

CHISHOLM CREEK UTILITY AUTHORITY

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2011 and 2010

CHISHOLM CREEK UTILITY AUTHORITY
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Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Chisholm Creek Utility Authority
Park City, Kansas

We have audited the accompanying financial statements of the business-type activity of **Chisholm Creek Utility Authority** as of December 31, 2011 and 2010 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, which collectively comprise of the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chisholm Creek Utility Authority** as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Chisholm Creek Utility Authority's** financial statements as a whole. The introductory section and supplementary information, schedule of insurance coverage, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Adams, Brown, Beran + Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 26, 2012

CHISHOLM CREEK UTILITY AUTHORITY

Management's Discussion and Analysis

December 31, 2011 and 2010

The discussion and analysis of Chisholm Creek Utility Authority's financial performance provides an overview of the Authority's financial activities for the years ended December 31, 2011 and 2010. Please read in conjunction with the Authority's financial statements which begin after this section.

Reporting of the Authority

Our analysis of the Authority begins on page 6. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The balance sheets, statements of revenues, expenses, and changes in net assets, and statements of cash flows report information about the Authority's activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Authority's net assets and changes in them. The Authority's net assets - the difference between assets and liabilities - are a way to measure the Authority's financial health and financial position. Increases and decreases in the Authority's net assets are one indicator of whether financial health is improving or deteriorating.

Introduction

The Authority is a Quasi-Municipal Governmental Entity formed in the year 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing "wholesale" water, wastewater and utility services to the Cities. Planning and engineering proceeded in cooperation with the Cities during that year and on March 20, 2002, the Authority closed on \$28,980,000 in revenue bonds allowing the construction of the planned water and wastewater facilities. In general, the initial 20 months were a period of acquisition of funds and construction; partial operations occurred in the wastewater function since the Authority purchased Park City's wastewater plant in a completely operational status. Full operation began in January 2003 in both the water and wastewater projects in addition to providing trash services to the citizens of Bel Aire; however, the trash service operation was sold to an unrelated entity in December 2004.

FINANCIAL STATUS AND HIGHLIGHTS

Water and Wastewater Project Costs

This is a cooperative project between two Cities. The revenue bonds were sold based upon detailed estimates of all costs allocated to the two Cities in the categories of (1) water supply and (2) wastewater. The analysis of separated and allocated costs occurred before the sale of bonds and before the actual construction.

Highlights

- During 2011, the Authority collected \$832,203 and \$955,468 from the City of Bel Aire, Kansas and the City of Park City, Kansas, respectively, for the Authority's Headworks Project. This project was complete as of December 31, 2011.
- During 2011, the Authority collected \$57,663 and \$104,128 from the City of Bel Aire, Kansas and the City of Park City, Kansas, respectively, for the Authority's Control Valve Project. This project was complete as of December 31, 2011.

Current Year Results

Current year results reflected an increase in income in comparison with the previous year. Provisions of the revenue bond rate covenant were in compliance for 2011 and 2010.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2011 and 2010

Discussion of Basic Financial Statements

The Authority's only governmental fund is the proprietary enterprise fund which is shown on this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the Authority's activities.

The statements of net assets reflect assets owned and liabilities owed at December 31, 2011 and 2010. The difference between total assets and total liabilities is referred to as net assets.

The statements of revenues, expenses, and changes in net assets reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net assets for the years ended December 31, 2011 and 2010.

The statements of cash flows reflect cash provided by or used in operating activities, capital and related financing activities, and investing activities for the years ended December 31, 2011 and 2010. The statements also disclose cash paid for interest at December 31, 2011 and 2010.

Other Financial Matters

The Authority's purpose is to provide a reliable water and wastewater distribution system to the two Cities and the function of the Cities is to insure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. Expenses include debt service and operating expenses. The Cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds. Therefore, the financial position, based upon the Authority's established purpose, at the end of the year was primarily as planned.

As required by the bond covenants, the rates charged by each City to its residents and businesses should result in the funds necessary for the Cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments.

In addition to the original revenue bonds, the Authority executed a tax-exempt lease purchase with Zion's Bank of Salt Lake City, Utah of \$275,000 to obtain equipment for the water and wastewater operations. The periodic debt service payments for the lease are included in the "Operation and Maintenance" budget for water and wastewater and are funded fully by both Cities.

Debt Administration

At year-end the Authority had revenue bonds, capital leases and a land contract outstanding in the amount of \$26,985,937 and \$27,728,970, respectively for 2011 and 2010. The debt is more fully described in Note 14 and Note 15 to the audited financial statements. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the capital lease and land contract.

