

**PAWNEE WATERSHED
JOINT DISTRICT NO. 81
JETMORE, KANSAS**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2011**

**VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550**

PAWNEE WATERSHED JOINT DISTRICT NO. 81
Financial Statements
For the Year Ended December 31, 2011

TABLE OF CONTENTS

<u>Item</u>	<u>Page Number</u>
FINANCIAL SECTION	
Auditors' Report on Financial Statements	1
Statement 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	2-4
Statement 2	
Summary of Expenditures - Actual and Budget	5
Statement 3	
Statement of Cash Receipts and Expenditures - Actual and Budget General Fund	6
Notes to the Financial Statements	7-11
ADDITIONAL INFORMATION	
Schedule 1	
Graphical Analysis	12-17

This page intentionally left blank

VONFELDT, BAUER & VONFELDT, CHTD.

CERTIFIED PUBLIC ACCOUNTANTS

Telephone: (620) 285-2107

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND

818 Broadway

Fax (620) 285-2110

KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 127

Larned, KS 67550

INDEPENDENT AUDITORS' REPORT

Pawnee Watershed Joint District No. 81
Jetmore, Kansas

We have audited the accompanying financial statements of Pawnee Watershed Joint District No. 81, Jetmore, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative financial information has been derived from the District's December 31, 2010 financial statements and, in our report dated March 31, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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

As discussed more fully in Note 1, Pawnee Watershed Joint District No. 81, Jetmore, Kansas has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pawnee Watershed Joint District No. 81, Jetmore, Kansas as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Pawnee Watershed Joint District No. 81, Jetmore, Kansas, as of December 31, 2011 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

The schedules presented as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules 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.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

March 28, 2012

Pawnee Watershed Joint District No. 81
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
Governmental Type Fund:		
General Fund	\$ 1,425,774.49	\$ 0.00
Total Reporting Entity (Memorandum Only)	\$ 1,425,774.49	\$ 0.00

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

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
<u>\$ 545,404.22</u>	<u>\$ 385,499.85</u>	<u>\$ 1,585,678.86</u>	<u>\$ 34,697.28</u>	<u>\$ 1,620,376.14</u>
<u><u>\$ 545,404.22</u></u>	<u><u>\$ 385,499.85</u></u>	<u><u>\$ 1,585,678.86</u></u>	<u><u>\$ 34,697.28</u></u>	<u><u>\$ 1,620,376.14</u></u>

Pawnee Watershed Joint District No. 81
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Balance to be accounted for:	<u>\$ 1,620,376.14</u>
Composition of Cash:	
Petty Cash:	
Cash on Hand	\$ 100.00
Other District Accounts:	
NOW Account - American State Bank, Larned, Kansas	1,373,199.27
Less Outstanding Checks	(2,923.13)
Certificates of Deposit - Garden City State Bank, Garden City, Kansas	<u>250,000.00</u>
Total Reporting Entity	<u>\$ 1,620,376.14</u>

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

Pawnee Watershed Joint District No. 81
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Fund:					
General Fund	\$ 2,156,155.00	\$ 0.00	\$ 2,156,155.00	\$ 385,499.85	\$ (1,770,655.15)

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

Pawnee Watershed Joint District No. 81
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Ad Valorem Taxes	\$ 455,844.83	\$ 478,199.55	\$ 461,434.00	\$ 16,765.55
Delinquent Tax	3,694.46	5,780.50	2,000.00	3,780.50
Motor Vehicle Tax	35,277.33	40,723.96	37,034.00	3,689.96
Cost Share CCC	0.00	0.00	250,000.00	(250,000.00)
Interest on Idle Funds	11,232.45	13,322.98	5,000.00	8,322.98
Agriculture Payments	0.05	0.00	0.00	0.00
Reimbursements	1,753.74	2,921.71	0.00	2,921.71
Sale of Assets	1,900.00	4,000.00	0.00	4,000.00
Miscellaneous	0.00	455.52	1,000.00	(544.48)
Total Cash Receipts	<u>509,702.86</u>	<u>545,404.22</u>	<u>\$ 756,468.00</u>	<u>\$ (211,063.78)</u>
Expenditures				
Personal Services	86,353.95	77,546.64	115,000.00	(37,453.36)
Contractual Services	134,493.20	94,192.87	80,000.00	14,192.87
Commodities	35,909.97	33,079.01	40,000.00	(6,920.99)
Equipment	4,151.98	10,867.34	31,155.00	(20,287.66)
Studies & Structures	216,600.38	168,867.50	1,890,000.00	(1,721,132.50)
Miscellaneous	483.83	946.49	0.00	946.49
Total Expenditures	<u>477,993.31</u>	<u>385,499.85</u>	<u>\$ 2,156,155.00</u>	<u>\$ (1,770,655.15)</u>
Receipts Over (Under) Expenditures	31,709.55	159,904.37		
Unencumbered Cash, Beginning	<u>1,394,064.94</u>	<u>1,425,774.49</u>		
Unencumbered Cash, Ending	<u>\$ 1,425,774.49</u>	<u>\$ 1,585,678.86</u>		

