

CITY OF NICKERSON, KANSAS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

**CITY OF NICKERSON, KANSAS
CITY OF THE THIRD CLASS
For The Year Ended December 31, 2011**

Jim Gladden, Mayor

CITY COUNCIL

Linda Fleming

Michael McLemore

Skip Russell

James Koon

Brad Berridge

Dale Brown

CITY OFFICERS

Robin Schmitt, Clerk

Stan Juhnke, Attorney

Phyllis Richardson, Treasurer

Larry Bolton, Municipal Judge

Michael Kelsey, Police Chief

CITY OF NICKERSON, KANSAS

FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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CITY OF NICKERSON, KANSAS

FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Nickerson, Kansas 67561

We have audited the accompanying financial statements of the City of Nickerson, 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 (and summarized) comparative information has been derived from the City's December 31, 2010 financial statements and in our report dated September 30, 2011 we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting 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 or permitted by 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, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, or the changes in its financial position for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 or disbursements, and budgetary comparisons for the year then ended, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, City Council, others within the organization, and the State of Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Swindoll, Janzen, Hawk & Loyd, LLC

Certified Public Accountants

March 16, 2012

CITY OF NICKERSON, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the Year Ended December 31, 2011

	<u>Beginning Unencum- bered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expendi- tures</u>	<u>Ending Un- encumbered Cash Balance</u>	<u>Encum- brances and Accounts Payable</u>	<u>Ending Cash Balance</u>
GENERAL FUND	\$ 341,570	\$ 479,659	\$ 654,624	\$ 166,605	\$ 2,650	\$ 169,255
SPECIAL REVENUE FUNDS						
Library Fund	3,170	15,119	18,106	183	-	183
Recreation Fund	(31)	3,853	3,000	822	-	822
Special Highway Fund	74,696	33,680	7,670	100,706	-	100,706
Diversion Fund	29,747	1,075	480	30,342	-	30,342
Equipment Reserve Fund	80,977	66,050	54,773	92,254	4,208	96,462
Capital Improvements Fund	-	20,000	-	20,000	-	20,000
Capital Improvements 1% Sales Tax Fund	134,686	71,157	62,199	143,644	27,129	170,773
Total Special Revenue Funds	323,245	210,934	146,228	387,951	31,337	419,288
DEBT SERVICE FUNDS						
Bond and Interest Fund	891	70,233	71,124	-	-	-
CAPITAL PROJECT FUND						
Capital Projects Fund	(289,099)	1,578,587	1,578,587	(289,099)	-	(289,099)
PERMANENT FUNDS						
Cemetery Endowment Fund	3,056	116	653	2,519	-	2,519
ENTERPRISE FUNDS						
Water Utility Fund	54,480	241,339	210,719	85,100	185	85,285
Solid Waste Fund	13,688	59,453	52,902	20,239	-	20,239
Sewer Utility Fund	299,277	191,078	225,946	264,409	85	264,494
Water Bond Reserve Account Fund	10,600	-	-	10,600	-	10,600
Sewer System Replacement Fund	93,657	-	82,732	10,925	-	10,925
Total Enterprise Funds	471,702	491,870	572,299	391,273	270	391,543
COMPONENT UNITS						
Nickerson Library Board	12,675	25,746	23,044	15,377	-	15,377
Nickerson Recreation Commission	8,410	3,838	3,218	9,030	-	9,030
Total Component Units	21,085	29,584	26,262	24,407	-	24,407
Total Reporting Entity	\$ 872,450	\$ 2,860,983	\$ 3,049,777	\$ 683,656	\$ 34,257	\$ 717,913
COMPOSITION OF CASH						
Petty Cash						\$ 156
Checking						621,037
Investments - CDs						72,313
Component Unit						24,407
Total Reporting Entity						\$ 717,913

CITY OF NICKERSON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

(Budgeted Funds Only)