Capital Assets

At the end of 2011 and 2010, the Authority had \$24,529,788 and \$23,349,369, respectively, invested in capital assets net of depreciation. Significant capital purchases for 2011 and 2010 included costs expended for the construction on the Authority's Headworks Project totaling \$1,388,454 and \$1,831,109, respectively and construction on the Authority's Control Valve Project totaling \$143,949 and \$22,567 respectively. The Authority did not dispose of any equipment for the years ended December 31, 2011 and 2010.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2011 and 2010

Capital Assets (continued)

Figure 1 – Capital Assets

	<u>2011</u>	<u>2010</u>
Equipment and Lines	\$ 13,330,810	11,703,147
Buildings and Plant	15,017,148	15,017,148
Land	342,909	342,909
Accumulated Depreciation	<u>(4,161,079)</u>	<u>(3,713,835)</u>
Net Capital Assets	\$ <u>24,529,788</u>	<u>23,349,369</u>

Comparative Financial Reports

The following figures present abbreviated comparative information on the Authority's statements of net assets at December 31, 2011 and 2010 and summaries of activities for the periods then ended.

Figure 2 – Net Assets

	<u>2011</u>	<u>2010</u>
Cash	\$ 291,586	291,218
Accounts Receivable – City of Park City, Kansas	-	60,335
Capital Assets - Net	24,529,788	23,349,369
Bond Reserve Trust Accounts	3,105,475	3,187,676
Other Assets - Net	<u>834,752</u>	<u>885,344</u>
Total Assets	\$ <u>28,761,601</u>	<u>27,773,942</u>
Accounts Payable	\$ 99,033	448,328
Accrued Expenses	197,484	206,348
Current Portion of Liabilities	783,117	743,033
Noncurrent Portion of Liabilities	<u>26,202,820</u>	<u>26,985,938</u>
Total Liabilities	27,282,454	28,383,647
Net Assets (Deficit)	<u>1,479,147</u>	<u>(609,705)</u>
Total Liabilities and Net Assets	\$ <u>28,761,601</u>	<u>27,773,942</u>

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis
December 31, 2011 and 2010

Comparative Financial Reports (continued)

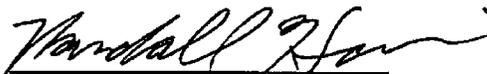
Figure 3 – Changes in Revenues, Expenses, and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 2,825,186	2,726,841
Operating Expenses	<u>(1,553,485)</u>	<u>(1,516,286)</u>
Net Operating Income	<u>1,271,701</u>	<u>1,210,555</u>
Nonoperating Revenues (Expenses)		
Income Received for Capital Project	1,949,462	1,357,550
Bond Proceeds	-	322,774
Interest Income	140	10,071
Other Income	1,185	29,778
Defeasance Fees	-	(16,030)
Interest Expense	<u>(1,133,636)</u>	<u>(1,065,420)</u>
Payment to Refunded Bond Escrow Agent	-	<u>(306,744)</u>
Net Nonoperating Revenues (Expenses)	<u>817,151</u>	<u>331,979</u>
Changes in Net Assets	<u>2,088,852</u>	<u>1,542,534</u>
Net Assets (Deficit) – Beginning of Year	<u>(609,705)</u>	<u>(2,152,239)</u>
Net Assets (Deficit) – End of Year	<u>\$ 1,479,147</u>	<u>(609,705)</u>

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances. The report is also designed to show the Authority's accountability for the money it receives.

Further questions concerning this report or the financial status of Chisholm Creek Utility Authority should be directed to the Authority's utility manager at 5551 N Broadway, Park City, Kansas 67219.



Randall Harris
Utility Manager
Chisholm Creek Utility Authority

CHISHOLM CREEK UTILITY AUTHORITY
 Balance Sheets
 Proprietary Fund
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 291,586	291,218
Accounts Receivable - City of Park City, Kansas	-	60,335
Total Current Assets	<u>291,586</u>	<u>351,553</u>
Noncurrent Assets		
Capital Assets		
Equipment and Lines	13,330,810	11,703,147
Buildings and Plant	15,017,148	15,017,148
Land	342,909	342,909
Accumulated Depreciation	<u>(4,161,079)</u>	<u>(3,713,835)</u>
Net Capital Assets	<u>24,529,788</u>	<u>23,349,369</u>
Other Assets		
Investments - Bond Reserve Trust Accounts	3,105,475	3,187,676
Deferred Charges on Revenue Bonds	1,434,032	1,434,032
Intangible Assets	82,498	82,498
Accumulated Amortization Deferred Charges on Revenue Bonds	<u>(655,757)</u>	<u>(607,865)</u>
Accumulated Amortization Intangible Assets	<u>(26,021)</u>	<u>(23,321)</u>
Net Other Assets	<u>3,940,227</u>	<u>4,073,020</u>
Total Noncurrent Assets	<u>28,470,015</u>	<u>27,422,389</u>
Total Assets	<u>\$ 28,761,601</u>	<u>27,773,942</u>

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

CHISHOLM CREEK UTILITY AUTHORITY
Balance Sheets
Proprietary Fund
December 31, 2011 and 2010

