

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
CITY OF LANSING, KANSAS
DECEMBER 31, 2012

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Members
of the City Council
City of Lansing, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lansing, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2011, from which such partial and summarized information was derived.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements 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 and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lansing, Kansas, as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General and Consolidated Street and Highway funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 management discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The accompanying supplementary information such as combining and individual fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Lansing, Kansas. The combining and individual nonmajor fund financial statements, budgetary schedules, and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 basic financial statements taken as a whole.

Wendy Noel Nelson & Tom LLC
Topeka, Kansas
June 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lansing, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lansing for the calendar year ended December 31, 2012.

Financial Highlights

- Assets of the City of Lansing exceeded its liabilities at the close of the most recent calendar year by \$12,847,157.
- At the close of the current calendar year, the City of Lansing's governmental funds reported combined ending fund balances of \$1,853,457.
- At the end of the current calendar year, the unassigned fund balance for the general fund was \$419,791.
- The City's total term-debt decreased by \$1,563,647 during the current calendar year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lansing's basic financial statements. The City of Lansing's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lansing's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Lansing's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lansing is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lansing that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lansing include general government, public safety, public works (roads, utilities and traffic controls), parks and recreation, library and employee benefits. The business-type activities of the City of Lansing include wastewater and solid waste activities. The City of Lansing has no component units, which are entities that are legally separate, but for which the City is financially accountable.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lansing, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lansing can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental funds financial statements can be found on pages 11 and 13 of this report.

The City of Lansing adopts an annual appropriated budget for all governmental funds as required by state statute.

Proprietary funds. The City of Lansing maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lansing uses enterprise funds to account for its Wastewater and Solid Waste activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Wastewater Fund and other proprietary funds, namely, Solid Waste activities, which is not considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City of Lansing's own programs and, therefore, are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 21 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lansing, assets exceeded liabilities by \$12,847,157 at the close of 2012.

By far, the largest portion of the City of Lansing's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Lansing used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lansing's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LANSING CONDENSED NET ASSETS
December 31, 2012

	<u>Governmental activities 2012</u>	<u>Business-type activities 2012</u>	<u>Total 2012</u>
Current and other assets	\$ 5,064,271	\$ 1,872,769	\$ 6,937,040
Capital assets	<u>17,084,930</u>	<u>15,156,139</u>	<u>32,241,069</u>
Total assets	<u>22,149,201</u>	<u>17,028,908</u>	<u>39,178,109</u>
Long-term liabilities outstanding	22,825,477		22,825,477
Current and other liabilities	<u>3,406,551</u>	<u>98,924</u>	<u>3,505,475</u>
Total liabilities	<u>26,232,028</u>	<u>98,924</u>	<u>26,330,952</u>
Net position			
Invested in capital assets, net of related debt	(5,518,895)	15,156,139	9,637,244
Restricted	464,065		464,065
Unrestricted	<u>972,003</u>	<u>1,773,845</u>	<u>2,745,848</u>
Total net position	<u><u>\$ (4,082,827)</u></u>	<u><u>\$16,929,984</u></u>	<u><u>\$12,847,157</u></u>

A portion of the City of Lansing's net position (\$464,065) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,745,848) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current calendar year, the City of Lansing is able to report positive balances in all three categories of net position, for the government as a whole.

Financial Analysis of the Government's Funds

As noted earlier, the City of Lansing uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental funds. The financial reporting focus of the City of Lansing's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City of Lansing's financing requirements. In particular, *unreserved fund balance* may serve as useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, the City of Lansing's governmental funds reported combined ending fund balances of \$1,853,457. Of this total amount \$1,846,022 constitutes the portion of the fund balance, which is available to meet the future financial needs of the City. The remainder of the fund balance is nonspendable to indicate that it is not available for new spending because it has already been expended.

The general fund is the chief operating fund of the City of Lansing. At the end of the current calendar year, unassigned fund balance of the general fund was \$419,791. The City of Lansing's general fund balance decreased by \$161,276 during the current calendar year.

Proprietary funds. The City of Lansing's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The ending net assets for the proprietary funds were \$16,929,984, a net increase of \$10,154,888.

The unrestricted net assets of the two enterprise funds totaled \$1,773,845.

General Fund Budgetary Highlights

The City continues to develop long term strategies to manage debt, while limiting the fiscal burden on the citizens of Lansing. Management is watching the City's debt load to ensure that future revenues will be sufficient to retire the debt without jeopardizing essential City services.

Revenues for the general fund operations were more than estimated by \$68,997, and departmental expenditures on the budgetary basis were less than appropriated amounts by \$130,435.

Transfers out of the general fund totaled \$1,014,583 for the year ended December 31, 2012 (see Statement of Revenues, Expenditures and Change in Fund Balances on page 15 of this report).

Revenues from ad valorem taxes represented the largest general fund revenue source with collections totaling \$2.26 million or 45% of all general fund revenues. At \$1.57 million or 31% of all general fund revenue collected, current year retail sales and use taxes represent the second largest revenue source for the general fund. The Mill Levy increased by .870 in 2012, moving from 38.631 in 2011 to 39.501 in 2012.

Enterprise Operations

The City's enterprise operations consist of two separately accounted for operations which are administered by two different departments: Finance and Wastewater. Operating revenues for the City's combined enterprise operations increased by \$14,942. The key factors in this increase are a utility rate increase on residential and commercial utility accounts and a proactive approach to collecting delinquent balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Asset and Debt Administration

Capital assets. The City of Lansing's investment in capital assets for its governmental and business type activities as of December 31, 2012, amount to \$32,241,069 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park and municipal facilities, roads, highways and sidewalks. The total decrease in the City of Lansing's investment in capital assets for the current calendar year was \$1,312,438. Details of the City of Lansing's capital assets are continued in Note D - 3 to financial statement on pages 33 and 34.

Long-term debt. At the end of the current calendar year, the City of Lansing had total bonded debt outstanding of \$22,671,092, which comprises debt backed by the full faith and credit of the City. (More detailed information about the agency's long-term liabilities is presented in Note E to the financial statement on page 36.)

The City of Lansing's total debt decreased by 7% during the current year.

The City of Lansing continues to pay down its debt, retiring \$13,129,741 of outstanding debt during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

The instability of the U.S. economy is still a concern, and the City of Lansing is budgeting conservatively in response to this concern. An increase in assessed valuation is estimated for 2013, and the City continues to anticipate growth from new commercial developments. Once again, City staff worked to maintain 2013 expenditures. One position was eliminated and several other positions were reorganized, reducing staff and expenses without compromising public safety or reducing City services.

In adopting the budget for the ensuing calendar year 2013, City officials considered many factors in making judgments and estimates about the finances of the upcoming year.

Upcoming capital projects scheduled are:

- Desoto Road - Design and Engineering
- Street, Sidewalk, and Drainage Projects
- Economic Development Projects
- City-Wide Comprehensive Plan
- Infrastructure for new high school

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The primary objective of the Council was to continue to provide basic City services to the citizens, while attempting to keep the property tax rate substantially the same. The City's Mill Levy rate is projected to increase by 1.0%, moving from 39.501 in 2012 to 39.898 in 2013. The dollar value equivalent is a \$4.56 increase in taxes paid on a \$100,000 home.

Requests for Information

This financial report is designed to provide a general overview of the City of Lansing's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance Department, 800 1st Terrace, Lansing, Kansas 66043.

CITY OF LANSING, KANSAS
STATEMENT OF NET POSITION
December 31, 2012

With comparative totals for December 31, 2011

	Primary government		Totals	
	Governmental activities	Business- type activities	2012	2011
ASSETS				
Cash and cash equivalents	\$ 2,067,933	\$ 1,168,540	\$ 3,236,473	\$ 3,416,473
Receivables	2,988,903	704,229	3,693,132	3,652,867
Prepaid expenses	7,435		7,435	5,421
Capital assets				
Land	991,774		991,774	991,774
Depreciable buildings, property and equipment, net of depreciation	13,858,030	15,156,139	29,014,169	30,327,894
Construction in progress	2,235,126		2,235,126	2,233,839
Total assets	22,149,201	17,028,908	39,178,109	40,628,268
LIABILITIES				
Accounts payable	112,360	56,362	168,722	183,966
Customer deposits		19,850	19,850	16,500
Accrued interest payable	195,737		195,737	292,067
Salaries and wages payable	70,885	20,712	91,597	77,627
Deferred revenue	3,027,569	2,000	3,029,569	3,023,948
Noncurrent liabilities				
Due within one year	1,695,102		1,695,102	1,646,274
Due in more than one year	21,130,375		21,130,375	22,728,375
Total liabilities	26,232,028	98,924	26,330,952	27,968,757
NET POSITON				
Invested in capital assets, net of related debt	(5,518,895)	15,156,139	9,637,244	9,387,308
Restricted for debt service	464,065		464,065	657,298
Unrestricted	972,003	1,773,845	2,745,848	2,614,905
Total net position	\$(4,082,827)	\$16,929,984	\$12,847,157	\$12,659,511