For the Year Ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
GENERAL FUND	\$ 674,433	\$ -	\$ 674,433	\$ 654,624	\$ 19,809
SPECIAL REVENUE FUNDS:					
Library Fund	19,000	-	19,000	18,106	894
Recreation Commission Fund	4,000	-	4,000	3,000	1,000
Special Highway Fund	21,000	-	21,000	7,670	13,330
Diversion Fund	<u>25,332</u>	<u>-</u>	<u>25,332</u>	<u>480</u>	<u>24,852</u>
Total Special Revenue Funds	<u>69,332</u>	<u>-</u>	<u>69,332</u>	<u>29,256</u>	<u>40,076</u>
DEBT SERVICE FUNDS:					
Bond and Interest Fund	<u>72,386</u>	<u>-</u>	<u>72,386</u>	<u>71,124</u>	<u>1,262</u>
ENTERPRISE FUNDS:					
Water Utility Fund	210,719	-	210,719	210,719	-
Solid Waste Fund	67,000	-	67,000	52,902	14,098
Sewer Utility Fund	<u>240,207</u>	<u>-</u>	<u>240,207</u>	<u>225,946</u>	<u>14,261</u>
Total Enterprise Funds	<u>517,926</u>	<u>-</u>	<u>517,926</u>	<u>489,567</u>	<u>28,359</u>
Total Reporting Entity	<u>\$ 1,334,077</u>	<u>\$ -</u>	<u>\$ 1,334,077</u>	<u>\$ 1,244,571</u>	<u>\$ 89,506</u>

CITY OF NICKERSON, KANSAS

GENERAL FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes -				
Ad valorem property tax	\$ 188,787	\$ 178,917	\$ 190,938	\$ (12,021)
Back tax collections	12,977	8,351	4,700	3,651
Motor vehicle tax	46,540	43,058	49,532	(6,474)
Recreational vehicle tax	990	958	1,095	(137)
16/20M vehicle tax	-	355	547	(192)
Local sales tax	122,071	122,371	125,000	(2,629)
Total Taxes	371,365	354,010	371,812	(17,802)
Licenses and Permits -				
Franchise taxes	78,955	80,115	72,000	8,115
Other	2,871	1,754	1,400	354
Total Licenses and Permits	81,826	81,869	73,400	8,469
Charges for Services -				
Cemetery services	2,075	4,155	2,500	1,655
Fines, Forfeitures and Penalties -				
Police fines	27,290	19,646	25,000	(5,354)
Other -				
Dog licenses	1,034	563	3,340	(2,777)
Reimbursements	74,345	9,687	1,000	8,687
Miscellaneous	170	3,410	10,000	(6,590)
Interest income	9,447	6,319	5,000	1,319
Total Other	84,996	19,979	19,340	639
Total Cash Receipts	567,552	479,659	\$ 492,052	\$ (12,393)

CITY OF NICKERSON, KANSAS

GENERAL FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures				
General Administrative -				
Personal services	\$ 22,528	\$ 18,392	\$ 24,675	\$ 6,283
Contractual services	52,788	109,760	78,795	(30,965)
Commodities	6,877	5,108	10,075	4,967
Capital outlay	20	357	75,200	74,843
Miscellaneous	-	8,098	-	(8,098)
Total General Administrative	<u>82,213</u>	<u>141,715</u>	<u>188,745</u>	<u>47,030</u>
Law Enforcement -				
Personal services	101,843	60,731	110,000	49,269
Contractual services	7,506	6,561	13,500	6,939
Commodities	8,035	6,028	10,000	3,972
Miscellaneous	9,953	4,618	18,775	14,157
Total Law Enforcement	<u>127,337</u>	<u>77,938</u>	<u>152,275</u>	<u>74,337</u>
Street -				
Personal services	83,929	106,698	56,032	(50,666)
Contractual services	32,121	23,068	29,090	6,022
Commodities	42,887	45,602	24,875	(20,727)
Capital outlay	673	-	14,250	14,250
Utilities	14,997	23,510	19,833	(3,677)
Total Street	<u>174,607</u>	<u>198,878</u>	<u>144,080</u>	<u>(54,798)</u>
Court -				
Personal services	6,395	11,664	6,300	(5,364)
Contractual services	2,190	245	2,000	1,755
Commodities	5,991	1,800	4,694	2,894
Total Court	<u>14,576</u>	<u>13,709</u>	<u>12,994</u>	<u>(715)</u>
EMTs -				
Personal services	11,699	10,614	10,000	(614)
Contractual services	6,151	6,655	8,914	2,259
Commodities	2,804	288	2,200	1,912
Capital outlay	-	-	12,200	12,200
Total EMTs	<u>20,654</u>	<u>17,557</u>	<u>33,314</u>	<u>15,757</u>