LIABILITIES AND NET ASSETS		
	2011	2010
Current Liabilities Payable From Current Assets		
Accounts Payable	\$ 99,033	448,328
Accrued Compensation	16,037	14,921
Accrued Interest Payable	405	852
Accrued Payroll	6,171	6,171
Current Portion of Capital Lease	37,000	32,000
Current Portion of Land Lease	1,117	1,033
	159,763	503,305
Current Liabilities Payable From Restricted Trust Accounts		
Accrued Interest Payable	174,871	184,404
Current Portion of Bonds Payable	745,000	710,000
	919,871	894,404
Total Current Liabilities	1,079,634	1,397,709
Noncurrent Liabilities		
Capital Lease, Net of Current Portion	-	37,000
Land Lease, Net of Current Portion	152,820	153,938
Bonds Payable, Net of Current Portion	26,050,000	26,795,000
	26,202,820	26,985,938
Total Liabilities	27,282,454	28,383,647
Net Assets		
Invested in Capital Assets, Net of Related Debt	(2,478,605)	(4,373,930)
Restricted	3,105,475	3,187,676
Unrestricted	852,277	576,549
	1,479,147	(609,705)
Total Liabilities and Net Assets	\$ 28,761,601	27,773,942

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

CHISHOLM CREEK UTILITY AUTHORITY
 Statements of Revenues, Expenses, and Changes in Net Assets
 Proprietary Fund
 For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Water and Wastewater Services - City of Bel Aire	\$ 1,647,539	1,563,204
Water and Wastewater Services - City of Park City	<u>1,177,647</u>	<u>1,163,637</u>
Total Operating Revenues	<u>2,825,186</u>	<u>2,726,841</u>
Operating Expenses		
Operations and Maintenance	1,002,043	940,576
Insurance	21,937	42,404
Professional Fees	31,669	40,243
Amortization	50,592	50,592
Depreciation	<u>447,244</u>	<u>442,471</u>
Total Operating Expenses	<u>1,553,485</u>	<u>1,516,286</u>
Operating Income	<u>1,271,701</u>	<u>1,210,555</u>
Nonoperating Revenues (Expenses)		
Income Received for Capital Project - City of Bel Aire	889,866	518,605
Income Received for Capital Project - City of Park City	1,059,596	838,945
Equity Contributed	-	322,774
Interest Income	140	10,071
Other Income	1,185	29,778
Bond Agent Fees	-	(16,030)
Interest Expense	(1,133,636)	(1,065,420)
Payment to Refunded Bond Escrow Agent	<u>-</u>	<u>(306,744)</u>
Net Nonoperating Revenues (Expenses)	<u>817,151</u>	<u>331,979</u>
Change in Net Assets	<u>2,088,852</u>	<u>1,542,534</u>
Net Assets (Deficit) - Beginning of Year	<u>(609,705)</u>	<u>(2,152,239)</u>
Net Assets (Deficit) - End of Year	<u>\$ 1,479,147</u>	<u>(609,705)</u>

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

CHISHOLM CREEK UTILITY AUTHORITY
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Cash Received From Cities	\$ 2,885,521	2,666,506
Cash Paid to Employees	(263,724)	(254,079)
Cash Paid for Operating Activities	<u>(1,140,551)</u>	<u>(311,628)</u>
Net Cash Provided by Operating Activities	<u>1,481,246</u>	<u>2,100,799</u>
Cash Flows From Capital and Related Financing Activities		
Cash Received From Cities for Capital Projects	1,949,462	1,357,550
Purchase of Capital Assets	(1,627,663)	(1,756,576)
Interest Paid on Capital Debt	(1,143,169)	(1,143,189)
Principal Paid on Capital Debt	<u>(743,034)</u>	<u>(966,954)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,564,404)</u>	<u>(2,509,169)</u>
Cash Flows From Investing Activities		
Proceeds on Sales Contract	-	282,874
Interest Received - Net of Bond Reserves	140	11,486
Other Receipts	1,185	29,778
Collections From Bond Reserves	<u>82,201</u>	<u>34,989</u>
Net Cash Provided by Investing Activities	<u>83,526</u>	<u>359,127</u>
Net Increase (Decrease) in Cash	368	(49,243)
Cash - Beginning of Year	<u>291,218</u>	<u>340,461</u>
Cash - End of Year	<u>\$ 291,586</u>	<u>291,218</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 1,271,701	1,210,555
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	447,244	442,471
Amortization Expense	50,592	50,592
Increase (Decrease) in Accounts Receivable - City of Park City, Kansas	60,335	(60,335)
Increase (Decrease) in Accounts Payable	<u>(348,626)</u>	<u>457,516</u>
Net Cash Provided by Operating Activities	<u>\$ 1,481,246</u>	<u>2,100,799</u>
Supplemental Disclosure		
Interest Paid	\$ 1,143,169	1,143,189

