

CITY OF PALCO, KANSAS
Palco, Kansas
Independent Audit Report
January 1, 2011 to December 31, 2011

MAPES & MILLER LLP
Certified Public Accountants
Norton, Kansas

CITY OF PALCO, KANSAS
Audit Report
January 1, 2011 to December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Palco, Kansas, as of and for the year ended December 31, 2011, which comprises the basic financial statement of the City's primary government, as listed in the table of contents. This financial statement is the responsibility of the City of Palco's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

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

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As described more fully in Note 1, the City of Palco, Kansas has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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In our opinion, because of the omission of the discretely presented component unit, as discussed above, and 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 of Palco, Kansas, as of December 31, 2011, or the respective changes in financial position 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 balances of the primary government of the City of Palco, Kansas 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.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget and individual fund schedules of cash receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for 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 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.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
January 16, 2013

CITY OF PALCO, KANSAS

STATEMENT 1

Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Page 1

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Fund	\$ 14,525	0	87,579	74,053	28,051	3,640	31,691
Special Revenue Funds							
Library	64	0	5,123	4,782	405	0	405
Employee Benefits	0	0	21,956	21,642	314	23	337
Special Highway	3,836	0	6,356	4,271	5,921	495	6,416
Expendable Trust	54,452	0	6,446	7,636	53,262	103	53,365
McKenna Fund	0	0	300,000	32,001	267,999	0	267,999
Special Equipment	9,083	0	3,684	6,140	6,627	0	6,627
Debt Service Funds							
Bond and Interest	645	0	24,286	23,846	1,085	0	1,085
Proprietary Fund Types:							
Enterprise Funds							
Ambulance	19,630	0	13,000	22,418	10,212	0	10,212
Water	28,280	0	39,675	48,929	19,026	622	19,648
Sewer	2,564	0	33,767	28,543	7,788	227	8,015
Solid Waste	10,377	0	40,919	48,790	2,506	1,652	4,158
Customer Deposits	11,594	0	1,762	438	12,918	0	12,918
Water Reserve	6,844	0	7,000	5,911	7,933	0	7,933
Total Reporting Entity	\$ <u>161,894</u>	<u>0</u>	<u>591,553</u>	<u>329,400</u>	<u>424,047</u>	<u>6,762</u>	<u>430,809</u>

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

CITY OF PALCO, KANSAS
Composition of Cash
For the Year Ended December 31, 2011

STATEMENT 1
Page 2

Cash on Hand	\$	75
Midwest Community Bank - Plainville, Kansas		
NOW Accounts		144,144
Checking Accounts		267,999
Certificates of Deposit		<u>18,591</u>
Total Cash		<u>430,734</u>
Total Primary Government Reporting Entity	\$	<u><u>430,809</u></u>

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

CITY OF PALCO, KANSAS
Notes to the Financial Statement
December 31, 2011

1. **Summary of Significant Accounting Policies**

The City of Palco, Kansas, the primary government, operates as a third class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, light, water, sewer, culture and recreation, planning and zoning, public improvements and general administrative services.

Reporting Entity

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statement to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

The City's financial statement does not include the financial data for the City's legally separate component unit, and therefore, is not a complete presentation in accordance with generally accepted accounting principles. The following entity is considered to be a component unit of the City:

Palco Public Library. The Palco Public Library is considered a component unit of the City due to the City's ability to control the appointment of its governing board and the Library's fiscal dependency on appropriations from the City of Palco. The unaudited financial statements for the Palco Public Library can be obtained from Ashley Kuhn, Board Treasurer, at 309 Main St, Palco, Kansas.

Fund Accounting

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

The following types of funds comprise the financial activities of the City of Palco for the year 2011:

Governmental Funds:

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

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

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

Proprietary Funds:

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

Reimbursed Expenditures

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statement meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis 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 is charged in the fund from which the transfer is made.

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

Departure from 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. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances 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 principals. Capital assets that account for the land, building, 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.

2. 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 adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget 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. 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 City for future payments and are supported by a document evidencing the commitment, such as purchase order or contract. Any unused budget expenditure authority lapses at year-end.

A legal operating budget is not required for Customer Deposits, Water Reserve and the following special revenue funds: Expendable Trust, McKenna Fund and Special Equipment.