CITY OF NICKERSON, KANSAS

GENERAL FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures (cont.)				
City Treasurer -				
Personal services	\$ 4,453	\$ 7,272	\$ 3,150	\$ (4,122)
Contractual services	1,007	19	75	56
Total City Treasurer	5,460	7,291	3,225	(4,066)
Council -				
Contractual services	5,102	4,395	5,200	805
Planning commission -				
Commodities	-	-	600	600
Employee Benefits -				
Health insurance	107,477	82,474	84,000	1,526
Unemployment insurance	2,060	394	4,000	3,606
KPERs	17,729	16,974	20,000	3,026
Social security	21,978	20,576	26,000	5,424
Total Employee Benefits	149,244	120,418	134,000	13,582
Other -				
Transfer to Capital Improvement Fund	-	20,000	-	(20,000)
Transfer to Equipment Reserve Fund	-	40,000	-	(40,000)
Miscellaneous	-	12,723	-	(12,723)
Total Other	-	72,723	-	(72,723)
Total Expenditures	579,193	654,624	\$ 674,433	\$ 19,809
Receipts Over (Under) Expenditures	(11,641)	(174,965)		
Unencumbered Cash, Beginning	353,211	341,570		
Unencumbered Cash, Ending	\$ 341,570	\$ 166,605		

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDLIBRARY FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem property tax	\$ 12,766	\$ 11,734	\$ 12,565	\$ (831)
Back tax collections	829	550	880	(330)
Motor vehicle tax	2,898	2,741	3,370	(629)
Recreational vehicle tax	63	72	74	(2)
16/20M vehicle tax	-	22	37	(15)
Total Cash Receipts	<u>16,556</u>	<u>15,119</u>	<u>\$ 16,926</u>	<u>\$ (1,807)</u>
Expenditures				
Library appropriations	17,000	17,000	\$ 19,000	\$ 2,000
Library benefits	<u>1,011</u>	<u>1,106</u>	-	<u>(1,106)</u>
Total Expenditures	<u>18,011</u>	<u>18,106</u>	<u>\$ 19,000</u>	<u>\$ 894</u>
Receipts Over (Under) Expenditures	(1,455)	(2,987)		
Unencumbered Cash, Beginning	<u>4,625</u>	<u>3,170</u>		
Unencumbered Cash, Ending	<u>\$ 3,170</u>	<u>\$ 183</u>		

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDRECREATION FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 2,791	\$ 2,875	\$ 3,079	\$ (204)
Delinquent tax	190	134	217	(83)
Motor vehicle tax	685	633	735	(102)
Recreational vehicle tax	5	206	16	190
16/20M vehicle tax	-	5	8	(3)
	<u>3,671</u>	<u>3,853</u>	<u>\$ 4,055</u>	<u>\$ (202)</u>
Total Receipts				
Expenditures				
Contractual services	<u>4,000</u>	<u>3,000</u>	<u>\$ 4,000</u>	<u>\$ 1,000</u>
Receipts Over (Under) Expenditures	(329)	853		
Unencumbered Cash, Beginning	<u>298</u>	<u>(31)</u>		
Unencumbered Cash, Ending	<u>\$ (31)</u>	<u>\$ 822</u>		

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDSPECIAL HIGHWAY FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Gasoline taxes - county	\$ 4,695	\$ 4,755	\$ 4,200	\$ 555
Gasoline taxes - state	30,766	28,925	31,450	(2,525)
Miscellaneous	3,975	-	-	-
Total Cash Receipts	<u>39,436</u>	<u>33,680</u>	<u>\$ 35,650</u>	<u>\$ (1,970)</u>
Expenditures				
Personal services	661	242	\$ 4,500	\$ 4,258
Contractual services	-	1,699	8,000	6,301
Commodities	-	5,729	8,500	2,771
Total Expenditures	<u>661</u>	<u>7,670</u>	<u>\$ 21,000</u>	<u>\$ 13,330</u>
Receipts Over (Under) Expenditures	38,775	26,010		
Unencumbered Cash, Beginning	<u>35,921</u>	<u>74,696</u>		
Unencumbered Cash, Ending	<u>\$ 74,696</u>	<u>\$ 100,706</u>		

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDDIVERSION FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011</u>		<u>Variance - Favorable (Unfavorable)</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Diversion fees	\$ 4,415	\$ 1,075	\$ 10,000	\$ (8,925)
Expenditures				
Commodities	-	480	\$ 25,332	\$ 24,852
Receipts Over (Under) Expenditures	4,415	595		
Unencumbered Cash, Beginning	<u>25,332</u>	<u>29,747</u>		
Unencumbered Cash, Ending	<u>\$ 29,747</u>	<u>\$ 30,342</u>		