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

PAWNEE WATERSHED JOINT DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Pawnee Watershed Joint District No. 81, Jetmore, Kansas is a municipal corporation governed by an elected nine member board. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. Pawnee Watershed Joint District No. 81 has no component units as of December 31, 2011.

B. FUND ACCOUNTING

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

The following types of funds comprise the financial activities of Pawnee Watershed Joint District No. 81 for the year ended December 31, 2011:

GOVERNMENTAL FUNDS

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

C. BASIS OF ACCOUNTING

Statutory Basis of Accounting: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District 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, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash and investments from all funds are combined and invested to the extent available. Cash and investments consist of an interest bearing checking account and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Pawnee Watershed Joint District No. 81, Jetmore, Kansas, policy is to pay employees for unused personal leave and sick leave in the event of termination. Upon retirement, death or separation of employment, the employee shall be compensated by the District for all unused and accumulated sick leave and personal leave. The compensation for unused vacation shall be in the form of cash, at the employees regular rate of pay at the time of separation. The compensation for unused sick leave shall be in the form of cash at the following rate:

Full Time	Half Time	Compensation
0 - 99 Hours	0 - 49.5 Hours	None
100 - 519 Hours	50 - 259.5 Hours	.33 X Hourly Wage
520 - 1040 Hours	260 - 520.0 Hours	.67 X Hourly Wage

The cost of accumulated sick leave and vacation are not recorded in the financial statements at the time the benefits are earned by the employee. The potential liability as of December 31, 2011 and 2010 is \$1,355.42 and \$291.52, respectively, which is a net change of \$1,063.90.

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the District's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. REIMBURSED EXPENSES

Pawnee Watershed Joint District No. 81, Jetmore, Kansas, records reimbursable expenditures (or expense) in the fund that makes the disbursement and records the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

I. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 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. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal 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 10 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 such budget amendments during the year.

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.

Adjustment for Qualifying Budget Credits: Districts may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant moneys, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

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.

A legal operating budget is not required for capital projects funds, fiduciary funds and permanent funds.

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

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

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

K.S.A. 12-1675 limits the District's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the District 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 District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, 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%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2011.

At December 31, 2011 the District's carrying amount of deposits was \$1,620,376.14, and the bank balance was \$1,623,199.27. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by federal depository insurance, and \$1,123,199.27 was collateralized with securities held by the pledging financial institution's agents in the District's name.

Note 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 establishes the KPERS member-employer contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2011 is 6.74%. The District employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$4,301.83, \$3,244.70, and \$3,704.00, respectively, equal to the statutory required contributions for each year.

Note 6 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The District does not participate in a public entity risk pool.