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

3. **Property Taxes**

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statement taken as a whole.

4. **Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.

5. **Compensated Absences**

Vacation Leave

Full-time employees and the city clerk are entitled to paid vacation leave time according to the following schedule; provided, no paid vacation leave time may be taken during the first six months of employment. Vacation leave time does not accumulate and must be used by December 31. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

Years of Continuous Employment	<u>0 to 5</u>	<u>5 to 10</u>	<u>Over 10</u>
Work Days	10	12	15

Part-time employees who work at least 30 hours or more per week shall earn vacation credit at the rate of 1/2 day for each month of employment. Seasonal and temporary employees shall not earn vacation leave.

Sick Leave

Full-time employees shall earn one day of sick leave for each full month of service. Part-time employees who are employed to work not less than 20 hours per week shall receive 1/2 day of sick leave for each month of employment. Employees may accumulate up to 720 hours of sick leave. Upon termination of employment with the City, an employee shall not be paid for any unused sick leave.

6. **Defined Benefit Pension Plan**

Plan Description. The City of Palco, Kansas participates in 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 provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue 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 percent of covered salary for active members hired before July 1, 2009. For active members employed on or after July 1, 2009, K.S.A. 74-49,210 established the KPERS member-employee contribution rate at 6% of covered salaries. The employer collects and remits member-employee contributions according to the provision 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 was 6.74%, which includes Death and Disability Insurance rate of 1%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$4,684, \$4,274, and \$2,959 respectively, equal to the required contributions for each year as set forth by the legislature.

7. **Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. Each retiree would pay the full amount of the applicable premium, conceptually; the City would be subsidizing the retirees because each participant would be charged a level premium regardless of age. As of December 31, 2011 the City had no retirees participating in the group health insurance plan.

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.

8. **Deposits and Investments**

At December 31, 2011, the City had no investments except for certificates of deposit which are considered to be a component of deposits.

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 municipality is located and the banks provide an acceptable rate of return on the 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, except during designated "peak periods" when required coverage is 50%. The City has not designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$430,734 and the bank balance was \$436,766. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$418,522 was covered by federal depository insurance, \$18,244 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

9. **Interfund Transactions**

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Solid Waste	Bond and Interest	K.S.A. 12-825d	\$ 10,000
General Fund	Special Equipment Fund	K.S.A. 12-1,117	3,534
Water	Water Reserve	K.S.A. 12-825d	7,000

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in The Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, public officials liability and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Compliance with Kansas Statutes

Budget Compliance. K.S.A. 79-2935 states that it is unlawful for the governing body of any taxing subdivision or municipality to create indebtedness in excess of the total amount of the adopted budget for that budget year. Expenditures in the Bond and Interest fund has exceeded the published budget amount. This appears to be in violation of this statute.

Bonds and Warrants. Per K.S.A 10-130, bond and interest payments shall be remitted to the state fiscal agent at least 20 days before the day of maturity. It was noted by the Kansas State Treasurer's Office that the City's remittance of funds did not meet these requirements. This appears to be a violation of this statute.

Annual Statement. K.S.A. 12-1608 requires the City to publish annual financial statements showing, by fund: beginning and ending balances, receipts, and expenditures along with obligation/liability information. The City did not publish such annual statement. This appears to be a violation of this statute.

12. General Long-term Debt

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Waterworks Bond	5.50%	05/24/00	100,000	09/01/15	50,000	0	10,000	40,000	2,750
Streets/Building/Truck Bond	4.50%	07/29/03	99,000	08/01/18	<u>63,000</u>	<u>0</u>	<u>7,000</u>	<u>56,000</u>	<u>4,095</u>
Total General Obligation Bonds					<u>113,000</u>	<u>0</u>	<u>17,000</u>	<u>96,000</u>	<u>6,845</u>
Kansas Department of Health and Environment Loan									
	2.86%	05/02/03	224,307	09/01/20	<u>155,993</u>	<u>0</u>	<u>9,204</u>	<u>146,789</u>	<u>4,396</u>
					<u>155,993</u>	<u>0</u>	<u>9,204</u>	<u>146,789</u>	<u>4,396</u>
Total Contractual Indebtedness					<u><u>268,993</u></u>	<u><u>0</u></u>	<u><u>26,204</u></u>	<u><u>242,789</u></u>	<u><u>11,241</u></u>

