

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

SCOTT COUNTY PUBLIC BUILDING COMMISSION
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For the Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Scott County Public Building Commission
Scott County, Kansas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the Commission prepared this financial statement using 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 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 described in the preceding paragraph, the financial statement referred to in the first paragraph does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Scott County Public Building Commission, Scott County, Kansas, as of December 31, 2011, or the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Further, in our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Scott County Public Building Commission, Scott County, Kansas, as of December 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

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Our audit was performed for the purpose of forming an opinion on the financial statement of the Scott County Public Building Commission, Scott City, Kansas. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

The 2010 actual column presented in the individual fund schedule of cash receipts and expenditures (Schedule 1 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2010 financial statement upon which we rendered an unqualified opinion dated May 17, 2011. The 2010 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2010 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statements or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.



LEWIS, HOOPER & DICK, LLC

June 13, 2012

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

	Unencumbered Cash (Deficit) 1/1/2011	Cash Receipts	Expenditures	Unencumbered Cash 12/31/2011	Outstanding Encumbrances and Accounts Payable	Treasurer's Cash 12/31/2011
General Fund	<u>\$ 5,398,591</u>	<u>\$ 812,649</u>	<u>\$ 5,209,630</u>	<u>\$ 1,001,610</u>	<u>\$ 152,152</u>	<u>\$ 1,153,762</u>
Totals (memorandum only)	<u>\$ 5,398,591</u>	<u>\$ 812,649</u>	<u>\$ 5,209,630</u>	<u>\$ 1,001,610</u>	<u>\$ 152,152</u>	<u>\$ 1,153,762</u>
Composition of Cash:						
Demand deposits:						
First National Bank - Scott City						\$ 450
Time deposits:						
Security Bank - Kansas City						250,000
Investments:						
Security Bank - Kansas City						<u>903,312</u>
Total cash						<u>\$ 1,153,762</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies

Scott County Public Building Commission, Scott County, Kansas, was incorporated under the provisions of the State of Kansas and operates under an appointed board. The Commission makes available to other entities within the County buildings, space in such buildings and other facilities.

A. Financial reporting entity

The Scott County Public Building Commission was created under K.S.A. 12-1757. The Commission is governed by a three member board with one member appointed by the Scott County Commissioners, one member appointed by the City of Scott City, Kansas, and one member appointed by the other members of the Public Building Commission. The County and City's accountability for this organization does not extend beyond making the appointments; however the County and City consider the Scott County Public Building Commission to be a related organization.

These financial statements present the Scott County Public Building Commission (the primary government) and its component units. The component units discussed below are included in the Commission's reporting entity because of the significance of their operational or financial relationships with the Commission.

The Commission has no organizations, functions or activities which are considered component units of the Commission.

B. Measurement focus, basis of accounting and basis of presentation

These financial statements are presented on a 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 is recorded in the fund from which the transfer is made.

C. Waiver of financial reporting requirements

The Commission's Board of Directors has determined by resolution that financial statements prepared in conformity with accounting principles generally accepted in the United States of America are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Board, the Commission or the members of the general public of the Commission. The Commission approved the resolution which served as notice of the Board's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

D. Departure from generally accepted accounting principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures. 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 accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Commission 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.

E. 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 are used by the Commission:

Governmental Funds

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

Capital Project Funds - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

G. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the Commission (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments in the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

Investments are stated at cost. The aggregate value of the investments at December 31, 2011, is \$903,312.

H. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

I. Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the Commission records an expenditure (or expense) in the reimbursing fund and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

J. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

K. Comparative data

The statutory basis financial statements include certain prior year comparative information in order to provide an understanding of the changes in the cash receipts and expenditures of the funds, but not at the level of detail required for a presentation in conformity with the statutory basis of accounting. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

2. Stewardship, compliance and accountability

A. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretations of the law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representation of the Commission. Management is aware of no material violations of Kansas statutes.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amount of deposits	\$	250,450
Carrying amount of investments		903,312
Total cash	\$	1,153,762

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

Investment Type	Fair Value	Investments Maturities (in Years)		Rating
		Less than 1	1-2	
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	\$ 903,312	\$ 903,312	\$ -	N/A
Total fair value	\$ 903,312	\$ 903,312	\$ -	

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

K.S.A. 12-1675 limits the Commission'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 Commission has no investment policy that would further limit its investment choices. The rating of the Commission's investments is noted above.