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDSEQUIPMENT RESERVE FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUND

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
Transfer from General Fund	\$ -	\$ 40,000
Miscellaneous	-	26,050
	<u>-</u>	<u>66,050</u>
Total Receipts		
Expenditures		
Capital outlay	<u>11,545</u>	<u>54,773</u>
Receipts Over (Under) Expenditures	(11,545)	11,277
Unencumbered Cash, Beginning	<u>92,522</u>	<u>80,977</u>
Unencumbered Cash, Ending	<u>\$ 80,977</u>	<u>\$ 92,254</u>

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDSCAPITAL IMPROVEMENTS FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUND

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
Transfer from General Fund	\$ -	\$ 20,000
Expenditures		
Capital outlay	-	-
Receipts Over (Under) Expenditures	-	20,000
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 20,000</u>

CITY OF NICKERSON, KANSAS

SPECIAL REVENUE FUNDSCAPITAL IMPROVEMENTS 1% SALES TAX FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUND

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
Miscellaneous	\$ 70,188	\$ 71,157
Expenditures		
Capital outlay	<u>3,433</u>	<u>62,199</u>
Receipts Over (Under) Expenditures	66,755	8,958
Unencumbered Cash, Beginning	<u>67,931</u>	<u>134,686</u>
Unencumbered Cash, Ending	<u>\$ 134,686</u>	<u>\$ 143,644</u>

CITY OF NICKERSON, KANSAS

DEBT SERVICE FUNDSBOND AND INTEREST FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 21,834	\$ 17,922	\$ 19,197	\$ (1,275)
Delinquent tax	1,125	866	-	866
Motor vehicle tax	3,465	3,666	5,780	(2,114)
Recreational vehicle tax	78	88	128	(40)
16/20M vehicle tax	-	26	64	(38)
Transfer from Water Utility Fund	46,016	43,896	46,666	(2,770)
Transfer from Sewer Utility Fund	-	3,769	-	3,769
Total Receipts	<u>72,518</u>	<u>70,233</u>	<u>\$ 71,835</u>	<u>\$ (1,602)</u>
Expenditures				
Principal	45,000	45,000	\$ 45,000	\$ -
Interest	28,616	26,116	27,366	1,250
Commission & postage	8	8	20	12
Total Expenditures	<u>73,624</u>	<u>71,124</u>	<u>\$ 72,386</u>	<u>\$ 1,262</u>
Receipts Over (Under) Expenditures	(1,106)	(891)		
Unencumbered Cash, Beginning	<u>1,997</u>	<u>891</u>		
Unencumbered Cash, Ending	<u>\$ 891</u>	<u>\$ -</u>		

CITY OF NICKERSON, KANSAS

CAPITAL PROJECT FUNDSCAPITAL PROJECTS FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUND

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
KDHE loan advance	\$ 1,282,769	\$ 1,578,587
Expenditures		
Construction	1,291,797	1,502,587
Loan payments	<u>76,000</u>	<u>76,000</u>
Total Expenditures	<u>1,367,797</u>	<u>1,578,587</u>
Receipts Over (Under) Expenditures	(85,028)	-
Unencumbered Cash, Beginning	<u>(204,071)</u>	<u>(289,099)</u>
Unencumbered Cash, Ending	<u>\$ (289,099)</u>	<u>\$ (289,099)</u>

CITY OF NICKERSON, KANSAS

PERMANENT FUNDCEMETERY ENDOWMENT FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUND

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
Interest income	\$ 388	\$ 116
Expenditures		
Contractual services	<u>11,132</u>	<u>653</u>
Receipts Over (Under) Expenditures	(10,744)	(537)
Unencumbered Cash, Beginning	<u>13,800</u>	<u>3,056</u>
Unencumbered Cash, Ending	<u>\$ 3,056</u>	<u>\$ 2,519</u>