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

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Chisholm Creek Utility Authority** is presented to assist in understanding the Authority's financial statements. The financial statements and notes to financial statements are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Reporting Entity

Chisholm Creek Utility Authority (Authority) was organized in April 2001 pursuant to the Kansas Interlocal Cooperation Act. The Authority was created by an Interlocal Cooperation Agreement of the cities of Bel Aire and Park City, Kansas (Members) and is economically dependent on the Members. The purpose of the Authority is to assist its Members in planning, technical and financial matters for comprehensive utilities and public services, accomplish the desired objectives of effective utility and public services, accomplish the desired objectives of effective utility and public service facilities, and organize the operation of utility and public service systems. The Authority is governed by a six member board of directors and primarily provides water and wastewater services to the Members' residents. (Solid waste services, operated by the Authority, were sold to an outside party in December 2004.) The financial statements of the Authority consist of all the funds of the Authority that are considered to be controlled by or dependent on the Authority. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Authority has no component units.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Basis of Accounting, Financial Statement Presentation, and Measurement Focus

The Authority's financial statements are reported using the economic resources measurement focus, the current financial resources management, and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statements of net assets. The statements of revenues, expenses and changes in net assets present increases and decreases in net total net assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collected by the end of the year. Expenditures are recorded when the related liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accounting records of the Authority are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America. As a quasi-municipal corporation, the Authority applies all statements issued by the Government Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB), which are not in conflict with statements issued by the GASB. The Authority uses a single proprietary enterprise fund to account for and report its financial activities, which is limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business enterprises where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which for the Authority is water distribution and wastewater treatment. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority only had one operational fund through December 31, 2011 and 2010.

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.

Budgets

The Authority is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the Authority is not subject to these requirements, comparison to budget has been waived on the financial statements.

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 budgeted expenditure authority lapses at year end.

Deposits and Investments

As of December 31, 2011, the Authority had the following investments and maturities:

	Fair Value	Investment Maturities (in years) Less than One	Rating
Repurchase Agreements	\$ <u>2,137,750</u>	<u>2,137,750</u>	AA-/F1+ by Fitch
U.S. Treasury Obligations	<u>967,725</u>	<u>967,725</u>	S&P AAAM
Total	\$ <u>3,105,475</u>	<u>3,105,475</u>	

As of December 31, 2010, the Authority had the following investments and maturities:

	Fair Value	Investment Maturities (in years) Less than One	Rating
Repurchase Agreements	\$ 2,137,750	2,137,750	AA-/F+ by Fitch
U.S. Treasury Obligations	<u>1,049,926</u>	<u>1,049,926</u>	S&P AAAM
Total	\$ <u>3,187,676</u>	\$ <u>3,187,676</u>	

The book value of the investments were \$3,105,475 and \$3,187,676 as of December 31, 2011 and 2010.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.S.A. 9-1401 establishes the depositories which may be used by the Authority. The statute requires banks eligible to hold the Authority's funds have a main or branch bank in the county in which the Authority 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 Authority has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Authority'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 Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405. The Authority's allocation of investments as of December 31, 2011 and 2010, are as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	69%
U.S. Treasury Obligations	31%

<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	67%
U.S. Treasury Obligations	33%

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the Authority'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 Authority does not use "peak periods". All deposits were legally secured at December 31, 2011 and 2010.

At December 31, 2011 and 2010, the Authority's carrying amount of deposits were \$291,586 and \$291,218, respectively, and the bank balances were \$346,585 and \$292,053, respectively, the difference being outstanding checks and deposits. The bank balance at December 31, 2011 and 2010 was held in one bank. The bank balance in 2011 was insured by the FDIC limit of \$250,000 and \$96,585 was collateralized with securities held by the pledging financial institution's agents in the Authority's name. The bank balance in 2010 was insured by the FDIC limit of \$250,000 and \$42,053 was collateralized with securities held by the pledging financial institution's agents in the Authority'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 Authority 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. The Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2011 and 2010, none of the Authority's investments were exposed to risk since they are held in the Authority's name by the counterparty.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

For the purpose of the statements of cash flows, the Authority considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash and cash equivalents, which consists of the Authority's checking account.

Accounts Receivable

Accounts receivable consists of money due from the City of Park City, Kansas for operation income. There is no allowance for doubtful accounts used.

Bond Reserve Trust Accounts

Bond reserve trust accounts consist of funds for operations and maintenance, debt service, equipment replacement reserves, and construction. Such investments include U.S. government obligations and repurchase agreements. Investments are reported at book value.

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract. The proceeds of certain bond issues, as well as certain other resources, are classified as restricted net assets. All other net assets are reported as unrestricted.