Note 7 - LEASE COMMITMENTS

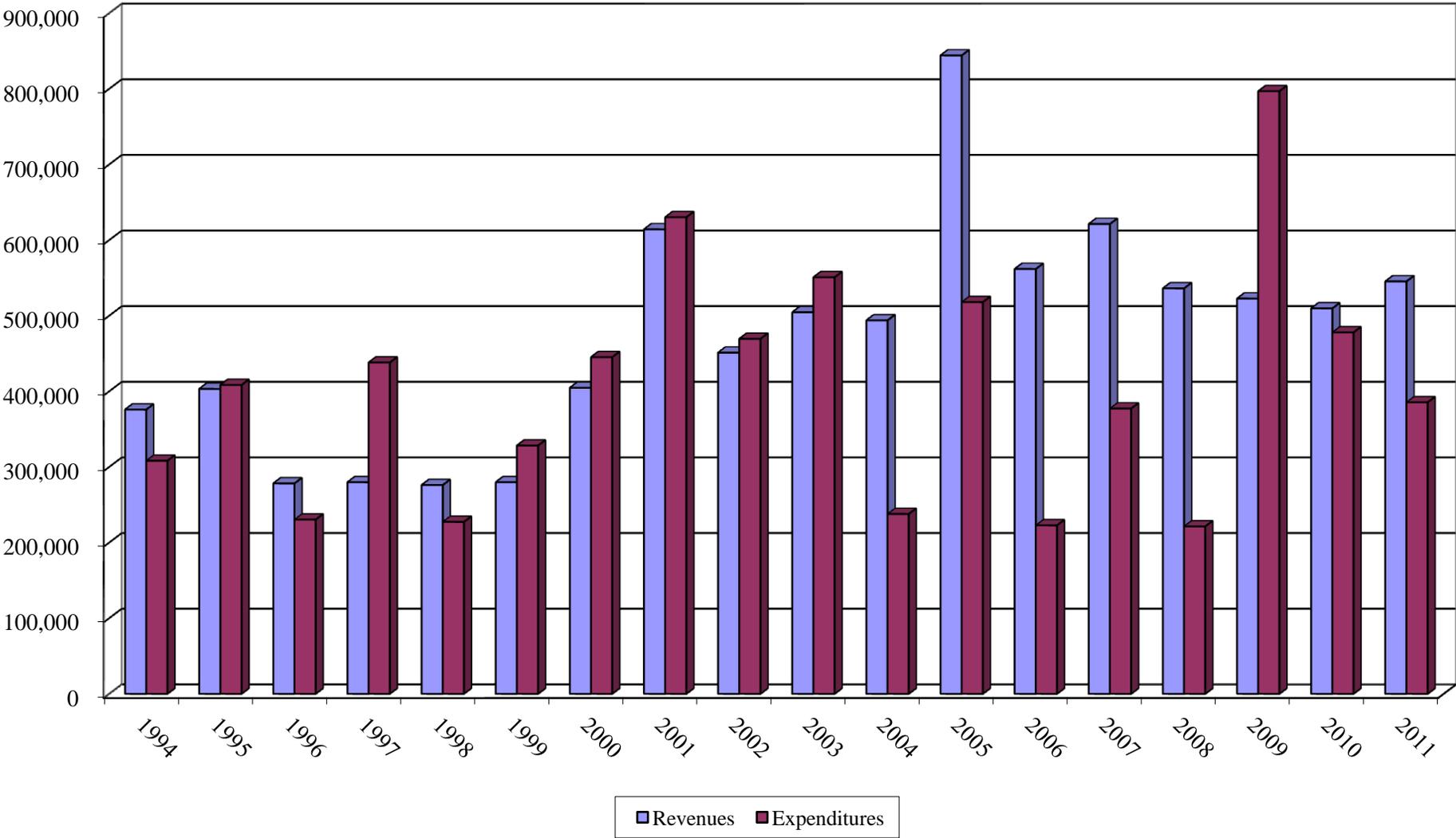
Operating Leases

The District has entered into an operating lease for a commercial building which contain cancellation provisions and are subject to annual appropriations. The lease was entered into on December 10, 2011 and for the reporting period no rent expenditures were made.