CITY OF NICKERSON, KANSAS

ENTERPRISE FUNDWATER UTILITY FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sale of water	\$ 159,268	\$ 203,062	\$ 200,000	\$ 3,062
Interest income	24	17	20	(3)
Insurance Reimbursement	33	38,260	3,500	34,760
	<u>159,325</u>	<u>241,339</u>	<u>\$ 203,520</u>	<u>\$ 37,819</u>
Total Cash Receipts				
Expenditures				
Personal services	34,674	38,308	\$ 56,032	\$ 17,724
Contractual services	15,901	57,628	34,550	(23,078)
Commodities	29,899	36,787	36,135	(652)
Capital outlay	-	-	15,000	15,000
Utilities	11,143	11,088	12,961	1,873
KDHE loan payment	23,012	23,012	-	(23,012)
Transfer to Water Principal & Interest Fund	-	-	30,341	30,341
Transfer to Bond and Interest Fund	46,016	43,896	25,700	(18,196)
	<u>160,645</u>	<u>210,719</u>	<u>\$ 210,719</u>	<u>\$ -</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(1,320)	30,620		
Unencumbered Cash, Beginning	<u>55,800</u>	<u>54,480</u>		
Unencumbered Cash, Ending	<u>\$ 54,480</u>	<u>\$ 85,100</u>		

CITY OF NICKERSON, KANSAS

ENTERPRISE FUNDSOLID WASTE FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Trash service fees	\$ 53,289	\$ 59,453	\$ 67,000	\$ (7,547)
Expenditures				
Contractual services	62,682	52,902	\$ 67,000	\$ 14,098
Receipts Over (Under) Expenditures	(9,393)	6,551		
Unencumbered Cash, Beginning	23,081	13,688		
Unencumbered Cash, Ending	\$ 13,688	\$ 20,239		

CITY OF NICKERSON, KANSAS

ENTERPRISE FUNDSEWER UTILITY FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Fees collected	\$ 178,605	\$ 191,078	\$ 180,000	\$ 11,078
Expenditures				
Personal services	27,630	21,930	\$ 56,232	\$ 34,302
Contractual services	11,071	15,280	12,500	(2,780)
Commodities	12,607	28,793	9,000	(19,793)
Capital outlay	8,816	-	-	-
Utilities	7,550	4,174	6,200	2,026
County taxes	-	-	525	525
Building-liability-vehicle insurance	-	-	4,850	4,850
KDHE loan repayment	76,000	152,000	150,900	(1,100)
Transfer to bond and interest	-	3,769	-	(3,769)
Total Expenditures	143,674	225,946	\$ 240,207	\$ 14,261
Receipts Over (Under) Expenditures	34,931	(34,868)		
Unencumbered Cash, Beginning	264,346	299,277		
Unencumbered Cash, Ending	\$ 299,277	\$ 264,409		

CITY OF NICKERSON, KANSAS

ENTERPRISE FUNDSWATER BOND RESERVE ACCOUNTSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUNDS

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>10,600</u>	<u>10,600</u>
Unencumbered Cash, Ending	<u>\$ 10,600</u>	<u>\$ 10,600</u>

CITY OF NICKERSON, KANSAS

ENTERPRISE FUNDSSEWER SYSTEM REPLACEMENTSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - NON-BUDGETED FUNDS

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts	\$ -	\$ -
Expenditures		
Payments of Easements	-	82,732
Receipts Over (Under) Expenditures	-	(82,732)
Unencumbered Cash, Beginning	<u>93,657</u>	<u>93,657</u>
Unencumbered Cash, Ending	<u>\$ 93,657</u>	<u>\$ 10,925</u>

CITY OF NICKERSON, KANSAS

COMPONENT UNIT

LIBRARY BOARD

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
City of Nickerson	\$ 17,000	\$ 17,000
Grants	2,108	7,463
Fines and donations	299	1,283
	<u>19,407</u>	<u>25,746</u>
Expenditures		
Books and periodicals	729	654
Payroll	12,822	13,103
Payroll taxes	2,669	1,077
Supplies and materials	718	3,355
Utilities	4,120	4,855
	<u>21,058</u>	<u>23,044</u>
Receipts Over (Under) Expenditures	(1,651)	2,702
Unencumbered Cash, Beginning	<u>14,326</u>	<u>12,675</u>
Unencumbered Cash, Ending	<u>\$ 12,675</u>	<u>\$ 15,377</u>