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

CITY OF LANSING, KANSAS
STATEMENT OF ACTIVITIES
Year ended December 31, 2012
With comparative totals for December 31, 2011

	Program revenues				Net (expense) revenue and changes in net assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Totals	
					Governmental activities	Business-type activities	2012	2011
Functions/programs								
Primary government								
Governmental activities								
General government	\$(1,809,213)	\$ 963,340	\$544,174	\$ -	\$ (301,699)	\$ -	\$ (301,699)	\$ 226,244
Public safety	(1,440,036)		8,699		(1,431,337)		(1,431,337)	(1,350,925)
Public works	(1,397,516)				(1,397,516)		(1,397,516)	(1,268,510)
Library	(176,503)				(176,503)		(176,503)	(178,666)
Culture and recreation	(673,028)	47	25,927		(647,054)		(647,054)	(644,900)
Planning and zoning	(1,043,092)				(1,043,092)		(1,043,092)	(1,068,336)
Interest	(763,420)				(763,420)		(763,420)	(1,327,071)
Total governmental activities	<u>(7,302,808)</u>	<u>963,387</u>	<u>578,800</u>	<u>-</u>	<u>(5,760,621)</u>	<u>-</u>	<u>(5,760,621)</u>	<u>(5,612,164)</u>
Business-type activities								
Sewer Utility	(1,817,063)	1,666,198				(150,865)	(150,865)	(347,654)
Refuse Utility	(449,936)	512,678				62,742	62,742	4,452
Total business-type activities	<u>(2,266,999)</u>	<u>2,178,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,123)</u>	<u>(88,123)</u>	<u>(343,202)</u>
Total primary government	<u><u>\$(9,569,807)</u></u>	<u><u>\$3,142,263</u></u>	<u><u>\$578,800</u></u>	<u><u>\$ -</u></u>	<u><u>(5,760,621)</u></u>	<u><u>(88,123)</u></u>	<u><u>(5,848,744)</u></u>	<u><u>(5,955,366)</u></u>
General revenues								
Property taxes					3,188,262		3,188,262	3,096,058
Sales taxes					1,573,052		1,573,052	1,472,973
Franchise taxes					458,366		458,366	474,205
Motor fuel taxes					374,459		374,459	355,858
Alcoholic beverage taxes					8,649		8,649	9,015
Transient guest taxes					102,062		102,062	104,727
Investment earnings					890	99	989	1,902
Gain on sale of assets					4,711		4,711	
Premium on bonds issued					325,840		325,840	
Transfers					(10,242,912)	10,242,912		
Total general revenues and transfers					<u>(4,206,621)</u>	<u>10,243,011</u>	<u>6,036,390</u>	<u>5,514,738</u>
Change in net position					(9,967,242)	10,154,888	187,646	(440,628)
Net position beginning of year					5,884,415	6,775,096	12,659,511	13,100,139
Net position end of year					<u><u>\$(4,082,827)</u></u>	<u><u>\$16,929,984</u></u>	<u><u>\$12,847,157</u></u>	<u><u>\$12,659,511</u></u>

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

CITY OF LANSING, KANSAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2012

With comparative totals for December 31, 2011

	<u>General</u>	<u>Special Revenue Fund Consolidated Street and Highway</u>	<u>Debt Service fund</u>	<u>Capital Project Capital Improvement fund</u>	<u>Other governmental funds</u>	<u>Totals</u>	
						<u>2012</u>	<u>2011</u>
ASSETS							
Cash and equity in Treasurer's fund	\$ 682,899	\$113,972	\$ 464,065	\$39,561	\$767,436	\$2,067,933	\$2,391,125
Property taxes receivable	1,916,251		924,623		148,029	2,988,903	2,980,624
Prepaid expenses	7,435					7,435	5,421
Total assets	<u>\$2,606,585</u>	<u>\$113,972</u>	<u>\$1,388,688</u>	<u>\$39,561</u>	<u>\$915,465</u>	<u>\$5,064,271</u>	<u>\$5,377,170</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 109,514	\$ 1,990	\$ -	\$ -	\$ 856	\$ 112,360	\$ 178,757
Salaries and wages payable	62,178	6,000			2,707	70,885	61,209
Deferred revenues	1,954,917		924,623		148,029	3,027,569	3,021,948
Total liabilities	<u>2,126,609</u>	<u>7,990</u>	<u>924,623</u>	<u>-</u>	<u>151,592</u>	<u>3,210,814</u>	<u>3,261,914</u>
FUND BALANCES							
Nonspendable	7,435					7,435	5,421
Restricted		105,982	464,065		543,485	1,113,532	1,243,805
Committed	52,750				67,268	120,018	164,290
Assigned				39,561	153,120	192,681	161,209
Unassigned	419,791					419,791	540,531
Total fund balances	<u>479,976</u>	<u>105,982</u>	<u>464,065</u>	<u>39,561</u>	<u>763,873</u>	<u>1,853,457</u>	<u>2,115,256</u>
Total liabilities and fund balances	<u>\$2,606,585</u>	<u>\$113,972</u>	<u>\$1,388,688</u>	<u>\$39,561</u>	<u>\$915,465</u>	<u>\$5,064,271</u>	<u>\$5,377,170</u>

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

CITY OF LANSING, KANSAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
Year ended December 31, 2012

Amounts reported for governmental activities in the statement of net position differ from the fund balances of governmental funds on the preceding balance sheet as shown in the following reconciliation:

Fund balances of governmental funds from the balance sheet	\$ 1,853,457
Capital assets, net of depreciation, used in governmental activities are not financial resources, and so have not been reported on the balance sheet	17,084,930
Long-term liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(22,525,000)
Capital lease payable	(146,093)
Compensated absences	(154,384)
Accrued interest on long-term debt	<u>(195,737)</u>
Net assets of governmental activities as reported on the statement of net position	<u>\$ (4,082,827)</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year ended December 31, 2012

With comparative totals for December 31, 2011

	<u>General</u>	<u>Special Revenue Fund Consolidated Street and Highway</u>	<u>Debt Service fund</u>	<u>Capital Project Capital Improvement fund</u>	<u>Other governmental funds</u>	<u>Totals</u>	
						2012	2011
Revenues							
Taxes and special assessments	\$3,840,013	\$ -	\$1,137,807	\$ -	\$268,662	\$ 5,246,482	\$5,038,619
Intergovernmental		330,407			22,098	352,505	345,533
Licenses, permits and franchise taxes	569,440					569,440	594,468
Fines and forfeitures	645,398					645,398	627,528
Interest	663	28	15	56	128	890	1,732
Other	17,097	23,655	2	194,482	202,689	437,925	294,070
Total revenues	<u>5,072,611</u>	<u>354,090</u>	<u>1,137,824</u>	<u>194,538</u>	<u>493,577</u>	<u>7,252,640</u>	<u>6,901,950</u>
Expenditures							
Current							
General government	1,721,741				101,505	1,823,246	1,835,855
Public safety	1,434,076				93,560	1,527,636	1,388,126
Public works	573,841	470,136		632,555		1,676,532	1,682,715
Culture and recreation	565,096				294,631	859,727	842,438
Social services					3,288	3,288	8,595
Construction and engineering					1,287	1,287	273,685
Neighborhood revitalization rebate			32,136			32,136	44,790
Debt service							
Principal - bonds			715,000			715,000	610,000
Principal - revolving loan			1,710,052			1,710,052	88,449
Interest and commissions			587,395			587,395	599,732
Total expenditures	<u>4,294,754</u>	<u>470,136</u>	<u>3,044,583</u>	<u>632,555</u>	<u>494,271</u>	<u>8,936,299</u>	<u>7,374,385</u>
Excess (deficiency) of revenue over expenditures	<u>777,857</u>	<u>(116,046)</u>	<u>(1,906,759)</u>	<u>(438,017)</u>	<u>(694)</u>	<u>(1,683,659)</u>	<u>(472,435)</u>
Other financing sources (uses)							
Proceeds - general obligation bonds			11,485,000			11,485,000	
Other costs of bond issuance			(146,068)			(146,068)	
Original issue premium			325,840			325,840	
Transfers in	75,000	150,000		400,000	97,917	722,917	459,227
Transfers out	(1,014,583)		(9,951,246)			(10,965,829)	(827,293)
Total other financing sources (uses)	<u>(939,583)</u>	<u>150,000</u>	<u>1,713,526</u>	<u>400,000</u>	<u>97,917</u>	<u>1,421,860</u>	<u>(368,066)</u>
Net change in fund balances	<u>(161,726)</u>	<u>33,954</u>	<u>(193,233)</u>	<u>(38,017)</u>	<u>97,223</u>	<u>(261,799)</u>	<u>(840,501)</u>
Fund balances at beginning of year	641,702	72,028	657,298	77,578	666,650	2,115,256	2,955,757
Fund balances at end of year	<u>\$ 479,976</u>	<u>\$105,982</u>	<u>\$ 464,065</u>	<u>\$ 39,561</u>	<u>\$763,873</u>	<u>\$ 1,853,457</u>	<u>\$2,115,256</u>