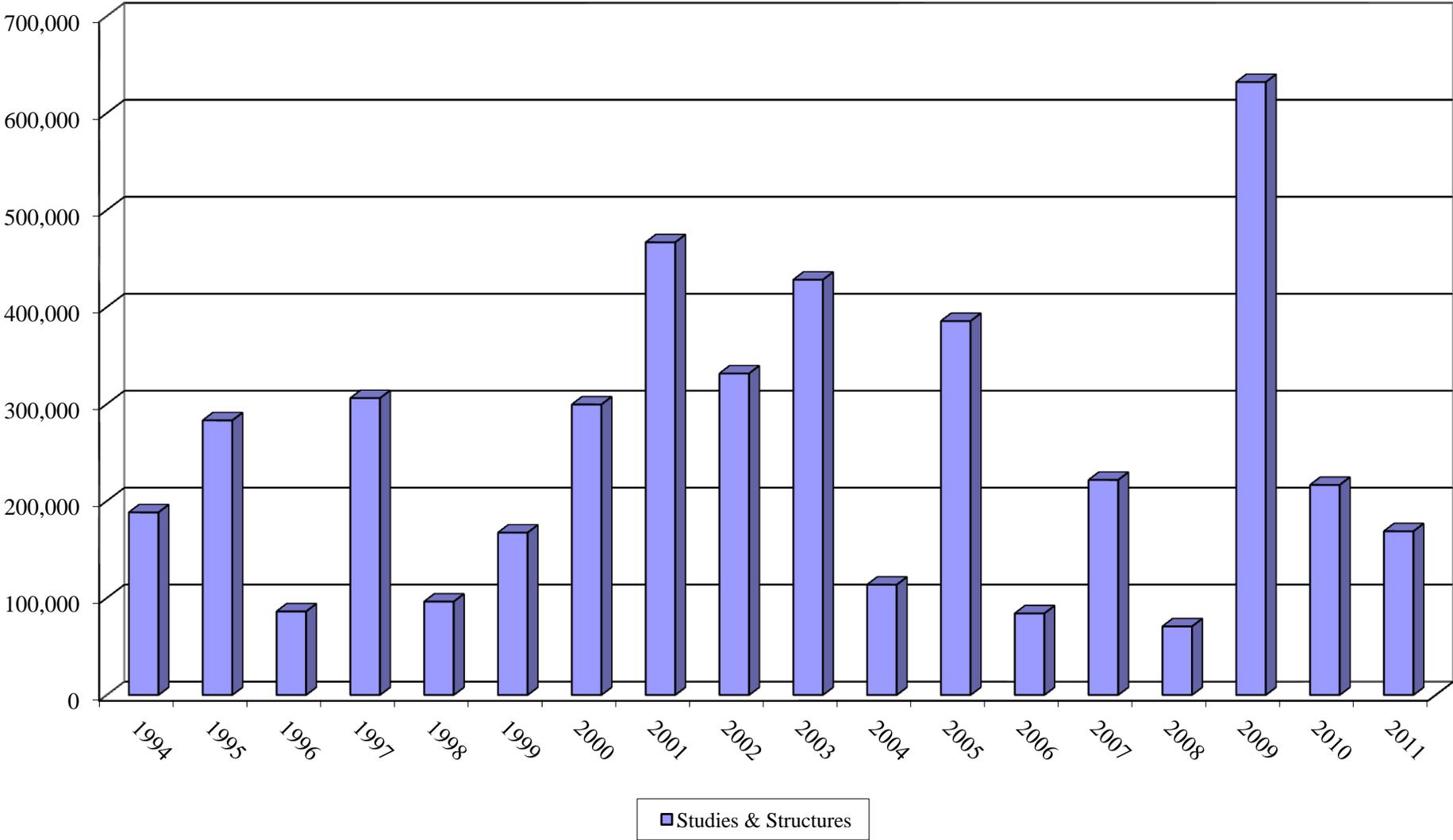
Note 8 - SUBSEQUENT EVENTS

The District has evaluated events subsequent to year end through March 28, 2012, and does not believe any events have occurred which effect the financial statements as presented.

