Swim pool sales tax revenue fund	Bond and interest fund	K.S.A. 12-195	319,305
Swim pool sales tax revenue fund	Infrastructure sales tax revenue fund	Accounting	31,459
General fund	Fire equipment reserve fund	K.S.A. 12-1117	3,800

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in the Kansas Public 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 statement and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 79-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the member-employee contribution rate at 4.00% of covered salary for Tier 1 members and at 6.00% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The employer rate established by statute for 2011 was 7.74%; except for the period April 1, 2011 through June 30, 2011, when the rate was 6.74%. The City's employer contributions to KPERS for the years ended December 31, 2011, 2010, and 2009, were \$30,857, \$27,210, and \$22,522, respectively, equal to the statutory required contributions for each year.

NOTE 8—OTHER POST EMPLOYMENT BENEFITS

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

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

NOTE 9—CAPITAL PROJECTS

At year end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Water Tower Project</u>	<u>Sewer/Water Extension Project</u>	<u>Water Project</u>
Project authorization	<u>\$ 1,800,000</u>	<u>\$ 677,855</u>	<u>\$ 233,945</u>
Expenditures			
2006	-	4,788	34,485
2007	-	211,181	25,256
2008	-	384,680	12,558
2009	-	-	-
2010	-	-	-
2011	<u>69,252</u>	<u>-</u>	<u>-</u>
Expenditures to date	<u>69,252</u>	<u>600,649</u>	<u>72,299</u>
Remaining project authorization	<u>\$ 1,730,748</u>	<u>\$ 77,206</u>	<u>\$ 161,646</u>

NOTE 10—SUBSEQUENT EVENTS

On March 12, 2012, the City approved issuance of \$148,000 of the City of Harper, Kansas temporary notes, Series 2012, for the frontage road at the City industrial park. The principal and interest of the temporary notes is expected to be paid through sales taxes.

CITY OF HARPER, KANSAS

SUMMARY OF EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credit	Total for Comparison	Expenditures Chargeable to Current Year Budget	Over (Under) Budget
GENERAL FUND	\$ 748,904	\$ -	\$ 748,904	\$ 688,889	\$ (60,015)
SPECIAL REVENUE FUNDS					
Airport	240,000	-	240,000	217,750	(22,250)
Employee benefits	141,500	-	141,500	83,653	(57,847)
Library	34,121	-	34,121	34,121	-
Special parks and recreation	14,806	-	14,806	-	(14,806)
Recreation	40,165	-	40,165	40,165	-
Recreation insurance	2,500	-	2,500	2,500	-
Police and fire equipment	12,000	-	12,000	11,888	(112)
Special street and highway	138,005	-	138,005	-	(138,005)
Equipment reserve	487,260	-	487,260	-	(487,260)
Fire equipment reserve	64,783	-	64,783	5,073	(59,710)
DEBT SERVICE FUND					
Bond and interest	391,230	-	391,230	391,152	(78)
PROPRIETARY FUNDS					
Enterprise					
Water utility funds					
Operating	449,050	-	449,050	356,661	(92,389)
Reserve	378,100	-	378,100	7,698	(370,402)
Sewer utility funds					
Operating	199,581	-	199,581	175,150	(24,431)
Reserve	234,273	-	234,273	2,396	(231,877)

CITY OF HARPER, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-1
Page 1 of 3

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes and shared revenue			
Ad valorem property tax	\$ 277,054	\$ 278,795	\$ (1,741)
Delinquent tax	7,966	2,000	5,966
Motor vehicle tax	34,898	27,154	7,744
Recreational vehicle tax	475	446	29
16/20M truck tax	83	74	9
Local retail sales tax	127,143	95,000	32,143
Local alcoholic liquor tax	2,687	3,219	(532)
Connecting links	17,490	17,500	(10)
Neighborhood revitalization	-	(4,699)	4,699
Licenses, fees, and permits			
Franchise fees	129,607	100,000	29,607
Liquor and CMB licenses	785	550	235
Animal impound fees	1,307	350	957
Miscellaneous licenses, fees, and permits	2,141	775	1,366
Fines and forfeitures			
Municipal court	13,570	14,000	(430)
Uses of money and property			
Investment interest	7,336	4,700	2,636
Cemetery farm rent	4,310	4,310	-
Charges for services			
Swimming pool receipts	13,337	8,000	5,337
Rural fire contracts	3,550	8,900	(5,350)
Cemetery lots and fees	7,972	8,200	(228)
Vehicle inspection fees	775	1,500	(725)
Collection fees	9,600	9,600	-
Other			
Grants and reimbursements	352	1,000	(648)
Sale of surplus equipment and material	1,398	-	1,398
Miscellaneous	3,451	-	3,451
TOTAL CASH RECEIPTS	667,287	581,374	85,913