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

CITY OF LANSING, KANSAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2012

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in fund balances of governmental funds differ from the amounts reported in the government-wide statement of activities as shown in the following reconciliation:

Net changes in fund balances - total from the preceding Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds	\$ (261,799)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(637,960)
Issuance of long-term debt, such as bonds and temporary notes, provides current financial resources to governmental funds, and the repayment of long-term debt uses those resources; however, neither transaction has any effect on net assets. The City issued general obligation bonds of \$11,485,000. The City entered into capital leases of \$81,094. The City retired \$715,000 of bonds, \$1,710,052 of KDOT loan principal, \$85,857 of capitalized leases, and had a change in interest of \$2,176. The net effect of these differences is this amount.	(9,053,009)
Compensated absences, such as vacation, are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(14,474)
Change in net assets of governmental activities as shown on the government-wide statement of activities	<u>\$ (9,967,242)</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND

Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property tax	\$1,929,323	\$1,929,323	\$2,042,503	\$113,180
Auto ad valorem tax	212,220	212,220	215,809	3,589
Local alcoholic liquor tax	8,189	8,189	8,649	460
Local retail sales tax	1,312,742	1,312,742	1,372,106	59,364
Compensation use tax	199,790	199,790	200,946	1,156
Franchise fees	552,350	552,350	458,366	(93,984)
Licenses and permits	73,500	73,500	111,074	37,574
Fines and forfeitures	714,000	714,000	645,398	(68,602)
Interest			663	663
Other	<u>1,500</u>	<u>1,500</u>	<u>17,097</u>	<u>15,597</u>
Total revenues	<u>5,003,614</u>	<u>5,003,614</u>	<u>5,072,611</u>	<u>68,997</u>
Expenditures				
General government				
City administrator	156,000	156,000	146,485	9,515
Administration	590,114	590,114	552,151	37,963
Municipal court	237,878	237,878	231,582	6,296
Building maintenance	59,014	59,014	53,522	5,492
Community development	298,591	298,591	253,162	45,429
Economic development	292,677	292,677	286,658	6,019
Finance department	198,325	198,325	198,181	144
Public safety				
Police	1,395,452	1,395,452	1,434,076	(38,624)
Emergency preparedness	4,000	4,000		4,000
Public works				
General	315,674	315,674	277,010	38,664
Streets	158,187	158,187	150,444	7,743
Street lighting	140,500	140,500	146,387	(5,887)
Culture and recreation				
Parks and recreation	398,108	398,108	394,898	3,210
Activity center	109,401	109,401	101,309	8,092
Historical society	60,061	60,061	57,743	2,318
Community center	<u>11,207</u>	<u>11,207</u>	<u>11,146</u>	<u>61</u>
Total expenditures	<u>4,425,189</u>	<u>4,425,189</u>	<u>4,294,754</u>	<u>130,435</u>
Excess (deficit) of revenues over expenditures	<u>578,425</u>	<u>578,425</u>	<u>777,857</u>	<u>199,432</u>
Other financing sources				
Transfers in	75,000	75,000	75,000	
Transfers out	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>(1,014,583)</u>	<u>35,417</u>
Total other financing sources (uses)	<u>(975,000)</u>	<u>(975,000)</u>	<u>(939,583)</u>	<u>35,417</u>
Net change in fund balance	(396,575)	(396,575)	(161,726)	234,849
Beginning fund balance	<u>576,575</u>	<u>576,575</u>	<u>641,702</u>	<u>65,127</u>
Ending fund balance	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 479,976</u>	<u>\$299,976</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
CONSOLIDATED STREET AND HIGHWAY FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	Variance with final budget positive <u>(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$325,460	\$325,460	\$330,407	\$ 4,947
Interest	200	200	28	(172)
Other	<u>1,500</u>	<u>1,500</u>	<u>23,655</u>	<u>22,155</u>
Total revenues	327,160	327,160	354,090	26,930
Expenditures				
Public works	<u>495,539</u>	<u>495,539</u>	<u>470,136</u>	<u>25,403</u>
Excess (deficit) of revenues over expenditures	(168,379)	(168,379)	(116,046)	52,333
Other financing sources				
Transfer in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u> </u>
Net change in fund balance	(18,379)	(18,379)	33,954	52,333
Beginning fund balance	<u>41,342</u>	<u>41,342</u>	<u>72,028</u>	<u>30,686</u>
Ending fund balance	<u>\$ 22,963</u>	<u>\$ 22,963</u>	<u>\$105,982</u>	<u>\$83,019</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

With comparative totals for December 31, 2011

	Business-type activities Enterprise funds			
	Sewer Utility	Nonmajor Enterprise Fund Refuse Utility	Totals	
			2012	2011
ASSETS				
Current assets				
Cash and equity in Treasurer's fund	\$ 916,503	\$252,037	\$ 1,168,540	\$ 1,025,348
Accounts receivable	563,638	140,591	704,229	672,243
Total current assets	1,480,141	392,628	1,872,769	1,697,591
Noncurrent assets				
Capital assets				
Depreciable buildings, property, and equipment, net of depreciation	15,156,139		15,156,139	15,830,617
Total noncurrent assets	15,156,139	-	15,156,139	15,830,617
Total assets	16,636,280	392,628	17,028,908	17,528,208
LIABILITIES				
Current liabilities				
Accounts payable	16,714	39,648	56,362	5,209
Salaries and wages payable	20,712		20,712	16,418
Customer deposits	19,850		19,850	16,500
Accrued interest				94,154
Current portion of State revolving loan				715,615
Total current liabilities	57,276	39,648	96,924	847,896
Noncurrent liabilities				
Deferred revenue	2,000		2,000	2,000
State revolving loan payable				9,903,216
Total noncurrent liabilities	2,000	-	2,000	9,905,216
Total liabilities	59,276	39,648	98,924	10,753,112
NET ASSETS				
Invested in capital assets, net of related debt	15,156,139		15,156,139	5,211,786
Unrestricted	1,420,865	352,980	1,773,845	1,563,310
Total net position	\$16,577,004	\$352,980	\$16,929,984	\$ 6,775,096

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year ended December 31, 2012
With comparative totals for December 31, 2011

	Business-type activities Enterprise funds			
	Sewer Utility	Nonmajor Enterprise Fund Refuse Utility	Totals	
			2012	2011
Operating revenues				
Sewer service charges	\$ 1,661,660	\$ -	\$ 1,661,660	\$1,647,079
Refuse service charges		511,353	511,353	512,438
Other income	4,538	1,325	5,863	4,417
Total operating revenues	<u>1,666,198</u>	<u>512,678</u>	<u>2,178,876</u>	<u>2,163,934</u>
Operating expenses				
Salaries, wages, and benefits	379,428		379,428	353,155
Purchased services	194,905		194,905	193,451
Commodities	24,552		24,552	21,120
Insurance	58,200		58,200	55,600
Sewer maintenance	148,789		148,789	255,061
Waste collection		449,936	449,936	392,629
Bad debts	763		763	127,534
Depreciation	752,722		752,722	790,532
Total operating expenditures	<u>1,559,359</u>	<u>449,936</u>	<u>2,009,295</u>	<u>2,189,082</u>
Operating income (loss)	<u>106,839</u>	<u>62,742</u>	<u>169,581</u>	<u>(25,148)</u>
Nonoperating revenues (expenses)				
Interest income	47	52	99	159
Interest expense	(257,704)		(257,605)	(318,054)
Total nonoperating revenues (expenses)	<u>(257,657)</u>	<u>52</u>	<u>(257,605)</u>	<u>(317,895)</u>
Other financing sources (uses)				
Transfers in	10,317,912		10,317,912	450,000
Transfers out		(75,000)	(75,000)	(81,934)
Total other financing sources (uses)	<u>10,317,912</u>	<u>(75,000)</u>	<u>10,242,912</u>	<u>368,066</u>
Change in net position	10,167,094	(12,206)	10,154,888	25,023
Total net position beginning of year	<u>6,409,910</u>	<u>365,186</u>	<u>6,775,096</u>	<u>6,750,073</u>
Total net position end of year	<u>\$16,577,004</u>	<u>\$352,980</u>	<u>\$16,929,984</u>	<u>\$6,775,096</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year ended December 31, 2012