12. Long-term Debt (continued)

Current maturities of long-term debt for the City of Palco, Kansas through maturity are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>Total</u>
PRINCIPAL								
General Obligation Bonds:								
Waterworks Bond	10,000	10,000	10,000	10,000	0	0	0	40,000
Streets/Building/Truck Bond	<u>7,000</u>	<u>7,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>18,000</u>	<u>0</u>	<u>56,000</u>
Total General Obligation Bonds	<u>17,000</u>	<u>17,000</u>	<u>18,000</u>	<u>18,000</u>	<u>8,000</u>	<u>18,000</u>	<u>0</u>	<u>96,000</u>
Kansas Department of Health and Environment Loan	<u>9,469</u>	<u>9,742</u>	<u>10,022</u>	<u>10,311</u>	<u>10,608</u>	<u>57,804</u>	<u>38,833</u>	<u>146,789</u>
TOTAL PRINCIPAL	<u>26,469</u>	<u>26,742</u>	<u>28,022</u>	<u>28,311</u>	<u>18,608</u>	<u>75,804</u>	<u>38,833</u>	<u>242,789</u>
INTEREST								
General Obligation Bonds:								
Waterworks Bond	2,200	1,650	1,100	550	0	0	0	5,500
Streets/Building/Truck Bond	<u>1,260</u>	<u>2,205</u>	<u>1,890</u>	<u>1,530</u>	<u>1,170</u>	<u>1,215</u>	<u>0</u>	<u>9,270</u>
Total General Obligation Bonds	<u>3,460</u>	<u>3,855</u>	<u>2,990</u>	<u>2,080</u>	<u>1,170</u>	<u>1,215</u>	<u>0</u>	<u>14,770</u>
Kansas Department of Health and Environment Loan	<u>4,131</u>	<u>3,858</u>	<u>3,578</u>	<u>3,289</u>	<u>2,992</u>	<u>10,196</u>	<u>1,967</u>	<u>30,011</u>
TOTAL INTEREST	<u>7,591</u>	<u>7,713</u>	<u>6,568</u>	<u>5,369</u>	<u>4,162</u>	<u>11,411</u>	<u>1,967</u>	<u>44,781</u>
TOTAL PRINCIPAL AND INTEREST	<u>34,060</u>	<u>34,455</u>	<u>34,590</u>	<u>33,680</u>	<u>22,770</u>	<u>87,215</u>	<u>40,800</u>	<u>287,570</u>

CITY OF PALCO, KANSAS
 Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 1

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Types:					
General Fund	\$ 95,187	0	95,187	74,053	21,134
Special Revenue Funds					
Library	5,165	0	5,165	4,782	383
Employee Benefits	22,306	0	22,306	21,642	664
Special Highway	7,408	0	7,408	4,271	3,137
Debt Service Funds					
Bond and Interest	23,764	0	23,764	23,846	(82)
Proprietary Fund Types:					
Enterprise Funds					
Ambulance	28,202	0	28,202	22,418	5,784
Water	70,137	0	70,137	48,929	21,208
Sewer	46,930	0	46,930	28,543	18,387
Solid Waste	50,224	0	50,224	48,790	1,434