CITY OF HARPER, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-1
Page 2 of 3

	Actual	Budget	Over (Under) Budget
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Personal services	\$ 48,005	\$ 70,875	\$ (22,870)
Contractual services	52,459	60,500	(8,041)
Commodities	4,767	15,000	(10,233)
Department total	<u>105,231</u>	<u>146,375</u>	<u>(41,144)</u>
Police department			
Personal services	113,524	115,500	(1,976)
Contractual services	10,611	10,500	111
Commodities	22,972	18,875	4,097
Emergency management	-	1,000	(1,000)
Department total	<u>147,107</u>	<u>145,875</u>	<u>1,232</u>
Municipal Court			
Personal services	3,360	3,640	(280)
Contractual services	2,702	14,500	(11,798)
Commodities	88	500	(412)
Department total	<u>6,150</u>	<u>18,640</u>	<u>(12,490)</u>
Street department			
Personal services	64,793	70,350	(5,557)
Contractual services	2,655	10,000	(7,345)
Commodities	38,770	40,000	(1,230)
Lease payment	4,462	4,214	248
Storm drainage system	1,086	30,000	(28,914)
Department total	<u>111,766</u>	<u>154,564</u>	<u>(42,798)</u>
Fire department			
Personal services	3,966	3,350	616
Contractual services	2,219	4,500	(2,281)
Commodities	10,791	10,150	641
Transfer to fire equipment reserve fund	3,800	3,000	800
Department total	<u>20,776</u>	<u>21,000</u>	<u>(224)</u>
Park department			
Personal services	26,196	26,250	(54)
Contractual services	10,815	3,000	7,815
Commodities	9,451	7,500	1,951
Tree care	1,096	5,000	(3,904)
Department total	<u>47,558</u>	<u>41,750</u>	<u>5,808</u>

CITY OF HARPER, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-1
Page 3 of 3

	Actual	Budget	Over (Under) Budget
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET (Continued)			
Cemetery department			
Personal services	\$ 28,812	\$ 35,700	\$ (6,888)
Contractual services	4,182	6,000	(1,818)
Commodities	8,078	7,000	1,078
Capital outlay	-	5,000	(5,000)
Road materials	1,000	1,000	-
Department total	42,072	54,700	(12,628)
Swimming pool			
Personal services	25,511	21,000	4,511
Contractual services	5,096	4,000	1,096
Commodities	3,121	7,000	(3,879)
Capital outlay	596	2,500	(1,904)
Department total	34,324	34,500	(176)
Utility services			
Electric	47,462	50,000	(2,538)
Gas	6,982	10,000	(3,018)
Telephone	4,932	6,500	(1,568)
Department total	59,376	66,500	(7,124)
Other			
Condemnation	5,738	10,000	(4,262)
Community development	8,561	10,000	(1,439)
Refunds	230	-	230
Transfer to equipment reserve fund	100,000	45,000	55,000
Other total	114,529	65,000	49,529
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	688,889	748,904	(60,015)
RECEIPTS OVER (UNDER) EXPENDITURES	(21,602)	(167,530)	145,928
UNENCUMBERED CASH, JANUARY 1	289,354	167,530	121,824
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 267,752</u>	<u>\$ -</u>	<u>\$ 267,752</u>

CITY OF HARPER, KANSAS

AIRPORT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-2

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 13,231	\$ 13,317	\$ (86)
Delinquent tax	406	25	381
Motor vehicle tax	1,758	1,498	260
Recreational vehicle tax	26	25	1
16/20M truck tax	4	4	-
Neighborhood revitalization	-	(224)	224
Aviation fuel reimbursements	6,894	3,200	3,694
CRP payments and crop sales	6,104	4,000	2,104
Rentals	28,939	-	28,939
Grants and reimbursements	169,808	189,500	(19,692)
Miscellaneous	26	400	(374)
TOTAL CASH RECEIPTS	<u>227,196</u>	<u>211,745</u>	<u>15,451</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Contractual services	4,696	4,500	196
Commodities	8,184	6,500	1,684
Capital outlay	-	1,000	(1,000)
Airfield lighting	128,587	128,000	587
Airport improvements	76,283	100,000	(23,717)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>217,750</u>	<u>240,000</u>	<u>(22,250)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	9,446	(28,255)	37,701
UNENCUMBERED CASH, JANUARY 1	<u>60,230</u>	<u>28,255</u>	<u>31,975</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 69,676</u>	<u>\$ -</u>	<u>\$ 69,676</u>