Deficit Net Assets

The Authority's proprietary enterprise fund had a surplus (deficit) balance at December 31, 2011 and 2010 of \$1,479,147 and \$(609,705), respectively. This deficit is due to the Authority's capital assets depreciating more quickly than the debt principal used to finance these assets is retired. The Authority anticipates this deficit will reverse itself in subsequent accounting periods as interest expense of debt decreases and the principal payments of debt increase.

Operating Revenues

The Authority's rates are established by a rate ordinance. The Authority sells water and wastewater services to member cities at established rates. Member payments are subject to "take or pay" agreements. Bel Aire's portions are approximately 50% water service and 47% wastewater service. Park City's portions are approximately 50% water service and 53% wastewater service. Revenues are pledged for payments of the revenue bonds and are recognized as billed and collected.

Compensated Absences

The Authority's employees are paid by the City of Park City, Kansas through a common paymaster system. A common paymaster is a system in which related entities are treated as a single employer for payroll purposes as approved by the Internal Revenue Service.

Vacation

The Authority's policy regarding vacation for full-time employees is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-1	2 hours/pay period
2-5	4 hours/pay period
6-10	5 hours/pay period
11-15	6 hours/pay period
16 or more	7 hours/pay period

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vacation earned may not be taken until the employee completes six months of service. The maximum accrual for vacation shall be no more than 208 hours.

Sick Leave

The Authority's policy for sick leave permits full-time employees to earn sick leave at the rate of 8 hours per calendar month up to a maximum of 520 hours. For those employees who have attained and maintained a maximum accumulation of sick leave and are terminated in good standing, the Authority will pay them 50% of their accumulated sick leave at their current rate of pay. When the maximum accrual of 520 hours is exceeded on October 31 of each calendar year, an "Attendance Bonus" shall be paid equivalent to 50% of the hours exceeding 520 hours. In addition to sick leave, each employee is entitled to two days of personal leave on an annual basis.

A potential liability of \$16,037, which consists of \$8,647 of accrued vacation and \$7,390 of accrued sick leave, existed as of December 31, 2011 for these compensated absences. The Authority has accrued these amounts for compensated absences.

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years.

The deferred compensation may be withdrawn by employees before termination, retirement, death or unforeseeable emergency; however, employees are penalized for withdrawing funds before one of these events occur. The first time funds are withdrawn, the employee may not participate in the plan for one year. The second time funds are withdrawn, the employee may not participate in the plan for three years. The third time funds are withdrawn, the employee is disqualified from participating in the plan.

Defined Benefit Pension Plan

Plan Description

The Authority 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. Those reports may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, Kansas 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% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2011 was 7.74%. The Authority's employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009 were \$12,371, \$11,502, and \$4,234 respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Authority allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Authority is

CHISHOLM CREEK UTILITY AUTHORITY
Notes to Financial Statements
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Authority 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 Authority under this program.

NOTE 2 - CAPITAL ASSETS

The costs of additions to the utility plant, replacements of retired units of property, and land are capitalized. The utility plant includes a water treatment plant to provide water services to Members' residents and related water lines and wells. In addition, wastewater treatment facilities are included in the utility plant. Costs include labor, materials and an allowance for funds used during construction. Land is recorded at cost and is not depreciated. Capital assets are recorded at cost.

Certain capital leases in the approximate amount of \$275,000 are also capitalized and included in utility plant assets. During 2011 and 2010, there were additions of \$1,627,663 and \$1,756,576, respectively.

Capital assets are defined by the Authority as assets or a group of assets that have an estimated useful life in excess of three years. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation expense is computed using the straight-line method based on service lives. Depreciation expense for the years ended December 31, 2011 and 2010 was \$447,244 and \$442,471, respectively, and as a percentage of the average depreciable utility plant in service was 1.56% and 1.63%. Estimated useful lives for equipment and lines are 5 to 40 years and 30 to 40 years for buildings and plant.

		Beginning Balances 12/31/10	Increases	Decreases	Ending Balances 12/31/11
Equipment and Lines	\$	11,703,147	1,627,663	-	13,330,810
Buildings and Plant		15,017,148	-	-	15,017,148
Land		342,909	-	-	342,909
Total Capital Assets		27,063,204	1,627,663	-	28,690,867
Accumulated Depreciation		(3,713,835)	(447,244)	-	(4,161,079)
Capital Assets, Net of Accumulated Depreciation	\$	23,349,369	1,180,419	-	24,529,788
		Beginning Balances 12/31/09	Increases	Decreases	Ending Balances 12/31/10
Equipment and Lines	\$	9,946,571	1,756,576	-	11,703,147
Buildings and Plant		15,017,148	-	-	15,017,148
Land		342,909	-	-	342,909
Total Capital Assets		25,306,628	1,756,576	-	27,063,204

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

NOTE 2 – CAPITAL ASSETS (continued)

Accumulated Depreciation	(3,271,364)	(442,471)	-	<u>(3,713,835)</u>
Capital Assets, Net of Accumulated Depreciation	\$ 22,035,264	<u>1,314,105</u>	-	<u>23,349,369</u>