CITY OF PALCO, KANSAS

SCHEDULE 2

GENERAL FUND

Page 1

Schedule of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2011

Cash Receipts:	Actual	Budget	Variance Over (Under)
Taxes:			
Ad Valorem Property	\$ 53,799	54,250	(451)
Delinquent	9,017	0	9,017
Motor Vehicle	9,436	9,689	(253)
Recreational Vehicle	150	170	(20)
16/20M Vehicle Tax	117	154	(37)
Intergovernmental:			
Local Sales Tax	1	0	1
Licenses, Fees, Fines and Permits:			
Franchise Fees	12,754	13,000	(246)
Licenses, Fees and Permits	1,508	1,000	508
Fines and Penalties	500	100	400
Interest on Idle Funds	222	1,660	(1,438)
Miscellaneous	75	0	75
Total Cash Receipts	<u>87,579</u>	<u>80,023</u>	<u>7,556</u>
Expenditures:			
General Government	34,493	31,000	3,493
Police	0	1,425	(1,425)
Shop	2,467	2,500	(33)
Park	2,116	2,500	(384)
Fire Department	4,466	8,000	(3,534)
Street Lights	7,393	6,500	893
Building Repair	1,030	1,000	30
Equipment Repair	3,175	3,000	175
Economic Development	0	950	(950)
Legal Fees	1,853	2,200	(347)
Street Maintenance	2,610	20,000	(17,390)
Insurance	6,296	4,800	1,496
Equipment Reserve	3,250	5,957	(2,707)
Public Transportation	1,370	1,000	370
Neighborhood Revitalization	0	2,355	(2,355)
Transfer to Special Equipment	3,534	2,000	1,534
Total Expenditures	<u>74,053</u>	<u>95,187</u>	<u>(21,134)</u>
Cash Receipts over (under) Expenditures	13,526		
Unencumbered Cash, Beginning	<u>14,525</u>		
Unencumbered Cash, Ending	<u>\$ 28,051</u>		

CITY OF PALCO, KANSAS
LIBRARY FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 2

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 3,763	3,795	(32)
Delinquent	689	0	689
Motor Vehicle	653	672	(19)
Recreational Vehicle	10	12	(2)
16/20M Vehicle Tax	8	11	(3)
Total Cash Receipts	5,123	4,490	633
Expenditures:			
Appropriations	4,782	5,000	(218)
Neighborhood Revitaliation	0	165	(165)
Total Expenditures	4,782	5,165	(383)
Cash Receipts over (under) Expenditures	341		
Unencumbered Cash, Beginning	64		
Unencumbered Cash, Ending	\$ 405		

CITY OF PALCO, KANSAS
EMPLOYEE BENEFITS FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 3

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 16,135	16,270	(135)
Delinquent	2,678	0	2,678
Motor Vehicle	3,005	3,113	(108)
Recreational Vehicle	47	55	(8)
16/20M Vehicle Tax	53	50	3
Miscellaneous	38	0	38
Total Cash Receipts	21,956	19,488	2,468
Expenditures:			
Unemployment Insurance	82	3,000	(2,918)
Social Security/Medicare	6,495	5,000	1,495
KPERS	4,531	2,600	1,931
Medical Insurance	7,356	11,000	(3,644)
Worker's Compensation	3,178	0	3,178
Neighborhood Revitalization	0	706	(706)
Total Expenditures	21,642	22,306	(664)
Cash Receipts over (under) Expenditures	314		
Unencumbered Cash, Beginning	0		
Unencumbered Cash, Ending	\$ 314		

CITY OF PALCO, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 4

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Intergovernmental			
State of Kansas	\$ 6,356	5,990	366
Expenditures:			
Contractual Services	955	2,408	(1,453)
Commodities	3,316	5,000	(1,684)
Total Expenditures	4,271	7,408	(3,137)
Cash Receipts over (under) Expenditures	2,085		
Unencumbered Cash, Beginning	3,836		
Unencumbered Cash, Ending	\$ 5,921		

CITY OF PALCO, KANSAS
BOND AND INTEREST FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 5

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 10,952	11,044	(92)
Delinquent	1,787	0	1,787
Motor Vehicle	1,523	1,577	(54)
Recreational Vehicle	24	28	(4)
16/20M Vehicle Tax	0	25	(25)
Transfer from Solid Waste	10,000	10,000	0
Total Cash Receipts	24,286	22,674	1,612
Expenditures:			
Principal	17,000	17,000	0
Interest	6,845	5,585	1,260
Commission and Fees	1	0	1
Cash-Basis Reserve	0	700	(700)
Neighborhood Revitalization	0	479	(479)
Total Expenditures	23,846	23,764	82
Cash Receipts over (under) Expenditures	440		
Unencumbered Cash, Beginning	645		
Unencumbered Cash, Ending	\$ 1,085		

CITY OF PALCO, KANSAS
AMBULANCE FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 6