CITY OF NICKERSON, KANSAS

COMPONENT UNIT

RECREATION COMMISSION

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Cash Receipts		
City of Nickerson	\$ 4,000	\$ 3,000
Fees, etc.	1,435	678
Miscellaneous	1,085	-
Concessions	472	160
	<u>6,992</u>	<u>3,838</u>
 Total Cash Receipts		
Expenditures		
Equipment	120	-
Payroll	250	250
Capital outlay	-	1,500
Concessions	313	302
Repairs	833	242
Program costs	679	826
Miscellaneous	243	98
	<u>2,438</u>	<u>3,218</u>
 Total Expenditures		
Receipts Over (Under) Expenditures	4,554	620
Unencumbered Cash, Beginning	<u>3,856</u>	<u>8,410</u>
Unencumbered Cash, Ending	<u>\$ 8,410</u>	<u>\$ 9,030</u>

CITY OF NICKERSON, KANSAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

Discretely Present Component Unit. The component unit 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 body of these component units are appointed by the City.

Library. The City of Nickerson Library Board operates the City's public library. It is not a separate taxing entity under Kansas Statutes, and the City levies taxes for the library operations, which represent a significant portion of its total revenues. Complete financial records for the Library Board may be reviewed at the administrative offices of the entity at 23 North Nickerson Street, Nickerson, KS 67561.

Recreation Commission. The City of Nickerson Recreation Commission Board operates the City's recreation commission. The recreation commission oversees recreation activities and operates as a separate governing body, but the City levies the taxes for the recreation commission, and the recreation commission has only the powers granted by statute, K.S.A 12-1928. Complete financial records for the Library Board may be reviewed at the administrative offices of the City at 15 North Nickerson Street, Nickerson, KS 67561.

(b) Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The City has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws regulations, or other restrictions. The City uses the following fund types:

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Basis of Presentation - Fund Accounting (cont.)

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments, private purpose trust or major capital projects that are legally restricted to expenditures for specified purposes.

Capital Project Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Permanent Funds.

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

Permanent funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purpose that support the government's programs.

Proprietary Fund Type

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the 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.

(c) Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, 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 with disbursements being adjusted for prior year's 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.

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

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of 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 generally accepted accounting principles. 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, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
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 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. There were no such budget amendments for 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. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances with disbursements being adjusted for prior year's 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. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Permanent Funds, and the following Special Revenue Funds; Equipment Reserve and Capital Improvements.

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.

(f) Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

(g) Compensated Absences

Vacation time is earned and vested and must be used within the following calendar year. The sick leave policy for the City permits employees to accumulate a maximum of 60 days sick leave. Employees are not paid unused sick leave upon termination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Use of Estimates

The process of preparing financial statements requires 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 statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

No statutory violations noted in 2011.

3. 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, or in an adjoining county if such institution has been designated as an official depository, 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 other policies 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.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$693,506 and the bank balance was \$738,851. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$488,851 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2011, the carrying amount of the component unit's deposits, including certificates of deposit was \$24,481. The bank balance was \$24,407. Of the bank balance, all was covered by FDIC insurance.

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 require investments to be adequately secured.

4. LONG-TERM DEBT

Principal payments are due annually for general obligation bonds on September 1 for the library 1994 series and October 1 for the 2002 water tower series. Interest payments are due semi-annually on March 1 and September 1 for the 1994 series, and April 1 and October 1 for 2002 series.

Changes in 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	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest and fees Paid
General Obligation Bonds:									
Series 1994 Library	6%	08/01/94	\$ 275,000	09/01/14	\$ 85,000	\$ -	\$ 20,000	\$ 65,000	\$ 5,100
Series 2002 Water Tower	4.75% to 5.375%	04/15/02	552,000	10/01/22	405,000	-	25,000	380,000	21,016
Kansas Water Pollution									
Control Revolving Loan	2.72%	07/23/09	4,978,000	09/01/27	2,660,922	1,578,587	73,035	4,166,474	78,965
KDHE Loan	3.04%	11/06/08	332,289	08/01/28	308,169	-	12,672	295,497	10,340
Total Indebtedness					3,459,091	1,578,587	130,707	4,906,971	115,421
Compensated Absences					6,656	1,064	-	7,720	-
Total Long-Term Liabilities					\$ 3,465,747	\$ 1,579,651	\$ 130,707	\$ 4,914,691	\$ 115,421