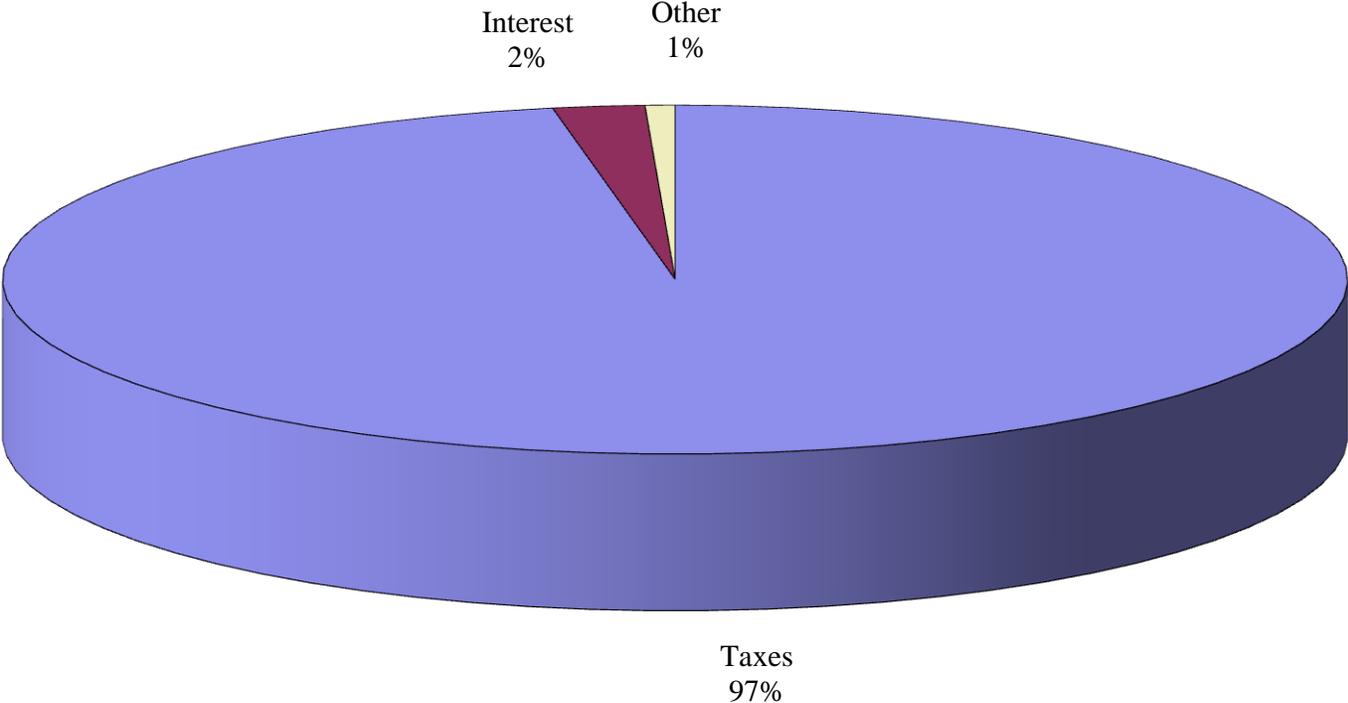
**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
Revenues & Expenditures**



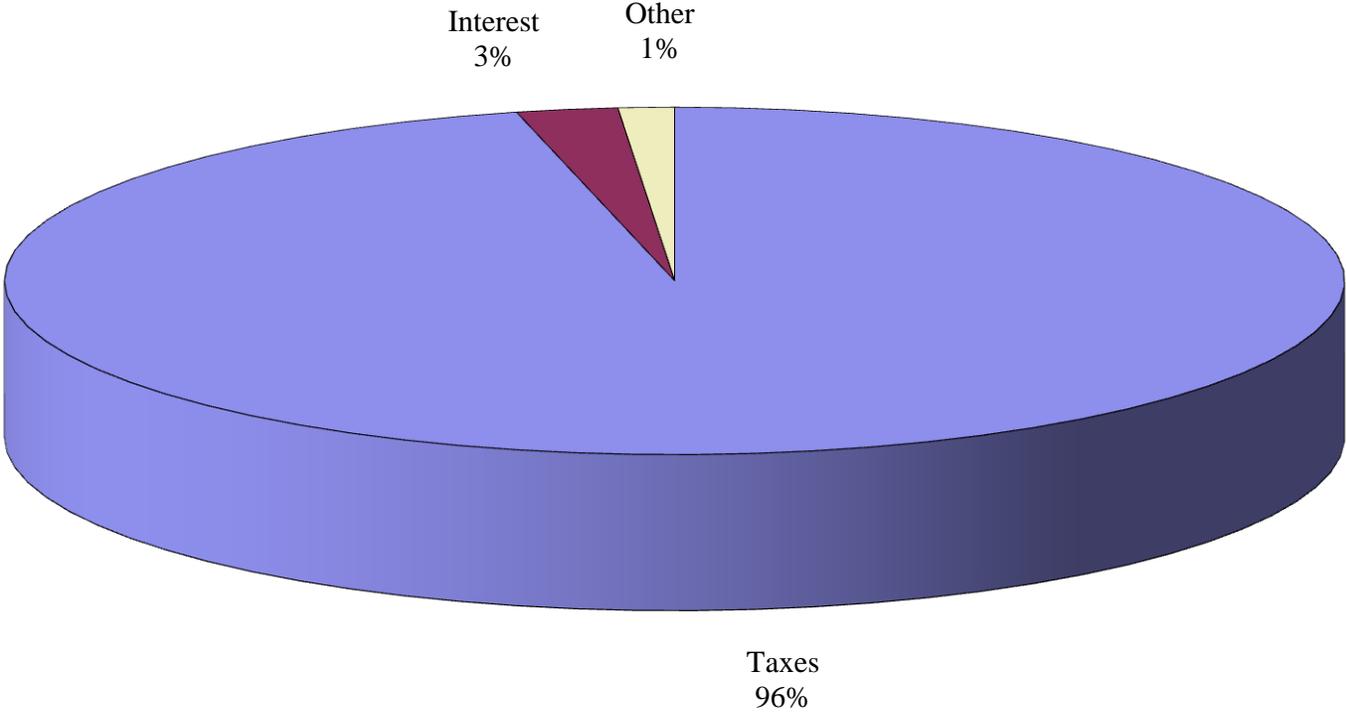
**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
Studies & Structures**