With comparative totals for December 31, 2011

	Business-type activities Enterprise funds			
	Sewer Utility	Nonmajor Enterprise Fund Refuse Utility	Totals	
			2012	2011
Cash flows from operating activities				
Receipts from customers and users	\$ 1,642,361	\$497,903	\$ 2,140,264	\$1,952,442
Payments to suppliers	(351,979)	(411,700)	(763,679)	(880,096)
Payments to employees	(375,134)		(375,134)	(355,984)
Other	(53,662)	1,325	(52,337)	(51,183)
Net cash provided by (used by) operating activities	861,586	87,528	949,114	665,179
Cash flows from noncapital financing activities				
Transfer from other funds	10,317,912		10,317,912	450,000
Transfer to other funds		(75,000)	(75,000)	(81,934)
Net cash provided by (used by) noncapital financing activities	10,317,912	(75,000)	10,242,912	368,066
Cash flows from capital and related financing activities				
Payment on capital debt	(10,618,831)		(10,618,831)	(695,237)
Interest paid on capital debt	(351,858)		(351,858)	(324,218)
Purchase of capital assets	(78,244)		(78,244)	(3,666)
Net cash used by capital and related financing activities	(11,048,933)	-	(11,048,933)	(1,023,121)
Cash flows from investing activities				
Interest received	47	52	99	159
Net cash from investing activities	47	52	99	159
Net increase (decrease) in cash and cash equivalents	130,612	12,580	143,192	10,283
Cash and cash equivalents, January 1	785,891	239,457	1,025,348	1,015,065
Cash and cash equivalents, December 31	\$ 916,503	\$252,037	\$ 1,168,540	\$1,025,348

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

CITY OF LANSING, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
Year ended December 31, 2012

With comparative totals for December 31, 2011

	Business-type activities Enterprise funds			
	<u>Sewer Utility</u>	<u>Nonmajor Enterprise Fund Refuse Utility</u>	Totals	
			<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$106,839	\$62,742	\$169,581	\$(25,148)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	752,722		752,722	790,532
Change in assets and liabilities				
Accounts receivable	(18,536)	(13,450)	(31,986)	(79,541)
Accounts payable	12,917	38,236	51,153	(9,281)
Customer deposits	3,350		3,350	(8,554)
Accrued liabilities	4,294		4,294	(2,829)
Total adjustments	<u>754,747</u>	<u>24,786</u>	<u>779,533</u>	<u>690,327</u>
Net cash provided by (used by) operating activities	<u>\$861,586</u>	<u>\$87,528</u>	<u>\$949,114</u>	<u>\$665,179</u>

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

CITY OF LANSING, KANSAS
 STATEMENT OF FIDUCIARY NET POSITION
 COMBINED AGENCY FUNDS

December 31, 2012

With comparative totals for December 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and equity in Treasurer's Fund	\$114,486	\$108,168
Total assets	<u>\$114,486</u>	<u>\$108,168</u>
LIABILITIES		
Due to others	\$105,375	\$ 95,788
Bonds posted escrow	<u>9,111</u>	<u>12,380</u>
Total liabilities	<u>\$114,486</u>	<u>\$108,168</u>

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

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The City of Lansing is a municipal corporation governed by an elected mayor and eight-member council. The accompanying financial statements present the City's financial position at December 31, 2012. The accounting and reporting policies of the City of Lansing, Kansas, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments, and by the Financial Accounting Standards Board, when applicable. Certain significant accounting policies of the City are described below.

The City's financial statements include the accounts of all City operations. The criteria for including other organizations as component units within the City's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Lansing has no component units.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the *Statement of Net Assets* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the City of Lansing. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Those revenues susceptible to accrual are sales taxes, franchise taxes, special assessments, investment earnings, and certain Federal and State grants and entitlements. Only sales taxes collected and paid the State at year-end on behalf of the City are recognized as revenue. Licenses, permits, fees for services, and fines are not susceptible to accrual, because generally they are not measurable until received in cash. While property taxes and special assessments are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year-end, because statutory provisions prohibit their use until the year for which they were levied and budgeted. Instead, they are offset by deferred revenue accounts.

The City of Lansing reports the following major governmental funds:

The *general fund* is the main operating fund of the City. This fund is used to account for all financial resources of the City, except those required to be accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The *consolidated street and highway fund*. This fund is used for the construction, reconstruction, alteration, repair and maintenance of the streets and highways of the City.

The *debt service fund* is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the debt service fund is reserved, to signify that amounts are restricted exclusively for debt service expenditures.

Capital project - capital improvement fund. This fund is used for the acquisition and construction of major capital improvements utilizing current resources.

The City of Lansing reports the following major proprietary funds:

The *sewer utility fund* provides accountability for all phases of operation and maintenance of the City's public sewer system.

The City reports the following types of nonmajor governmental funds:

Special revenue funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditure for specified purposes.

Capital project funds are used to account for the acquisition or construction of major capital assets, other than those financed by the proprietary funds, which are expected to be financed from borrowing or contributions.

The City of Lansing reports the following type of nonmajor proprietary funds:

Enterprise fund is used for activities which are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for resources that are held by the government as a trustee or as agent for parties outside the government and that cannot be used to support the City's own programs. The City of Lansing has no fiduciary trust funds, but maintains three fiduciary agency funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

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. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

4. Assets, liabilities, and net assets or equity

a. Deposits and investments

The City of Lansing considers *cash and cash equivalents* to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

The City maintains and administers a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is included on the combined balance sheet or statement of net assets as *Cash and equity in Treasurer's fund*.

Kansas statutes authorize the City, with certain restrictions, to deposit or invest directly in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State's Municipal Investment Pool (MIP). The MIP operates in accordance with applicable State laws and regulations. The reported value of the City's investment in the MIP is the same as the fair value of its pool shares.

Statutes require that collateral, which has a fair market value equal to 100 percent of the investment (less Federally insured amounts), be assigned for the benefit of the City to secure an investment of City funds. The statutes provide for an exception for peak deposit periods during taxpaying time where, for a period of 60 days, the amount of required collateral may be reduced by one-half.

b. Accounts receivable

Accounts receivable are stated net of actual write-offs. The accounts considered uncollectible during each accounting period are eliminated from accounts receivable through the direct write-off method.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property tax receivables are shown net of an allowance for uncollectible amounts. That allowance is equal to approximately 3 percent of outstanding property taxes at December 31, 2012. Property taxes are levied November 1 on property values assessed as of the previous January 1 as certified by the County Appraiser on June 15 of each year. The tax levy can be paid by property owners in two installment payments. The first half is due on December 20 of the same year, and the second half is due on the following May 10. The payment is considered past due on the day after the due date.

c. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of three years. All such capital assets that are purchased or constructed are valued at historical cost where records are available and at an estimated historical cost where no such records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City reports its infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of their amount.

Capital assets of proprietary funds are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Depreciation of the City's capital assets is computed using the straight-line method and the following useful life ranges:

Office equipment	5 years
Machinery	7 - 10 years
Sewer treatment plant and improvements	30 - 40 years
Infrastructure	30 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when those projects are debt financed. The amount of interest to be capitalized is calculated by netting any investment earnings from unexpended debt proceeds against the related interest expense incurred from the date of debt issuance until completion of the project.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Compensated absences

It is the City's policy to permit benefit-eligible employees to accumulate earned but unused annual leave and sick leave benefits. Accumulated and vested annual leave that can be estimated with reasonable accuracy, and which is expected to be liquidated with current, available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested and accumulated annual leave that are not expected to be liquidated with expendable, current financial resources are reported only for governmental funds on the government-wide financial statement. Vested or accumulated annual leave of proprietary funds is recorded as an expense and a liability of those funds at the time the benefits accrue to employees.

In accordance with the provisions of Governmental Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

e. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or those that are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, which are subject to change.

f. Comparative data

Comparative totals for the prior year are presented in the accompanying financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. The comparative totals appear in the government-wide financial statements and any combining fund level statements.

g. Prior year data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND
FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental funds balance sheet includes a reconciliation (on page 12) between *fund balance - total governmental funds* in the amount of \$1,853,457 and *net assets - governmental activities* as reported in the government-wide statement of net position in the amount of \$(4,082,827). This difference results primarily from the difference in measurement focus between those statements. The government-wide statement of net assets has a long-term economic focus, versus the current financial resources focus of the governmental funds balance sheet. Elements of the reconciliation are explained below.

Capital asset differences

When capital assets (property, plant, equipment) to be used in governmental activities are acquired or constructed, the costs of those assets are reported as expenditures in governmental funds and not as capitalized assets net of related accumulated depreciation on the governmental fund balance sheet. However, the government-wide statement of net assets includes the value of those capital assets, net of accumulated depreciation, among the assets of the City as a whole. Using the GASB Statement 34 format, this represents a difference of \$17,084,930 to be added to the *fund balance-total governmental funds* amount of \$1,853,457.