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

	Year								
	2012	2013	2014	2015	2016	2017 to 2021	2022 to 2026	2027 to 2028	Total
Principal:									
General Obligation Bonds:									
Series 1994 Library	\$ 20,000	\$ 20,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Series 2002 Water Tower	25,000	30,000	30,000	30,000	30,000	190,000	45,000	-	380,000
Kansas Water Pollution									
Control Revolving Loan	137,000	259,970	267,089	274,404	281,918	1,529,711	1,416,382	-	4,166,474
KDHE Loan	13,105	13,553	14,016	14,496	14,991	83,003	98,195	44,138	295,497
Total Principal	195,105	323,523	336,105	318,900	326,909	1,802,714	1,559,577	44,138	4,906,971
Interest:									
General Obligation Bonds:									
Series 1994 Library	3,900	2,700	1,500	-	-	-	-	-	8,100
Series 2002 Water Tower	19,716	18,416	16,991	15,521	14,021	43,336	2,419	-	130,420
Kansas Water Pollution									
Control Revolving Loan	120,430	115,571	109,106	102,464	95,640	369,419	153,601	-	1,066,231
KDHE Loan	8,884	8,483	8,067	7,637	7,193	28,749	15,125	1,691	85,829
Total Interest	152,930	145,170	135,664	125,622	116,854	441,504	171,145	1,691	1,290,580
Total Principal and Interest	\$ 348,035	\$ 468,693	\$ 471,769	\$ 444,522	\$ 443,763	\$ 2,244,218	\$ 1,730,722	\$ 45,829	\$ 6,197,551

5. CAPITAL PROJECTS

The City is required by federal and state agencies to upgrade its wastewater system. Costs for this project which have not been finalized approximate \$5,000,000. The project is to be funded with a combination of long-term debt and grants if available. The City's ultimate share of the costs will be determined at a later date. At year-end, capital project authorizations with approved change orders compared with expenditures from inceptions are as follows:

	Expenditures to Date 12/31/11	Project Authorization
Wastewater treatment system	<u>\$ 4,458,896</u>	<u>\$ 4,978,000</u>

6. PENSION COSTS AND EMPLOYEE BENEFITS

(a) *Defined Benefit Pension Plan*

Plan Description. The City 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 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired before July 1, 2009. After this date the rate changes to 6%. 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 for calendar year 2011 is 6.74%. The City employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009 were \$15,217, \$14,045, and \$13,817, respectively, equal to the required contributions for each year.

(b) *Other Employee Benefits*

Vacation - Vacation leave is earned beginning with the completion of the first full calendar year of employment for full-time employees, including the training period, according to the following schedule:

<u>Years of Service</u>	<u>Per Year</u>
1 year of service	5 working days
2 to 7 years of service	10 working days
8 plus years of service	15 working days

All vacations must be taken in the employment year earned and may not be accumulated year to year. Unused vacation time during the anniversary year is lost. No employee may choose to receive pay instead of vacation. Any employee who resigns or is discharged for unsatisfactory performance or is laid off will receive pay for the unused vacation earned. Any employee discharged for dishonesty forfeits all vacation pay. Any retiring employee is to be paid all earned and unused vacation.

6. PENSION COSTS AND EMPLOYEE BENEFITS (CONT.)

(b) Other Employee Benefits (Continued)

Part-time, temporary, and seasonal employees are not eligible for paid vacation leave.

Sick leave – Employees receive eight hours of sick leave for each month of employment with a maximum accumulation of 60 working days. Accrued sick leave credits are cancelled without compensation upon either the voluntary or involuntary termination of employment.

(c) Other Post Employment Benefits

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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 these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 government under this program.

7. INTERFUND TRANSFERS

A summary of operating transfers by fund are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Improvement	K.S.A. 12-1,117	\$ 20,000
General	Equipment Fund	K.S.A. 12-1,117	40,000
Water Utility Fund	Bond and Interest Fund	City Ordinance	43,896
Sewer Utility Fund	Bond and Interest Fund	City Ordinance	<u>3,769</u>
			<u>\$ 107,665</u>

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss; torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2010 to 2011 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

9. SUBSEQUENT EVENT

On January 26, 2012, the City issued General Obligation Bonds, Series 2012 A and B, in the amount of \$2,000,000 and \$943,000, respectively. Interest rates are 3.75% for the Series A and B bonds. The Series A and B bonds mature on January 26, 2052. The bonds were issued to repay the loan obligations to the Kansas Department of Health and Environment that were incurred to fund the City's Sewer Replacement Project.

As of March 16, 2012, the date of this report, no material subsequent events have been noted.