CITY OF HARPER, KANSAS

EMPLOYEE BENEFITS FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-3

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 95,778	\$ 96,419	\$ (641)
Delinquent tax	2,518	500	2,018
Motor vehicle tax	12,928	11,576	1,352
Recreational vehicle tax	199	190	9
16/20M truck tax	24	32	(8)
Neighborhood revitalization	-	(1,625)	1,625
TOTAL CASH RECEIPTS	<u>111,447</u>	<u>107,092</u>	<u>4,355</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Health insurance	27,481	65,000	(37,519)
Social Security	22,814	26,000	(3,186)
KPERs	20,092	25,000	(4,908)
Workers' compensation	10,901	24,500	(13,599)
Unemployment insurance	2,365	1,000	1,365
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>83,653</u>	<u>141,500</u>	<u>(57,847)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	27,794	(34,408)	62,202
UNENCUMBERED CASH, JANUARY 1	<u>75,037</u>	<u>-</u>	<u>75,037</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 102,831</u>	<u>\$ (34,408)</u>	<u>\$ 137,239</u>

CITY OF HARPER, KANSAS

LIBRARY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-4

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 29,720	\$ 29,922	\$ (202)
Delinquent tax	777	150	627
Motor vehicle tax	4,068	3,913	155
Recreational vehicle tax	66	64	2
16/20M truck tax	5	11	(6)
Neighborhood revitalization	-	(504)	504
TOTAL CASH RECEIPTS	34,636	33,556	1,080
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation to library	34,121	34,121	-
RECEIPTS OVER (UNDER) EXPENDITURES	515	(565)	1,080
UNENCUMBERED CASH, JANUARY 1	1,283	565	718
UNENCUMBERED CASH, DECEMBER 31	\$ 1,798	\$ -	\$ 1,798

CITY OF HARPER, KANSAS
 SPECIAL PARKS AND RECREATION FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Schedule 2-5 <u>Over (Under) Budget</u>
CASH RECEIPTS			
Local alcoholic liquor tax	\$ 3,478	\$ 3,219	\$ 259
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Culture and recreation	<u>-</u>	<u>14,806</u>	<u>(14,806)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	3,478	(11,587)	15,065
UNENCUMBERED CASH, JANUARY 1	<u>9,342</u>	<u>11,587</u>	<u>(2,245)</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 12,820</u>	<u>\$ -</u>	<u>\$ 12,820</u>

CITY OF HARPER, KANSAS

RECREATION FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-6

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 25,252	\$ 25,416	\$ (164)
Delinquent tax	773	200	573
Motor vehicle tax	3,440	2,948	492
Recreational vehicle tax	51	48	3
16/20M truck tax	8	8	-
Neighborhood revitalization	-	(436)	436
TOTAL CASH RECEIPTS	<u>29,524</u>	<u>28,184</u>	<u>1,340</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation to Recreation Commission	40,165	40,165	-
RECEIPTS OVER (UNDER) EXPENDITURES	(10,641)	(11,981)	1,340
UNENCUMBERED CASH, JANUARY 1	<u>13,118</u>	<u>11,981</u>	<u>1,137</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 2,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,477</u></u>

CITY OF HARPER, KANSAS
 RECREATION INSURANCE FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-7

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 1,232	\$ 1,243	\$ (11)
Delinquent tax	62	5	57
Motor vehicle tax	301	260	41
Recreational vehicle tax	4	4	-
16/20M truck tax	1	1	-
Neighborhood revitalization	-	(21)	21
TOTAL CASH RECEIPTS	1,600	1,492	108
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Appropriation to Recreation Commission	2,500	2,500	-
RECEIPTS OVER (UNDER) EXPENDITURES	(900)	(1,008)	108
UNENCUMBERED CASH, JANUARY 1	1,130	1,008	122
UNENCUMBERED CASH, DECEMBER 31	\$ 230	\$ -	\$ 230