NOTE 3 - SALES CONTRACT - SALE OF SOLID WASTE SERVICE BUSINESS

Chisholm Creek Utility Authority sold the solid waste business to an unrelated entity effective December 31, 2004 for a total amount of \$594,748. The buyer made a \$102,000 down payment with the remaining balance of \$492,748 due in semi-annual installments over the following ten years. The Authority agreed to be responsible for billing and collecting monthly fees from recycling customers within the City of Bel Aire, Kansas and transmitting same to the purchaser. In addition, the Authority is responsible for contracting with the City of Bel Aire, Kansas for the billing and collection of residential solid waste disposal fees within that city. Fees collected are transmitted to the purchaser after deducting an agreed-upon service charge. The Authority obtained an irrevocable standby letter of credit from a bank in the amount of \$60,000 in favor of the purchaser in order to assure payment of the fees collected. In October 2010, the unrelated entity paid off the remaining balance of the amount collectible for this sale to the Authority. This amount was used to defease \$285,000 of the debt issued originally associated with the solid waste business.

NOTE 4 – CAPITAL PROJECTS

Capital project authorizations compared with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
Headworks Project	\$ 3,918,306	3,219,563
Control Valve Project	243,715	166,516

There were no outstanding capital projects for the year ending December 31, 2011.

NOTE 5 - DEFERRED CHARGES ON REVENUE BONDS AND INTANGIBLE ASSETS

Debt discounts and issue expenses are deferred and amortized to debt expense over the lives of the related debt issues. Capital lease costs are amortized over the life of the related leases and are reported as amortization expense. Deferred charges on revenue bonds were capitalized and are being amortized over the life of the bonds. These deferred charges on revenue bonds and intangible assets on capital leases for the year ended December 31, 2011 are as follows:

CHISHOLM CREEK UTILITY AUTHORITY
Notes to Financial Statements
December 31, 2011 and 2010

NOTE 5 - DEFERRED CHARGES ON REVENUE BONDS AND INTANGIBLE ASSETS

	2002 Revenue Bond	2004 Solid Waste Bond	2004 Refunding Bond	2007 Refunding Bond	Intangible Assets	Total
Original Amount	\$ 1,102,791	39,482	186,766	104,993	82,498	1,516,530
Accumulated Amortization	<u>(521,707)</u>	<u>(27,965)</u>	<u>(85,085)</u>	<u>(21,000)</u>	<u>(26,021)</u>	<u>(681,778)</u>
Ending Balance	\$ <u>581,084</u>	<u>11,517</u>	<u>101,681</u>	<u>83,993</u>	<u>56,477</u>	<u>778,275</u>

These deferred charges on revenue bonds and intangible assets on capital leases for the year ended December 31, 2010 are as follows:

	2002 Revenue Bond	2004 Solid Waste Bond	2004 Refunding Bond	2007 Refunding Bond	Intangible Assets	Total
Original Amount	\$ 1,102,791	39,482	186,766	104,993	82,498	1,516,530
Accumulated Amortization	<u>(493,699)</u>	<u>(24,017)</u>	<u>(73,349)</u>	<u>(16,800)</u>	<u>(23,321)</u>	<u>(631,186)</u>
Ending Balance	\$ <u>609,092</u>	<u>15,465</u>	<u>113,417</u>	<u>88,193</u>	<u>59,177</u>	<u>885,344</u>

NOTE 6 - RISK MANAGEMENT CLAIMS AND JUDGMENTS

The Authority is subject to certain business risks common to the utility industry and 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 Authority carries commercial insurance for risks of loss, including property, general liability, and automobile liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Current insurance coverage is provided through Trident Insurance Services.

NOTE 7 - RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2011 and 2010. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

The Authority has contracts with its Members to provide water and wastewater service for minimum amounts through 2032. Sales to its Members amounted to \$2,825,186 and \$2,726,841, respectively, for December 31, 2011 and 2010.

CHISHOLM CREEK UTILITY AUTHORITY
Notes to Financial Statements
December 31, 2011 and 2010

NOTE 8 - CONCENTRATIONS

Water and wastewater services are only sold to the Member cities of Park City and Bel Aire. The total number of customers of each city at December 31, 2011 were 5,472 and 4,945, respectively. The Authority is economically dependent on these two Members.

NOTE 9 - LITIGATION

The Authority is subject to legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected fund of the Authority.

NOTE 10 - ENVIRONMENTAL ISSUES

The Authority's operation of the water and wastewater utility services pose a potential risk for environmental remediation liabilities. The operator of the facilities has indicated that the Authority has not violated environmental laws.

NOTE 11 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through July 26, 2012, which is the date the financial statements were available to be issued.