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 1,000	1,000	0
County Subsidy	12,000	13,000	(1,000)
Total Cash Receipts	13,000	14,000	(1,000)
Expenditures:			
Personal Services	9,000	9,500	(500)
Contractual Services	3,622	11,500	(7,878)
Commodities	9,796	7,202	2,594
Total Expenditures	22,418	28,202	(5,784)
Cash Receipts over (under) Expenditures	(9,418)		
Unencumbered Cash, Beginning	19,630		
Unencumbered Cash, Ending	\$ 10,212		

CITY OF PALCO, KANSAS
WATER FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 7

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ <u>39,675</u>	<u>50,000</u>	<u>(10,325)</u>
Expenditures:			
Personal Services	28,677	44,000	(15,323)
Contractual Services	7,378	9,000	(1,622)
Commodities	5,874	10,137	(4,263)
Transfer to Water Reserve	<u>7,000</u>	<u>7,000</u>	<u>0</u>
Total Expenditures	<u>48,929</u>	<u>70,137</u>	<u>(21,208)</u>
Cash Receipts over (under) Expenditures	(9,254)		
Unencumbered Cash, Beginning	<u>28,280</u>		
Unencumbered Cash, Ending	\$ <u>19,026</u>		

CITY OF PALCO, KANSAS
SEWER FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 8

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 33,767	<u>38,000</u>	<u>(4,233)</u>
Expenditures:			
Personal Services	8,690	16,000	(7,310)
Contractual Services	2,926	10,000	(7,074)
Commodities	3,640	7,330	(3,690)
KDHE Loan-Principal Payment	9,204	9,204	0
KDHE Loan-Interest Payment	<u>4,083</u>	<u>4,396</u>	<u>(313)</u>
Total Expenditures	<u>28,543</u>	<u>46,930</u>	<u>(18,387)</u>
Cash Receipts over (under) Expenditures	5,224		
Unencumbered Cash, Beginning	<u>2,564</u>		
Unencumbered Cash, Ending	\$ <u>7,788</u>		

CITY OF PALCO, KANSAS
SOLID WASTE FUND
Schedule of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2011

SCHEDULE 2
Page 9

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 40,919	<u>38,000</u>	<u>2,919</u>
Expenditures:			
Personal Services	23,008	17,000	6,008
Contractual Services	9,835	13,000	(3,165)
Commodities	5,947	10,224	(4,277)
Transfer to Bond and Interest	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Expenditures	<u>48,790</u>	<u>50,224</u>	<u>(1,434)</u>
Cash Receipts over (under) Expenditures	(7,871)		
Unencumbered Cash, Beginning	<u>10,377</u>		
Unencumbered Cash, Ending	\$ <u>2,506</u>		

CITY OF PALCO, KANSAS
 Any Nonbudgeted Funds
 Schedule of Cash Receipts and Expenditures
For the Year Ended December 31, 2011

SCHEDULE 2
 Page 10

	Water Reserve	Expendable Trust	McKenna Fund
Cash Receipts:			
Insurance Proceeds	\$ 0	2,636	0
Delinquent Taxes	0	3,235	0
Donations/Other	0	575	300,000
Transfer from Water	7,000	0	0
Total Cash Receipts	7,000	6,446	300,000
Expenditures:			
Personal Services	0	125	887
Contractual	5,911	3,998	31,114
Commodities	0	3,200	0
KDHE Loan-Interest Payment	0	313	0
Total Expenditures	5,911	7,636	32,001
Cash Receipts over (under) Expenditures	1,089	(1,190)	267,999
Unencumbered Cash, Beginning	6,844	54,452	0
Unencumbered Cash, Ending	\$ 7,933	53,262	267,999

CITY OF PALCO, KANSAS
 Any Nonbudgeted Funds
 Schedule of Cash Receipts and Expenditures
For the Year Ended December 31, 2011

SCHEDULE 2
 Page 11

	Special Equipment	Customer Deposits
Cash Receipts:		
Miscellaneous	\$ 150	0
Interest	0	17
Transfer from General	3,534	0
Customer Deposits	0	1,745
Total Cash Receipts	3,684	1,762
Expenditures:		
Commodities	6,140	0
Refunds	0	438
Total Expenditures	6,140	438
Cash Receipts over (under) Expenditures	(2,456)	1,324
Unencumbered Cash, Beginning	9,083	11,594
Unencumbered Cash, Ending	\$ 6,627	12,918