CITY OF HARPER, KANSAS

POLICE AND FIRE EQUIPMENT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-8

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 9,955	\$ 10,023	\$ (68)
Delinquent tax	334	50	284
Motor vehicle tax	1,540	1,311	229
Recreational vehicle tax	23	21	2
16/20M truck tax	3	4	(1)
Neighborhood revitalization	-	(169)	169
TOTAL CASH RECEIPTS	<u>11,855</u>	<u>11,240</u>	<u>615</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	4,738	-	4,738
Transfer to fire equipment reserve fund	-	1,500	(1,500)
Transfer to equipment reserve fund	7,150	10,500	(3,350)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>11,888</u>	<u>12,000</u>	<u>(112)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(33)</u>	<u>(760)</u>	<u>727</u>
UNENCUMBERED CASH, JANUARY 1	<u>1,284</u>	<u>760</u>	<u>524</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 1,251</u>	<u>\$ -</u>	<u>\$ 1,251</u>

CITY OF HARPER, KANSAS
 SPECIAL STREET AND HIGHWAY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-9

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
State fuel tax	\$ 37,098	\$ 38,830	\$ (1,732)
Grants and reimbursements	-	-	-
TOTAL CASH RECEIPTS	37,098	38,830	(1,732)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Streets and highway	-	130,505	(130,505)
Curb and gutter project	-	7,500	(7,500)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	-	138,005	(138,005)
RECEIPTS OVER (UNDER) EXPENDITURES	37,098	(99,175)	136,273
UNENCUMBERED CASH, JANUARY 1	106,677	99,175	7,502
UNENCUMBERED CASH, DECEMBER 31	\$ 143,775	\$ -	\$ 143,775

CITY OF HARPER, KANSAS

EQUIPMENT RESERVE FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-10

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Transfer from			
General fund	\$ 100,000	\$ 45,000	\$ 55,000
Water fund	30,000	30,000	-
Police and fire equipment fund	7,150	10,500	(3,350)
Interest earned	1,160	100	1,060
	<u>138,310</u>	<u>85,600</u>	<u>52,710</u>
TOTAL CASH RECEIPTS			
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	-	487,260	(487,260)
	<u>-</u>	<u>487,260</u>	<u>(487,260)</u>
RECEIPTS OVER (UNDER) EXPENDITURES			
	138,310	(401,660)	539,970
UNENCUMBERED CASH, JANUARY 1			
	<u>412,989</u>	<u>401,660</u>	<u>11,329</u>
UNENCUMBERED CASH, DECEMBER 31			
	<u>\$ 551,299</u>	<u>\$ -</u>	<u>\$ 551,299</u>

CITY OF HARPER, KANSAS
 FIRE EQUIPMENT RESERVE FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For the Year Ended December 31, 2011

Schedule 2-11

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Transfer from			
General fund	\$ 3,800	\$ 3,000	\$ 800
Police and fire equipment fund	-	1,500	(1,500)
Interest earned	289	50	239
Grants	2,298	-	2,298
Reimbursements and other	<u>2,250</u>	<u>-</u>	<u>2,250</u>
TOTAL CASH RECEIPTS	<u>8,637</u>	<u>4,550</u>	<u>4,087</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	<u>5,073</u>	<u>64,783</u>	<u>(59,710)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	3,564	(60,233)	63,797
UNENCUMBERED CASH, JANUARY 1	<u>39,720</u>	<u>-</u>	<u>39,720</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 43,284</u></u>	<u><u>\$ (60,233)</u></u>	<u><u>\$ 103,517</u></u>

CITY OF HARPER, KANSAS

NONBUDGETED SPECIAL REVENUE FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)