Long-term liabilities

Long-term liabilities, including bonds payable, which are applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities on the governmental fund balance sheet. All liabilities, both current and long-term, are reported in the government-wide statement of net assets. The net difference is a deduction of \$22,671,093 from the *fund balance-total governmental funds* amount. Also, accrued liabilities in the government-wide statement of net assets differ from the amount reported in the governmental funds balance sheet, because accrued interest payable (\$195,737) on long-term debt and compensated absences (\$154,384) have not been reported in the governmental funds. This represents a deduction of \$350,121 from the *fund balance - total governmental funds* amount.

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

A reconciliation of the \$261,799 *net change in fund balances* reported in the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances* to the \$9,967,242 *change in net assets* for governmental activities reported in the government-wide statement of activities is included with the financial statements on page 14. The differences arise primarily from the long-term economic focus of the government-wide statement of activities versus the current financial resources focus of the governmental funds statement of revenues, expenditures, and changes in fund balances. The detail of the differences is discussed in the following paragraphs.

CITY OF LANSING, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2012

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND
 FINANCIAL STATEMENTS - Continued

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease only by the amount of depreciation expense charged for the year. Also, in the statement of activities, only the gain on the sale of capital assets is reported, but in the governmental funds, the gross sales proceeds increase fund balances. These differences in capital asset transactions result in a net decrease to governmental funds of \$637,960, as follows:

Capital assets purchased	\$ 117,774
Depreciation expense	<u>(755,734)</u>
Net adjustment to fund balances	<u>\$ (637,960)</u>

Long-term debt transactions

The issuance of long-term debt, including bonds payable, provides current financial resources to governmental funds, and the repayment of long-term debt uses current financial resources of governmental funds. However, neither issuance nor payment of long-term debt has any effect on net assets. The net effect of these transactions is to increase the net change in fund balances by \$9,053,009 as follows:

- Repayment of bond, temporary notes, KDOT loan principal and capital lease principal is reported in *other financing uses* in the governmental funds, thus having the effect of reducing fund balance, because current financial resources have been used. However, for the City as a whole, the principal payments reduce the liabilities in the government-wide statement of net assets and do not result in an expense in the government-wide statement of activities, an increase to net change in fund balances of \$2,429,815.
- The net change in accrued interest on general obligation bonds is included in the statement of activities, but is not a current source or use of financial resources, and so is an increase to the governmental funds of \$2,176.
- Proceeds from the issuance of general obligation bonds are included in other financing sources of the governmental funds, but have the effect of increasing long-term liabilities as reported in the statement of activities, a decrease from the net change in fund balances in the amount of \$11,485,000.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND
FINANCIAL STATEMENTS - Continued

Accrued liabilities

Some expenses, such as accrued compensated absences, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, a decrease to net change in fund balances of \$14,474.

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

Kansas state statutes require that an annual operating budget be legally adopted for all governmental fund types, unless specifically exempted by statute. The statutes provide for the following sequence and timetable in the adoption of the City's legal annual operating budget:

- a. Preparation of the proposed budget for the succeeding calendar year, on or before August 1.
- b. Publication in the entity's official, local newspaper of the proposed budget and of the notice of public hearing on the budget, on or before August 5.
- c. Public hearing on or before August 15, but no sooner than ten days after publication of the notice of hearing.
- d. Adoption of the final budget and certification to the office of the relevant County Clerk, on or before August 25.

The statutes allow the governing body to increase the originally adopted budget only for previously unanticipated increases in revenue, other than those attributed to *ad valorem* property taxes. To do this, a notice of public hearing to amend the budget must be published in the official, local newspaper. No sooner than ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. During the year 2012, there was one amendment to the originally adopted budget.

Under Kansas statutes, management cannot amend the budget without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds; i.e., the legal level of budgetary control is the fund level. Budget comparison statements are presented for each budgeted fund, showing actual revenues and expenditures compared to legally budgeted revenues and expenditures.

All legal, annual, operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Normally, revenues are recognized when cash is received, if not susceptible to accruals. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments, which are supported by a document evidencing the commitment, such as

CITY OF LANSING, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2012

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute liabilities, because the commitments will be honored during subsequent years.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds:

- Governmental Grants
- Park Land Trust

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

2. Excess of expenditures over appropriations

Under Kansas statutes, expenditures are mandated to be controlled, so that no indebtedness is created in excess of budgeted limits. Management is not aware of any statutory violations.

NOTE D - DETAILED NOTES ON ALL FUNDS

1. Deposits and investments

At December 31, 2012, the City had the following investments:

	<u>Fair value</u>	<u>Maturities (in years)</u>		<u>Rating</u>
		<u>Less than 1</u>	<u>1-2</u>	
State Treasurer's Municipal Investment Pool	\$2,045,939	\$2,045,939	\$ -	N/A
Bank certificates of deposit	<u>20,000</u>	<u>20,000</u>	<u> </u>	N/A
	<u>\$2,065,939</u>	<u>\$2,065,939</u>	<u>\$ -</u>	

K.S.A. 9-1401 establishes the depositories which may be used by the City of Lansing. The statute requires banks eligible to hold the City of Lansing's funds have a main or branch bank in the county in which the City of Lansing is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Lansing has no other policies that would further limit interest rate risk.

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

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

CITY OF LANSING, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2012

NOTE D - DETAILED NOTES ON ALL FUNDS - Continued

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City of Lansing's deposits may not be returned to it. State statutes require the City of Lansing's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At year-end, the carrying amount of the City's deposits, including certificates of deposit, was \$1,304,296. The bank balance was \$1,345,384. Of the bank balance, \$250,000 was covered by FDIC insurance and \$1,095,384 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank, and the independent third-party bank holding the pledged securities.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Lansing 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.

2. Receivables

Receivables at year-end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including any related allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt service</u>	<u>Business- type activities</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Receivables					
Taxes	\$1,916,251	\$924,623	\$ -	\$148,029	\$2,988,903
Accounts			704,229		704,229
Gross					
receivables	<u>\$1,916,251</u>	<u>\$924,623</u>	<u>\$704,229</u>	<u>\$148,029</u>	<u>\$3,693,132</u>

Revenues of the enterprise funds are reduced by uncollectible amounts when written off.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE D - DETAILED NOTES ON ALL FUNDS - Continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

<u>Current property taxes receivable</u>	<u>Unavailable</u>
General fund	\$1,916,251
Debt Service fund	924,623
Other, nonmajor funds	148,029
 <u>Other</u>	
Grants	<u>38,666</u>
Total deferred revenue for governmental funds	<u>\$3,027,569</u>

3. Capital assets

Capital asset activity for the year ended December 31, 2012, was as follows:

Primary Government

	<u>Beginning balances</u>	<u>Increases</u>	<u>Transfers and decreases</u>	<u>Ending balances</u>
Governmental activities				
Nondepreciable capital assets				
Land	\$ 991,774	\$ -	\$ -	\$ 991,774
Construction in progress	<u>2,233,840</u>	<u>1,286</u>	<u>-</u>	<u>2,235,126</u>
Total nondepreciable capital assets	<u>3,225,614</u>	<u>1,286</u>	<u>-</u>	<u>3,226,900</u>
Depreciable capital assets				
Buildings, improvements, infrastructure	17,317,996			17,317,996
Vehicles	754,140	72,445	(117,827)	708,758
Machinery and equipment	<u>1,274,731</u>	<u>44,043</u>	<u>(5,000)</u>	<u>1,313,774</u>
Total depreciable capital assets	19,346,867	116,488	(122,827)	19,340,528
Less accumulated depreciation	<u>(4,849,591)</u>	<u>(755,734)</u>	<u>122,827</u>	<u>(5,482,498)</u>
Depreciable capital assets, net of accumulated depreciation	<u>14,497,276</u>	<u>(639,246)</u>	<u>-</u>	<u>13,858,030</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$17,722,890</u>	<u>\$(637,960)</u>	<u>\$ -</u>	<u>\$17,084,930</u>

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE D - DETAILED NOTES ON ALL FUNDS - Continued

	<u>Beginning balances</u>	<u>Increases</u>	<u>Transfers and decreases</u>	<u>Ending balances</u>
Business-type activities				
Nondepreciable capital assets				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	_____	_____	_____	_____
Total nondepreciable capital assets	_____ -	_____ -	_____ -	_____ -
Depreciable capital assets				
Buildings and improvements	22,768,295	30,768		22,799,063
Furniture and fixtures	32,733	9,712		42,445
Vehicles	368,418			368,418
Machinery and equipment	<u>547,639</u>	<u>37,764</u>	(25,000)	<u>560,403</u>
Total depreciable capital assets	23,717,085	78,244	(25,000)	23,770,329
Less accumulated depreciation	<u>(7,886,468)</u>	<u>(752,722)</u>	25,000	<u>(8,614,190)</u>
Depreciable capital assets, net of accumulated depreciation	<u>15,830,617</u>	<u>(674,478)</u>	_____	<u>15,156,139</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$15,830,617</u>	<u>\$(674,478)</u>	<u>\$ -</u>	<u>\$15,156,139</u>