NOTE 12 - TEMPORARY FINANCING AGREEMENT

On October 13, 2009 a temporary financing agreement was issued per the Interlocal Cooperation Agreement between the City of Bel Aire, Kansas and the City of Park City, Kansas for **Chisholm Creek Utility Authority** to proceed with certain improvements to the wastewater treatment facilities. The improvements were approved up to but not to exceed \$3,918,306, of which the City of Bel Aire, Kansas is liable for \$1,322,934 and the City of Park City, Kansas is liable for \$1,875,372. The City of Bel Aire, Kansas issued temporary notes for financing the allocable portion of the costs. The Authority created bonded indebtedness for the long-term financing of the temporary notes issued by the City of Bel Aire, Kansas and the City of Bel Aire, Kansas paid the Authority for this indebtedness. During 2011 and 2010, the City of Bel Aire, Kansas and the City of Park City, Kansas paid \$889,866 and \$518,605 and \$1,059,596 and \$838,945, respectively for this agreement for certain capital improvements. The City of Park City, Kansas was able to fund their portion without issuance of temporary notes so the Authority has not had to create bonded indebtedness for long-term financing.

NOTE 13 - DEBT RESTRICTIONS AND COVENANTS

On March 1, 2002, the Authority entered into a bond agreement for the purchase and construction of a wastewater treatment plant and water plant.

The Series 2002 Water and Wastewater bond requires that rates must be established by the Cities of Bel Aire and Park City to allow a net profit of 125% of all base charges and 110% of any additional indebtedness. This rate covenant's calculation combines all water fund operations for the City of Bel Aire and the City of Park City with the Authority's activity. The cities bill customers for the water services then reimburse the Authority for these services provided. This process leads to timing differences between the transfers of revenues. The Authority was in compliance with this rate covenant requirement in 2011. This bond agreement also requires the Authority to carry insurance that is in accordance with the Prudent Utility Practice. The Authority is in compliance with this requirement as of December 31, 2011. A detailed summary of insurance carried by the Authority is shown on the supplemental schedule on page 24.

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 14 - DEBT DEFEASANCE

On October 1, 2004, the Authority issued revenue bonds of \$7,235,000 (par value) Water and Wastewater Facilities Refunding Revenue Series 2004 with an interest rate of 3.00 - 5.00% to advance refund term bonds. The revenue bonds were issued at a premium and, after paying issuance costs, the net proceeds were \$7,174,268. The net proceeds from the issuance of the revenue bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2011, the amount of defeased debt outstanding amounted to \$6,616,241.

On April 1, 2007, the Authority issued revenue bonds of \$19,415,000 (par value) Water and Wastewater Facilities Refunding Revenue Series 2007 with an interest rate of 4.00-4.50% to advance refund term bonds. The revenue bonds were issued at a premium and, after paying issuance costs, the net proceeds were \$19,336,071. The net proceeds from the issuance of the revenue bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2011, the amount of defeased debt outstanding amounted to \$18,812,374.

On October 21, 2010, the Authority defeased revenue bonds of \$285,000 Series 2004 with proceeds from an unrelated party for the final payment of a sales contract. These proceeds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2011, the amount of defeased debt outstanding amounted to \$0.

NOTE 15 - LONG-TERM LIABILITIES

The Authority has the following types of long-term liabilities:

Revenue Bonds

On March 1, 2002, the Authority issued \$28,980,000, with interest rates 3.25% to 5.25%, in series 2002 serial and term revenue bonds for the purchase and construction of a wastewater treatment plant and water plant. These revenue bonds have been issued for business-type activities of the Authority.

On November 1, 2004, the Authority issued \$540,000, with interest rates of 5.00% to 6.00%, in series 2004 serial and term revenue bonds to pay in full a lease regarding the solid waste management function of the Authority. These revenue bonds have been issued for business-type activities of the Authority.

On October 1, 2004, the Authority issued \$7,235,000, with interest rates of 3.00% to 5.00%, in series 2004 revenue bonds to refund a portion of the series 2002 bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority.

On April 1, 2007, the Authority issued \$19,415,000, with interest rates of 4.00% to 4.50%, in series 2007 revenue bonds to advance refund a portion of the remaining Series 2002 revenue bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority.

Capital Leases

On August 8, 2002, the Authority entered into an agreement with Zions First National Bank, in the amount

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

NOTE 15 - LONG-TERM LIABILITIES (continued)

of \$275,000 with an interest rate of 4.19%, in which the Authority is leasing equipment for the wastewater plant with an option to purchase the equipment at the expiration of the lease term.

On October 29, 1992, the Authority entered into an agreement with City of Park City, Kansas, in the amount of \$179,403 with an interest rate of 8%, in which the Authority is leasing an advanced sequencing batch reactor wastewater treatment plan with an option to purchase the facility at the expiration of the lease term.