For the Year Ended December 31, 2011

Schedule 2-12
 Page 1 of 2

	Swimming Pool Sales Tax Revenue	Infrastructure Sales Tax Revenue	Firemen's Activity	Police Activity	Security Deposit	Diversion
CASH RECEIPTS						
Meter deposits	\$ -	\$ -	-	-	\$ 11,240	\$ -
Donations and gifts	-	-	2,280	1,195	-	-
Fees	-	-	-	-	-	500
Local retail sales tax	-	127,143	-	-	-	-
Transfers from other funds	-	31,459	-	-	-	-
TOTAL CASH RECEIPTS	-	158,602	2,280	1,195	11,240	500
EXPENDITURES						
Commodities	-	-	6,029	1,311	-	-
Refunds	-	-	-	-	7,060	-
Transfer to bond and interest fund	319,305	-	-	-	-	-
Transfer to other funds	31,459	-	-	-	-	-
TOTAL EXPENDITURES	350,764	-	6,029	1,311	7,060	-
RECEIPTS OVER (UNDER) EXPENDITURES	(350,764)	158,602	(3,749)	(116)	4,180	500
UNENCUMBERED CASH, JANUARY 1	350,764	-	4,488	1,083	13,255	350
UNENCUMBERED CASH, DECEMBER 31	-	\$ 158,602	\$ 739	\$ 967	\$ 17,435	\$ 850

CITY OF HARPER, KANSAS

NONBUDGETED SPECIAL REVENUE FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)

For the Year Ended December 31, 2011

Schedule 2-12
 Page 2 of 2

	FEMA Fire Grant	Future Community Center	Donations and Gifts	Police Drug Seizure Trust	Clearing	Special Library
CASH RECEIPTS						
Grants	\$ 26,037	\$ -	\$ -	\$ -	\$ -	\$ -
Donations and gifts	-	-	1,144	-	-	-
Payroll and employee withholdings	-	-	-	-	518,996	-
Sales tax	-	-	-	-	4,326	-
TOTAL CASH RECEIPTS	26,037	-	1,144	-	523,322	-
EXPENDITURES						
Contractual services	-	-	-	-	-	3
Capital outlay	26,037	-	-	-	-	-
Payroll and employee withholdings	-	-	-	-	518,996	-
Sales tax	-	-	-	-	4,215	-
TOTAL EXPENDITURES	26,037	-	-	-	523,211	3
RECEIPTS OVER (UNDER) EXPENDITURES	-	-	1,144	-	111	(3)
UNENCUMBERED CASH, JANUARY 1	-	84,332	17,276	50	89	3
UNENCUMBERED CASH, DECEMBER 31	\$ -	\$ 84,332	\$ 18,420	\$ 50	\$ 200	\$ -

CITY OF HARPER, KANSAS

DEBT SERVICE FUNDS

BOND AND INTEREST FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-13

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 50,766	\$ 51,077	\$ (311)
Delinquent tax	1,295	-	1,295
Motor vehicle tax	4,952	4,630	322
Recreational vehicle tax	79	76	3
16/20M truck tax	7	13	(6)
Neighborhood revitalization	-	(861)	861
Interest earned	70	-	70
Transfer from swimming pool sales tax revenue fund	319,305	319,305	-
TOTAL CASH RECEIPTS	376,474	374,240	2,234
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Fire station building - principal	10,000	10,000	-
Fire station building - interest	2,490	2,490	-
Swimming pool - principal	310,000	310,000	-
Swimming pool - interest	9,300	9,300	-
Water and sewer improvement - principal	25,000	25,000	-
Water and sewer improvement - interest	18,070	18,070	-
Fire truck - principal	9,400	9,400	-
Fire truck - interest	6,885	6,885	-
Commissions	7	85	(78)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	391,152	391,230	(78)
RECEIPTS OVER (UNDER) EXPENDITURES	(14,678)	(16,990)	2,312
UNENCUMBERED CASH, JANUARY 1	63,459	63,459	-
UNENCUMBERED CASH, DECEMBER 31	\$ 48,781	\$ 46,469	\$ 2,312