Depreciation expense was charged to activities as follows:

Governmental activities	
General government	\$122,545
Public Safety	59,148
Public Works	554,188
Culture and Recreation	<u>19,853</u>
Total depreciation expense - Governmental	<u>\$755,734</u>
Business-type activities	
Sewer Utility	<u>\$752,722</u>

CITY OF LANSING, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2012

NOTE D - DETAILED NOTES ON ALL FUNDS - Continued

4. Interfund transfers

	Transfer in				Total
	General fund	Consolidated Street and Highway fund	Nonmajor governmental	Enterprise funds	
Transfer out					
General fund	\$ -	\$150,000	\$497,917	\$ 366,666	\$ 1,014,583
Debt service fund				9,951,246	9,951,246
Enterprise funds	<u>75,000</u>				<u>75,000</u>
	<u>\$75,000</u>	<u>\$150,000</u>	<u>\$497,917</u>	<u>\$10,317,912</u>	<u>\$11,040,829</u>

In the fund financial statements, total *transfers out* of \$11,040,829 equal the total *transfers in* when combining the transfers of governmental funds, in the amount of \$722,917 and those transfers of \$10,317,912 attributable to business-type funds. *Transfers in* consisted of the following:

- Equipment Reserve received \$75,000 from the General fund for equipment purchases
- Sewer Utility received \$366,666 from the General fund for payment on state revolving loan
- General fund received \$75,000 from the Solid Waste fund for reimbursement of salaries
- Solid Waste fund received \$9,951,246 from the Debt Service fund for payment on state revolving loan
- Consolidated Street and Highway fund received \$150,000 from the General Fund for maintenance of streets
- Capital Improvement fund received \$400,000 from the General fund for street improvements
- Library fund received \$22,917 from the General fund to replace revenues not received from the NEKLS grant

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE E - LONG-TERM DEBT

Following is a detailed listing of the City's long-term debt including temporary notes:

<u>Debt issue</u>	<u>Date issued</u>	<u>Original amount</u>	<u>Interest rate</u>
Government obligation bonds			
Street improvements and refunding	2006	\$5,365,000	3.50% - 5.00%
Street and building improvements	2008	\$6,670,000	3.75% - 5.00%
Street and sewer improvements	2010	\$975,000	2.50% - 3.70%
Refunding	2012A	\$1,910,000	.70% - 1.05%
Refunding	2012B	\$9,575,000	2.00% - 2.375%
Capital lease	2009	\$61,504	3.50%
Capital lease	2009	\$54,511	3.375%
Capital lease	2010	\$122,128	2.97%
Capital lease	2012	\$81,094	2.52%

Following is a summary of changes in long-term debt for the year ended December 31, 2012:

<u>Type of issue</u>	<u>Beginning principal balance</u>	<u>Additions to principal</u>	<u>Reductions to principal</u>	<u>Ending principal balance</u>
General obligation bonds				
To be paid with tax levies	\$11,755,000	\$11,485,000	\$ 715,000	\$22,525,000
KDHE loan - Sewer improvements				
To be paid with tax levies and operating revenues	10,618,831		10,618,831	
KDOT loan - Street improvements				
To be paid with tax levies	1,710,052		1,710,052	
Capital leases	<u>150,856</u>	<u>81,094</u>	<u>85,858</u>	<u>146,092</u>
Total	<u>\$24,234,739</u>	<u>\$11,566,094</u>	<u>\$13,129,741</u>	<u>\$22,671,092</u>

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE E - LONG-TERM DEBT - Continued

Annual debt service requirements to maturity for general obligation bonds:

<u>Year</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 1,480,000	\$ 649,241	\$ 2,129,241
2014	1,525,000	653,536	2,178,536
2015	1,635,000	616,371	2,251,371
2016	1,690,000	567,296	2,257,296
2017	1,755,000	513,270	2,268,270
2018 - 2022	9,215,000	1,749,128	10,964,128
2023 - 2027	4,765,000	534,910	5,299,910
2028 - 2032	<u>460,000</u>	<u>21,230</u>	<u>481,230</u>
Total	<u>\$22,525,000</u>	<u>\$5,304,982</u>	<u>\$27,829,982</u>

Annual debt service requirements to maturity for the capital lease:

<u>Year</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 60,718	\$2,884	\$ 63,602
2014	59,335	1,315	60,650
2015	<u>26,039</u>	<u>2,385</u>	<u>28,424</u>
Total	<u>\$146,092</u>	<u>\$6,584</u>	<u>\$152,676</u>

Advance and current refunding

General Obligation Bonds, KDOT street improvements loan and KDHE sewer improvements loan - On November 1, 2012, the City issued its Series 2012A Taxable General Obligation Refunding Bonds and Series 2012B General Obligation Refunding Bonds in the principal amount of \$1,910,000 (the 2012A Bonds) and \$9,575,000 (the 2012B Bonds), respectively. Proceeds of these bonds were used to advance refund a portion of the City's previously issued series 2001A General Obligation Refunding and Improvement Bonds (the 2001A Bonds) in the principal amount of \$75,000, the City's KDOT street improvements loan in the principal amount of \$1,710,052, and the City's KDHE sewer improvements loan in the principal amount of \$10,681,831.

The 2001A Bonds scheduled to mature on September 1 in the years 2013 through 2021 were paid and redeemed in full on November 1, 2012, and the associated liabilities are consequently removed from the City's government-wide statement of net position, in the governmental activities column. The KDOT street improvements loan scheduled to mature on February 1 and August 1 in the years 2013 through 2028 were paid and redeemed in full on November 1, 2012, and the associated liabilities are consequently removed from the City's government-wide statement of net position, in the governmental activities column. The KDHE sewer improvements loan scheduled to mature on February 1 and August 1 in the years 2013 through 2024 were paid and redeemed in full on November 1, 2012, and the associated liabilities are consequently removed from the City's proprietary funds statement of net position. The refunding of the 2001A bonds, KDOT street improvements loan, and the KDHE sewer improvements loan resulted in a net present value interest cost savings to the City in the amount of \$945,982.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE F - FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2012, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* - includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.
- *Committed Fund Balance* - includes amounts that can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City's Council. Commitments may be changed or lifted only by the city taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- *Assigned Fund Balance* - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by the City's Council, or a body or official to which the City's Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE F - FUND BALANCES - Continued

Fund balances for all the major and nonmajor governmental funds as of December 31, 2012, were distributed as follows:

	<u>General fund</u>	<u>Consolidated Street and Highway fund</u>	<u>Debt Service fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Nonspendable					
Prepays	\$ 7,435	\$ -	\$ -	\$ -	\$ 7,435
Subtotal	<u>7,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,435</u>
Restricted					
Public works		105,982			105,982
Culture and recreation				477,225	477,225
Social services				66,260	66,260
Debt service			464,065		464,065
Subtotal	<u>-</u>	<u>105,982</u>	<u>464,065</u>	<u>543,485</u>	<u>1,113,532</u>
Committed					
Culture and recreation				67,268	67,268
Economic development	52,750				52,750
Subtotal	<u>52,750</u>	<u>-</u>	<u>-</u>	<u>67,268</u>	<u>120,018</u>
Assigned					
Public works				39,561	39,561
Public safety				153,120	153,120
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,681</u>	<u>192,681</u>
Unassigned	<u>419,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,791</u>
Total fund balances	<u>\$479,976</u>	<u>\$105,982</u>	<u>\$464,065</u>	<u>\$803,434</u>	<u>\$1,853,457</u>

NOTE G - CONDUIT DEBT OBLIGATIONS

To provide for the construction of a Health Service facility for Midwest Health Services, construction of an apartment complex and for the construction of a Hotel, the City has issued Taxable Industrial Revenue Bonds. These bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2012, Taxable Industrial Revenue Bonds outstanding were \$8,320,500.

NOTE H - OTHER POST EMPLOYMENT BENEFITS

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

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE H - OTHER POST EMPLOYMENT BENEFITS - 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 government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE I - EMPLOYEE RETIREMENT SYSTEMS

The City of Lansing participates in the Kansas Public Employees Retirement System (KPERS) and in the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer, defined benefit pension plan, as defined by Federal regulations. As provided by K.S.A. 74-4901, et seq., KPERS and KP&F provide retirement benefits, term life insurance, disability income benefits, and death benefits. Kansas state law establishes and amends all KPERS and KP&F benefit provisions. KPERS and KP&F issue a publicly available, combined, annual financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3925, or by calling 1-800-228-0366.