Concentration of credit risk

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

Investments	Percentage of Investments
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	100%

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission'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 Commission does not use designated "peak periods".

At December 31, 2011, the Commission's carrying amount of deposits was \$250,450 and the bank balance was \$250,450. Of the bank balance, 99.9% was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, all \$250,450 was covered by federal depository insurance. The Commission's cash deposits at year-end are as follows:

	First National Bank - Scott City	Security Bank - Kansas City
FDIC Coverage	\$ 450	\$ 250,000
Pledged securities at market value	-	-
Total coverage	\$ 450	\$ 250,000
Funds on deposit	\$ 450	\$ 250,000
Funds at risk	\$ -	\$ -

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the Commission 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 Commission had no investments of this type at December 31, 2011.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

B. Capital projects

Capital project authorizations for the year ended December 31, 2011, with approved change orders compared to disbursements and accounts payable from date of inception through December 31, 2011, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Park Lane Project	\$ 5,750,000	\$ 4,738,967	\$ 1,011,033

C. Long-term debt

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

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/11	Additions	Reductions/ Payments	Balance 12/31/11	Interest Paid
Revenue bonds:									
Series 2009	3/1/2009	4.40%	9/1/24	\$ 4,295,000	\$ 3,815,000	-	\$ 210,000	\$ 3,605,000	\$ 154,983
Series 2010	10/1/2010	4.00%	9/1/25	5,750,000	5,750,000	-	290,000	5,460,000	159,196
Total long-term debt					\$ 9,565,000	\$ -	\$ 500,000	\$ 9,065,000	\$ 314,179

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

	Year							
	2012	2013	2014	2015	2016	2017-2021	2022-2025	
Principal:								
Revenue bonds	\$ 500,000	\$ 525,000	\$ 550,000	\$ 575,000	\$ 600,000	\$ 3,395,000	\$ 2,920,000	\$ 9,065,000
Interest:								
Revenue bonds	315,501	302,276	287,276	268,426	248,726	921,103	267,397	2,610,705
Total principal and interest	\$ 815,501	\$ 827,276	\$ 837,276	\$ 843,426	\$ 848,726	\$ 4,316,103	\$ 3,187,397	\$ 11,675,705

4. Other information

A. Risk management

The Commission 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2011

4. Other information (continued)

B. Related party transactions

On March 1, 2009, the Commission entered into a lease with option to purchase with Scott County, Kansas, and the City of Scott City, Kansas, for the law enforcement building. The lease provides for payments from the County and City to finance the cost of bonds issued by the Commission for the construction of the building and other expenses of the building. Basic lease payments received during the current year totaled \$366,054. Future minimum basic lease payments, to be received through September 1, 2024, are as follows:

Year	Basic Rent Payments
2012	\$ 364,133
2013	366,607
2014	367,607
2015	368,207
2016	368,408
2017-2021	1,832,235
2022-2024	1,098,940
Total	\$ 4,766,137

On October 1, 2010, the Commission entered into a lease with option to purchase with Scott County, Kansas, for the Park Lane Nursing Home. The lease provides for payments from the County to finance the cost of bonds issued by the Commission for the construction and other expenses of the project. Basic lease payments received during the current year totaled \$444,407. Future minimum basic lease payments, to be received through September 1, 2025, are as follows:

Year	Basic Rent Payments
2012	\$ 452,869
2013	462,169
2014	471,169
2015	476,719
2016	481,819
2017-2021	2,491,369
2022-2025	2,092,956
Total	\$ 6,929,070

SUPPLEMENTAL SCHEDULE

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 General Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash receipts:		
Intergovernmental revenue	\$ 336,207	\$ 810,461
Interest on idle funds	6,203	2,188
Bond proceeds	5,761,405	-
Total cash receipts	<u>6,103,815</u>	<u>812,649</u>
Expenditures:		
Debt service	361,983	814,179
Capital outlay	345,666	4,393,301
Contractual	24,816	2,000
Commodities	170	150
Total expenditures	<u>732,635</u>	<u>5,209,630</u>
Receipts over (under) expenditures	5,371,180	(4,396,981)
Unencumbered cash, beginning	<u>27,411</u>	<u>5,398,591</u>
Unencumbered cash, ending	<u>\$ 5,398,591</u>	<u>\$ 1,001,610</u>