CITY OF HARPER, KANSAS

ENTERPRISE FUNDS

WATER UTILITY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-14

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Sales to consumers	\$ 437,709	\$ 400,000	\$ 37,709
Reimbursements and other	1,213	-	1,213
Interest earned	1,609	-	1,609
TOTAL CASH RECEIPTS	440,531	400,000	40,531
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Salaries	56,376	59,850	(3,474)
Health insurance	11,666	26,000	(14,334)
Social Security	7,842	8,500	(658)
KPERS	7,932	8,500	(568)
Worker's compensation	3,114	6,700	(3,586)
Contractual services	33,820	37,000	(3,180)
Commodities	3,904	6,000	(2,096)
Production			
Salaries	19,809	19,950	(141)
Contractual services	126	6,000	(5,874)
Commodities	4,134	15,000	(10,866)
Distribution			
Salaries	29,977	30,450	(473)
Contractual services	593	5,000	(4,407)
Commodities	23,461	20,000	3,461
Nonoperating expenses			
Clean water drinking fee	1,984	3,000	(1,016)
Water protection fee	1,860	3,000	(1,140)
Water sales tax	4,271	-	4,271
Security deposit interest	124	-	124
Utilities			
Electric service	20,967	15,000	5,967
Gas service	2,715	3,000	(285)
Telephone service	1,986	2,600	(614)
Debt service			
G.O. bond principal and interest	10,000	10,000	-
Revenue bond principal and interest	-	80,000	(80,000)
Transfer to equipment reserve fund	30,000	30,000	-
Transfer to water reserve fund	80,000	53,500	26,500
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	356,661	449,050	(92,389)
RECEIPTS OVER (UNDER) EXPENDITURES	83,870	(49,050)	132,920
UNENCUMBERED CASH, JANUARY 1	57,546	49,050	8,496
UNENCUMBERED CASH, DECEMBER 31	\$ 141,416	\$ -	\$ 141,416

CITY OF HARPER, KANSAS

ENTERPRISE FUNDS

WATER RESERVE FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-15

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Transfer from water utility fund	\$ 80,000	\$ 53,500	\$ 26,500
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	<u>7,698</u>	<u>378,100</u>	<u>(370,402)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	72,302	(324,600)	396,902
UNENCUMBERED CASH, JANUARY 1	<u>376,216</u>	<u>324,600</u>	<u>51,616</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 448,518</u>	<u>\$ -</u>	<u>\$ 448,518</u>

CITY OF HARPER, KANSAS

ENTERPRISE FUNDS

SEWER UTILITY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-16

	Actual	Budget	Over (Under) Budget
CASH RECEIPTS			
Charges for services	\$ 171,408	\$ 175,000	\$ (3,592)
Reimbursements and other	254	1,500	(1,246)
TOTAL CASH RECEIPTS	<u>171,662</u>	<u>176,500</u>	<u>(4,838)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Administration			
Salaries	21,289	20,150	1,139
Health insurance	4,987	9,000	(4,013)
Social Security	2,775	3,000	(225)
KPERS	2,833	3,000	(167)
Worker's compensation	1,557	2,500	(943)
Contractual services	9,277	10,000	(723)
Commodities	1,426	2,500	(1,074)
Collection			
Salaries	9,992	10,080	(88)
Contractual services	1,315	1,650	(335)
Commodities	1,497	3,000	(1,503)
Treatment			
Salaries	6,603	6,800	(197)
Contractual services	1,615	2,000	(385)
Commodities	2,514	3,000	(486)
Utilities			
Electric service	5,311	5,800	(489)
Gas service	1,298	1,300	(2)
Telephone service	880	820	60
KDHE loan payment			
Principal and interest	74,981	74,981	-
Transfer to sewer reserve fund	25,000	40,000	(15,000)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>175,150</u>	<u>199,581</u>	<u>(24,431)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(3,488)	(23,081)	19,593
UNENCUMBERED CASH, JANUARY 1	<u>31,367</u>	<u>23,081</u>	<u>8,286</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 27,879</u>	<u>\$ -</u>	<u>\$ 27,879</u>

CITY OF HARPER, KANSAS

ENTERPRISE FUNDS

SEWER RESERVE FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS

(ACTUAL AND BUDGET)

For the Year Ended December 31, 2011

Schedule 2-17

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
CASH RECEIPTS			
Transfer from sewer utility fund	\$ 25,000	\$ 40,000	\$ (15,000)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Capital outlay	<u>2,396</u>	<u>234,273</u>	<u>(231,877)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	22,604	(194,273)	216,877
UNENCUMBERED CASH, JANUARY 1	<u>198,413</u>	<u>194,273</u>	<u>4,140</u>
UNENCUMBERED CASH, DECEMBER 31	<u>\$ 221,017</u>	<u>\$ -</u>	<u>\$ 221,017</u>

CITY OF HARPER, KANSAS
 CAPITAL PROJECT FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For the Year Ended December 31, 2011