Currently, K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4.00 percent of covered salary, and K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7.00 percent 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 rates be determined annually, based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limit on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2012 was 7.34 percent. Included in this rate is the contribution for Group Death and Disability Insurance of 1.00 percent. From April 1, 2012 through June 30, 2012, the State of Kansas imposed a moratorium on the collection of the premium of 1.00 percent of the Group Death and Disability Insurance rate. The KPERS employer rate established by statute for calendar year 2011 was 7.74 percent. Included in this rate is the contribution for Group Death and Disability Insurance of 1.00 percent. From March 1, 2011 through June 30, 2011, the State of Kansas imposed a moratorium on the collection of 1.00 percent of the Group Death and Disability Insurance rate. The City of Lansing employer contributions to KPERS for the years ended December 31, 2012, 2011, and 2010, were \$150,898, \$139,931, and \$131,227, respectively, equal to the statutorily required contributions for each year.

Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. Including such past service costs' amortization, the City's KP&F uniform participating employer rate for calendar year 2012 was 16.54 percent. The employer rate for 2011 was 14.57 percent. The City's employer contributions to KP&F for the years ended December 31, 2012, 2011, and 2010, were \$132,220, \$110,274, and \$99,801, respectively, equal to the statutorily required contribution for the year.

CITY OF LANSING, KANSAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2012

NOTE J - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through June 7, 2013, the date the financial statements were available to be issued.

NOTE K - CONTINGENCIES

The City is party to various claims and legal actions arising in the ordinary course of business. The City maintains adequate insurance coverage for such claims.

CITY OF LANSING, KANSAS
 COMBINING BALANCE SHEET
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2012

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total other nonmajor governmental Funds</u>
ASSETS			
Cash and equity in Treasurer's fund	\$547,048	\$220,388	\$767,436
Property taxes receivable	<u>148,029</u>	<u> </u>	<u>148,029</u>
Total assets	<u>\$695,077</u>	<u>\$220,388</u>	<u>\$915,465</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 856	\$ -	\$ 856
Salaries and wages payable	2,707		2,707
Deferred revenues	<u>148,029</u>	<u> </u>	<u>148,029</u>
Total liabilities	<u>151,592</u>	<u> -</u>	<u>151,592</u>
FUND BALANCES			
Restricted	543,485		543,485
Committed		67,268	67,268
Assigned	<u> </u>	<u>153,120</u>	<u>153,120</u>
Total fund balances	<u>543,485</u>	<u>220,388</u>	<u>763,873</u>
Total liabilities and fund balances	<u>\$695,077</u>	<u>\$220,388</u>	<u>\$915,465</u>

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 Year ended December 31, 2012

	Special Revenue Funds	Capital Project Funds	Total other nonmajor governmental Funds
Revenues			
Taxes	\$268,662	\$ -	\$268,662
Intergovernmental	22,098		22,098
Interest	113	15	128
Other	<u>114,640</u>	<u>88,049</u>	<u>202,689</u>
Total revenues	<u>405,513</u>	<u>88,064</u>	<u>493,577</u>
Expenditures			
General government	101,505		101,505
Public safety		93,560	93,560
Culture and recreation	294,631		294,631
Social services	3,288		3,288
Construction and engineering		<u>1,287</u>	<u>1,287</u>
Total expenditures	<u>399,424</u>	<u>94,847</u>	<u>494,271</u>
Excess (deficit) of revenues over expenditures	<u>6,089</u>	<u>(6,783)</u>	<u>(694)</u>
Other financing sources (uses)			
Transfers in	22,917	75,000	97,917
Transfers out			
Total other financing sources (uses)	<u>22,917</u>	<u>75,000</u>	<u>97,917</u>
Net change in fund balances	29,006	68,217	97,223
Fund balances at beginning of year	<u>514,479</u>	<u>152,171</u>	<u>666,650</u>
Fund balances at end of year	<u>\$543,485</u>	<u>\$220,388</u>	<u>\$763,873</u>

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

CITY OF LANSING, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 December 31, 2012
 With comparative totals for December 31, 2011

	<u>Transient Guest Tax</u>	<u>Mayor's Christmas</u>	<u>Special Alcoholic Liquor</u>	<u>Special Parks and Recreation</u>	<u>Library</u>	<u>KS Regional Prisons Museum</u>
ASSETS						
Cash and equity in Treasurer's fund	\$73,963	\$2,978	\$66,145	\$227,834	\$ 55,929	\$115,084
Property taxes receivable					148,029	
Total assets	<u>\$73,963</u>	<u>\$2,978</u>	<u>\$66,145</u>	<u>\$227,834</u>	<u>\$203,958</u>	<u>\$115,084</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 10	\$ -	\$ -	\$ 104	\$ 667	\$ 75
Salaries and wages payable					2,707	
Deferred revenues					148,029	
Total liabilities	<u>10</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>151,403</u>	<u>75</u>
FUND BALANCES						
Restricted	<u>73,953</u>	<u>2,978</u>	<u>66,145</u>	<u>227,730</u>	<u>52,555</u>	<u>115,009</u>
Total fund balances	<u>73,953</u>	<u>2,978</u>	<u>66,145</u>	<u>227,730</u>	<u>52,555</u>	<u>115,009</u>
Total liabilities and fund balances	<u>\$73,963</u>	<u>\$2,978</u>	<u>\$66,145</u>	<u>\$227,834</u>	<u>\$203,958</u>	<u>\$115,084</u>

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

CITY OF LANSING, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - CONTINUED
 December 31, 2012
 With comparative totals for December 31, 2011

	Park Land Trust	Governmental Grants	Totals	
			<u>2012</u>	<u>2011</u>
ASSETS				
Cash and equity in Treasurer's fund	\$5,000	\$115	\$547,048	\$517,955
Property taxes receivable			<u>148,029</u>	<u>149,202</u>
Total assets	<u>\$5,000</u>	<u>\$115</u>	<u>\$695,077</u>	<u>\$667,157</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 856	\$ 1,142
Salaries and wages payable			2,707	2,334
Deferred revenues			<u>148,029</u>	<u>149,202</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>151,592</u>	<u>152,678</u>
FUND BALANCES				
Restricted	<u>5,000</u>	<u>115</u>	<u>543,485</u>	<u>514,479</u>
Total fund balances	<u>5,000</u>	<u>115</u>	<u>543,485</u>	<u>514,479</u>
Total liabilities and fund balances	<u>\$5,000</u>	<u>\$115</u>	<u>\$695,077</u>	<u>\$667,157</u>

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 Year ended December 31, 2012
 With comparative totals for December 31, 2011

	<u>Transient Guest Tax</u>	<u>Mayor's Christmas</u>	<u>Special Alcoholic Liquor</u>	<u>Special Parks and Recreation</u>	<u>Library</u>	<u>KS Regional Prisons Museum</u>
Revenues						
Taxes	\$102,062	\$ -	\$ -	\$ -	\$166,600	\$ -
Intergovernmental			8,650	8,650	4,798	
Interest	5		13	57	13	25
Other	<u>950</u>	<u>4,405</u>	<u>49</u>	<u>79,493</u>	<u>4,719</u>	<u>25,024</u>
Total revenues	<u>103,017</u>	<u>4,405</u>	<u>8,712</u>	<u>88,200</u>	<u>176,130</u>	<u>25,049</u>
Expenditures						
General government	97,345	4,160				
Culture and recreation				103,995	176,503	14,133
Social services			<u>3,288</u>			
Total expenditures	<u>97,345</u>	<u>4,160</u>	<u>3,288</u>	<u>103,995</u>	<u>176,503</u>	<u>14,133</u>
Excess (deficit) of revenues over (under) expenditures	<u>5,672</u>	<u>245</u>	<u>5,424</u>	<u>(15,795)</u>	<u>(373)</u>	<u>10,916</u>
Other financing sources (uses)						
Transfers in					22,917	
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,917</u>	<u>-</u>
Net change in fund balances	5,672	245	5,424	(15,795)	22,544	10,916
Fund balances at beginning of year	<u>68,281</u>	<u>2,733</u>	<u>60,721</u>	<u>243,525</u>	<u>30,011</u>	<u>104,093</u>
Fund balances at end of year	<u>\$ 73,953</u>	<u>\$2,978</u>	<u>\$66,145</u>	<u>\$227,730</u>	<u>\$ 52,555</u>	<u>\$115,009</u>

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - CONTINUED

Year ended December 31, 2012

With comparative totals for December 31, 2011

	Park Land Trust	Governmental Grants	Totals	
			<u>2012</u>	<u>2011</u>
Revenues				
Taxes	\$ -	\$ -	\$268,662	\$248,421
Intergovernmental			22,098	23,338
Interest			113	128
Other			<u>114,640</u>	<u>131,900</u>
Total revenues	<u>-</u>	<u>-</u>	<u>405,513</u>	<u>403,787</u>
Expenditures				
General government			101,505	84,499
Culture and recreation			294,631	304,345
Social services			<u>3,288</u>	<u>8,595</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>399,424</u>	<u>397,439</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>6,089</u>	<u>6,348</u>
Other financing sources (uses)				
Transfers in			22,917	4,763
Transfers out				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,917</u>	<u>4,763</u>
Net change in fund balances			29,006	11,111
Fund balances at beginning of year	<u>5,000</u>	<u>115</u>	<u>514,479</u>	<u>503,368</u>
Fund balances at end of year	<u>\$5,000</u>	<u>\$115</u>	<u>\$543,485</u>	<u>\$514,479</u>