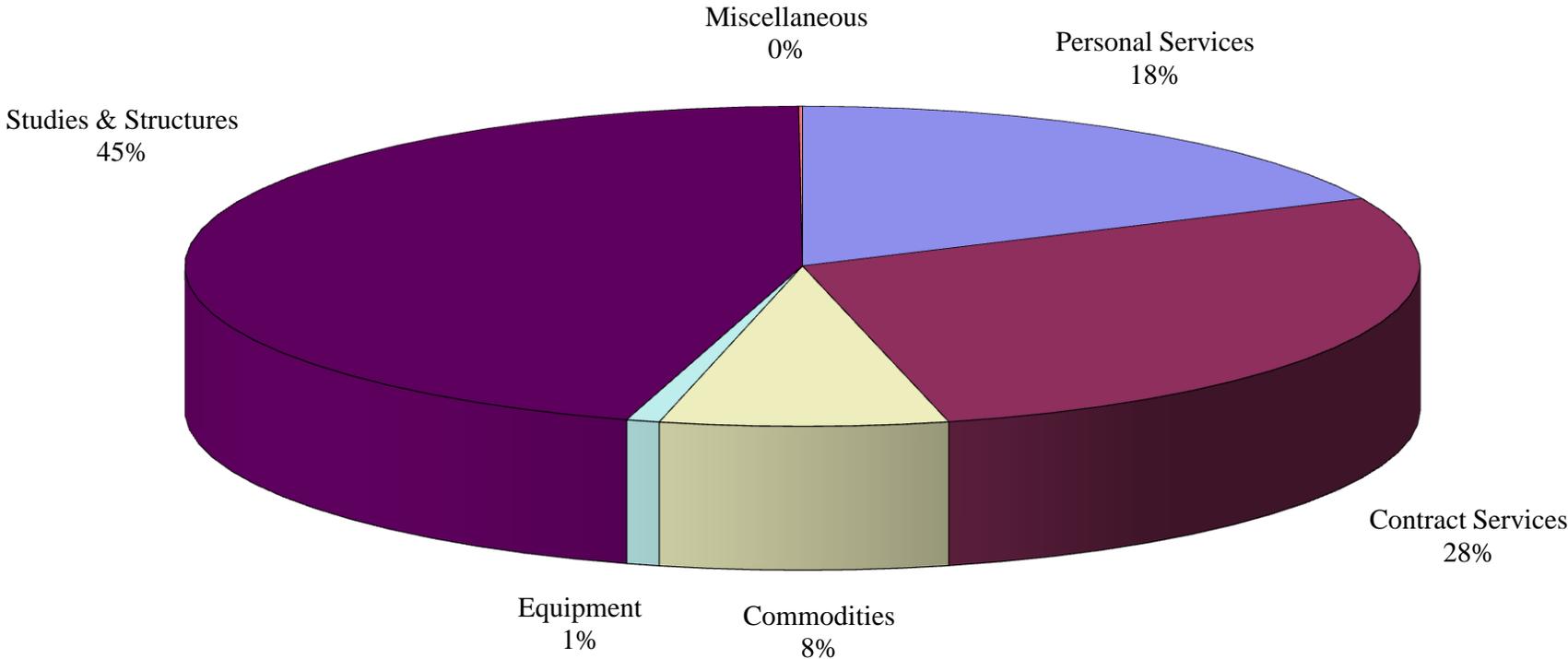
**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
2010 Revenues**



**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
2011 Revenues**



**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
2010 Expenditures**



**PAWNEE WATERSHED
JETMORE, KANSAS
General Fund
2011 Expenditures**