Schedule 3

	Water Tower Project	Sewer / Water Extension Project	Water Project
CASH RECEIPTS			
Bond proceeds	\$ 1,301,242	\$ -	\$ -
Grant proceeds	3,000	-	-
Interest earned	1,248	-	-
TOTAL CASH RECEIPTS	1,305,490	-	-
EXPENDITURES AND TRANSFERS			
Planning and design	40,808	-	-
Administration	5,000	-	-
Cost of issuance	23,444	-	-
TOTAL EXPENDITURES AND TRANSFERS	69,252	-	-
RECEIPTS OVER (UNDER) EXPENDITURES	1,236,238	-	-
UNENCUMBERED CASH, JANUARY 1	-	77,205	161,646
UNENCUMBERED CASH, DECEMBER 31	\$ 1,236,238	\$ 77,205	\$ 161,646

CITY OF HARPER, KANSAS

PERMANENT FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 For the Year Ended December 31, 2011

	Schedule 4 Cemetery Endowment
CASH RECEIPTS	
Donations and other	\$ 325
EXPENDITURES	-
RECEIPTS OVER (UNDER) EXPENDITURES	325
UNENCUMBERED CASH, JANUARY 1	53,970
UNENCUMBERED CASH, DECEMBER 31	\$ 54,295

CITY OF HARPER, KANSAS
HARPER PUBLIC LIBRARY
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL)
COMPONENT UNITS
For the Year Ended December 31, 2011

Schedule 5-1

CASH RECEIPTS	
Appropriation from the City	\$ 34,121
South Central Kansas Library	6,033
State aid	673
Interest earned	1,168
Grants and donations	1,800
Fines and miscellaneous	<u>2,615</u>
TOTAL CASH RECEIPTS	<u>46,410</u>
EXPENDITURES	
Payroll expense	20,118
Books and periodicals	6,385
Supplies	2,426
Professional fees	1,196
Utilities and telephone	7,579
Insurance	771
Repairs and improvements	2,225
Maintenance	975
Technology expense	1,864
Miscellaneous	<u>2,684</u>
TOTAL EXPENDITURES	<u>46,223</u>
RECEIPTS OVER (UNDER) EXPENDITURES	187
UNENCUMBERED CASH, JANUARY 1	<u>49,440</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 49,627</u></u>
ANALYSIS OF AVAILABLE CASH	
Checking account	\$ 9,527
Money market account	5,138
Savings account	7,613
Series HH - U.S. Savings Bonds	<u>28,500</u>
	50,778
ACCOUNTS PAYABLE, DECEMBER 31	<u>(1,151)</u>
UNENCUMBERED CASH, DECEMBER 31	<u><u>\$ 49,627</u></u>

CITY OF HARPER, KANSAS

HARPER RECREATION COMMISSION
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)
 COMPONENT UNITS
 For the Year Ended December 31, 2011

Schedule 5-2

CASH RECEIPTS	
Appropriation from the City	\$ 42,665
Entry fees	6,702
Donations and other	420
	<hr/>
TOTAL CASH RECEIPTS	49,787
	<hr/>
EXPENDITURES	
Advertising	456
Equipment and materials	4,911
Field improvements	12,818
Utilities and telephone	1,493
Insurance	3,192
Director fees	9,011
Repairs, maintenance, and labor	995
Dues and membership fees	1,632
Uniforms, banners, etc.	1,402
Umpires, referees, and scorekeepers	3,780
Office supplies	38
Miscellaneous	896
	<hr/>
TOTAL EXPENDITURES	40,624
	<hr/>
RECEIPTS OVER (UNDER) EXPENDITURES	9,163
UNENCUMBERED CASH, JANUARY 1	9,953
	<hr/>
UNENCUMBERED CASH, DECEMBER 31	\$ 19,116
	<hr/> <hr/>
ANALYSIS OF AVAILABLE CASH	
Checking account	\$ 20,271
ACCOUNTS PAYABLE, DECEMBER 31	(1,155)
	<hr/>
UNENCUMBERED CASH, DECEMBER 31	\$ 19,116
	<hr/> <hr/>

Edward C. Michel, CPA
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Todd V. Pflughoeft, CPA
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John W. Denney, CPA
Michael R. Meisenheimer, CPA
Nick L. Mueeting, CPA
Billy J. Klug, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**Mayor and City Council
City of Harper, Kansas**

We have audited the financial statement of the City of Harper, Kansas (the City), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012, which was modified because the financial statement is prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas. We conducted our audit in accordance with generally accepted auditing standards in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City in a separate letter dated June 8, 2012.

This report is intended solely for the information and use of the management of the City of Harper, Kansas, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lindburg Vogel Pierce Faris

Certified Public Accountants

Hutchinson, Kansas
June 8, 2012