Long-term liability activity for the year ended December 31, 2011 was as follows:

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Revenue Bonds					
Series 2002 Water & Wastewater	\$ 1,275,000	-	625,000	650,000	650,000
Series 2004 Water & Wastewater	6,930,000	-	60,000	6,870,000	65,000
Series 2004 Solid Waste	25,000	-	-	25,000	-
Series 2007 Water & Wastewater	19,275,000	-	25,000	19,250,000	30,000
Total Revenue Bonds	27,505,000	-	710,000	26,795,000	745,000
Capital Leases					
2002 Equipment	69,000	-	32,000	37,000	37,000
Wastewater Land	154,970	-	1,033	153,937	1,117
Total Capital Leases	223,970	-	33,033	190,937	38,117
Business-Type Activities Long-Term Liabilities	\$ 27,728,970	-	743,033	26,985,937	783,117

The maturity of long-term debt is disclosed on the following page.

CHISHOLM CREEK UTILITY AUTHORITY
Notes to Financial Statements
December 31, 2011

NOTE 15 - LONG-TERM DEBT (continued)

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

	2012	2013	2014	2015	2016	YEAR					Total	
						2017-2021	2022-2026	2027-2031	2032-2036	2037-2041		2042
Principal												
Revenue Bonds	\$ 745,000	770,000	820,000	830,000	855,000	4,885,000	6,135,000	7,865,000	3,890,000	-	-	26,795,000
Capital Leases	38,117	1,211	1,312	1,421	1,537	9,833	14,649	21,824	32,512	48,441	20,080	190,937
Total Principal	783,117	771,211	821,312	831,421	856,537	4,894,833	6,149,649	7,886,824	3,922,512	48,441	20,080	26,985,937
Interest												
Revenue Bonds	1,186,272	1,155,172	1,128,072	1,099,362	1,070,162	4,761,710	3,518,938	2,019,000	175,050	-	-	16,113,738
Capital Leases	13,490	12,181	12,080	11,971	11,855	57,127	52,311	45,136	34,447	18,519	1,163	270,280
Total Interest	1,199,762	1,167,353	1,140,152	1,111,333	1,082,017	4,818,837	3,571,249	2,064,136	209,497	18,519	1,163	16,384,018
Total Principal and Interest	\$ 1,982,879	1,938,564	1,961,464	1,942,754	1,938,554	9,713,670	9,720,898	9,950,960	4,132,009	66,960	21,243	43,369,955

CHISHOLM CREEK UTILITY AUTHORITY

Supplementary Information

CHISHOLM CREEK UTILITY AUTHORITY
 Schedule of Insurance Coverage
 December 31, 2011

The Authority's insurance coverage was as follows:

Blanket Policy on All Real and Personal Property	\$	19,096,519
Commercial Property		
Accounts Receivable		100,000
Arson Reward		7,500
Building Ordinance or Law		
Loss to Undamaged Portion of Building		Building Limit
Demolition and Increased Cost of Construction		100,000
Changes in Temperature or Humidity		50,000
Commandeered Property		100,000
Common Deductible Provision		Included
Communications Equipment		50,000
Computer Equipment		
Computer & Peripheral Device		50,000
Media & Software		25,000
Extra Expense		10,000
Crime Reward - Per Person / Maximum		1,000 / 5,000
Detached Signs		5,000
Electrical Damage		50,000
Extra Expense & Business Income		250,000
Fairs, Exhibitions, Expositions, or Trade Shows		50,000
Fine Arts		50,000
Fire Department Service Charge		5,000
Fire Equipment Recharge		Included
Flagpoles		5,000
Foundations		Included
Glass		Included
Glass Display or Trophy Cases		5,000
Grounds Maintenance Equipment		50,000
Lock Replacement		500
Money and Securities Inside or Outside Premises		10,000
Newly Acquired or Constructed Property		
Building		1,000,000
Personal Property		500,000
Off Premises Utility Failure		50,000
Outdoor Property - Any One Tree, Shrub or Plant / Total Limit		1,000 / 50,000
Penstock		100,000
Personal Effects and Property of Others - Any One Employee / Any One Occurrence		1,500 / 50,000
Personal Effects and Property of Others - Replacement Cost Valuation		Included
Pollutant Clean Up and Removal		25,000
Premises Boundary Increased Limit		1,000 Feet
Property in Transit		50,000
Property Off-Premises		50,000
SCADA Systems Upgrade		25% / 100,000
Sewer Back-up		Included
Spoilage		10,000
Valuable Papers		100,000
Automobile Liability		
Liability		500,000 / 1,000,000
Personal Injury Protection		Included
Uncovered Motorists		1,000,000
General Liability		
General - Aggregate		2,000,000
Products and Completed Operations - Aggregate		2,000,000
Personal Injury and Advertising Injury (Each Person Limit)		500,000 / 1,000,000
Each Event Limit		500,000 / 1,000,000
Damage to Premises Rented Limit		100,000
Employee Benefits		Included

See independent auditors' report.