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

CITY OF LANSING, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 Year ended December 31, 2012
 With comparative totals for December 31, 2011

	<u>Equipment Reserve</u>	<u>Park Improvements</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
ASSETS				
Cash and equity in Treasurer's fund	\$153,120	\$67,268	\$220,388	\$152,171
Total assets	<u>\$153,120</u>	<u>\$67,268</u>	<u>\$220,388</u>	<u>\$152,171</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Committed		67,268	67,268	68,540
Assigned	<u>153,120</u>		<u>153,120</u>	<u>83,631</u>
Total fund balances	<u>153,120</u>	<u>67,268</u>	<u>220,388</u>	<u>152,171</u>
Total liabilities and fund balances	<u>\$153,120</u>	<u>\$67,268</u>	<u>\$220,388</u>	<u>\$152,171</u>

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 Year ended December 31, 2012
 With comparative totals for December 31, 2011

	<u>Equipment Reserve</u>	<u>Park Improvements</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest		15	15	52
Other	<u>88,049</u>		<u>88,049</u>	<u>1,986</u>
Total revenues	<u>88,049</u>	<u>15</u>	<u>88,064</u>	<u>2,038</u>
Expenditures				
Public safety	93,560		93,560	6,262
Construction and engineering		<u>1,287</u>	<u>1,287</u>	<u>273,685</u>
Total expenditures	<u>93,560</u>	<u>1,287</u>	<u>94,847</u>	<u>279,947</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,511)</u>	<u>(1,272)</u>	<u>(6,783)</u>	<u>(277,909)</u>
Other financing sources (uses)				
Transfers in	75,000		75,000	75,000
Transfers out				<u>(2,293)</u>
Total other financing sources (uses)	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>72,707</u>
Net change in fund balances	69,489	(1,272)	68,217	(205,202)
Fund balances at beginning of year	<u>83,631</u>	<u>68,540</u>	<u>152,171</u>	<u>357,373</u>
Fund balances at end of year	<u>\$153,120</u>	<u>\$67,268</u>	<u>\$220,388</u>	<u>\$152,171</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$1,073,601	\$ 1,111,964	\$1,137,807	\$ 25,843
Interest	500	500	15	(485)
Other			<u>2</u>	<u>2</u>
Total revenues	<u>1,074,101</u>	<u>1,112,464</u>	<u>1,137,824</u>	<u>25,360</u>
Expenditures				
Principal - bonds	640,000	715,000	715,000	
Principal - revolving loan	91,908	1,710,052	1,710,052	
Interest and commissions	570,665	587,396	587,395	1
Neighborhood revitalization rebate	<u>31,130</u>	<u>32,136</u>	<u>32,136</u>	
Total expenditures	<u>1,333,703</u>	<u>3,044,584</u>	<u>3,044,583</u>	<u>1</u>
Excess (deficit) of revenues over expenditures	<u>(259,602)</u>	<u>(1,932,120)</u>	<u>(1,906,759)</u>	<u>25,361</u>
Other financing sources				
Proceeds - general				
Obligation bonds		11,485,000	11,485,000	
Other costs of bond issuance		(149,213)	(146,068)	3,145
Original issue premium		325,840	325,840	
Transfer in (out)		<u>(9,951,246)</u>	<u>(9,951,246)</u>	
Total other financing sources (uses)	<u>-</u>	<u>1,710,381</u>	<u>1,713,526</u>	<u>3,145</u>
Net change in fund balance	(259,602)	(221,739)	(193,233)	28,506
Beginning fund balance	<u>668,602</u>	<u>668,602</u>	<u>657,298</u>	<u>(11,304)</u>
Ending fund balance	<u>\$ 409,000</u>	<u>\$ 446,863</u>	<u>\$ 464,065</u>	<u>\$ 17,202</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
TRANSIENT GUEST TAX FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$130,000	\$130,000	\$102,062	\$(27,938)
Interest	12	12	5	(7)
Other	<u>1,000</u>	<u>1,000</u>	<u>950</u>	<u>(50)</u>
Total revenues	131,012	131,012	103,017	(27,995)
Expenditures				
General government	<u>102,250</u>	<u>102,250</u>	<u>97,345</u>	<u>4,905</u>
Excess (deficit) of revenues over expenditures	28,762	28,762	5,672	(23,090)
Beginning fund balance	<u>78,360</u>	<u>78,360</u>	<u>68,281</u>	<u>(10,079)</u>
Ending fund balance	<u>\$107,122</u>	<u>\$107,122</u>	<u>\$ 73,953</u>	<u>\$(33,169)</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
MAYOR'S CHRISTMAS FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other	\$4,000	\$4,000	\$4,405	\$ 405
Expenditures				
General government	<u>5,500</u>	<u>5,500</u>	<u>4,160</u>	<u>1,340</u>
Excess (deficit) of revenues over expenditures	(1,500)	(1,500)	245	1,745
Beginning fund balance	<u>1,695</u>	<u>1,695</u>	<u>2,733</u>	<u>1,038</u>
Ending fund balance	<u>\$ 195</u>	<u>\$ 195</u>	<u>\$2,978</u>	<u>\$2,783</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL ALCOHOLIC LIQUOR FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 8,189	\$ 8,189	\$ 8,650	\$ 461
Interest			13	13
Other	<u> </u>	<u> </u>	<u>49</u>	<u>49</u>
Total revenues	8,189	8,189	8,712	523
Expenditures				
Social services	<u>9,150</u>	<u>9,150</u>	<u>3,288</u>	<u>5,862</u>
Excess (deficit) of revenues over expenditures	(961)	(961)	5,424	6,385
Beginning fund balance	<u>59,341</u>	<u>59,341</u>	<u>60,721</u>	<u>1,380</u>
Ending fund balance	<u>\$58,380</u>	<u>\$58,380</u>	<u>\$66,145</u>	<u>\$7,765</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL PARKS AND RECREATION FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 8,189	\$ 8,189	\$ 8,650	\$ 461
Interest	200	200	57	(143)
Other	<u>86,900</u>	<u>86,900</u>	<u>79,493</u>	<u>(7,407)</u>
Total revenues	95,289	95,289	88,200	(7,089)
Expenditures				
Culture and recreation	<u>156,350</u>	<u>156,350</u>	<u>103,995</u>	<u>52,355</u>
Excess (deficit) of revenues over expenditures	(61,061)	(61,061)	(15,795)	45,266
Beginning fund balance	<u>191,973</u>	<u>191,973</u>	<u>243,525</u>	<u>51,552</u>
Ending fund balance	<u>\$130,912</u>	<u>\$130,912</u>	<u>\$227,730</u>	<u>\$96,818</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
LIBRARY FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$157,988	\$157,988	\$166,600	\$ 8,612
Intergovernmental			4,798	4,798
Interest	100	100	13	(87)
Other	<u>1,900</u>	<u>1,900</u>	<u>4,719</u>	<u>2,819</u>
Total revenues	159,988	159,988	176,130	16,142
Expenditures				
Culture and recreation	<u>200,313</u>	<u>200,313</u>	<u>176,503</u>	<u>23,810</u>
Excess (deficit) of revenues over expenditures	(40,325)	(40,325)	(373)	39,952
Other financing sources				
Transfer in	<u>25,000</u>	<u>25,000</u>	<u>22,917</u>	<u>(2,083)</u>
Net change in fund balance	(15,325)	(15,325)	22,544	37,869
Beginning fund balance	<u>16,826</u>	<u>16,826</u>	<u>30,011</u>	<u>13,185</u>
Ending fund balance	<u>\$ 1,501</u>	<u>\$ 1,501</u>	<u>\$ 52,555</u>	<u>\$51,054</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
KS REGIONAL PRISONS MUSEUM FUND
Year ended December 31, 2012

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 50	\$ 50	\$ 25	\$ (25)
Other	<u>24,250</u>	<u>24,250</u>	<u>25,024</u>	<u>774</u>
Total revenues	24,300	24,300	25,049	749
Expenditures				
Culture and recreation	<u>26,200</u>	<u>26,200</u>	<u>14,133</u>	<u>12,067</u>
Excess (deficit) of revenues over expenditures	(1,900)	(1,900)	10,916	12,816
Beginning fund balance	<u>95,688</u>	<u>95,688</u>	<u>104,093</u>	<u>8,405</u>
Ending fund balance	<u>\$93,788</u>	<u>\$93,788</u>	<u>\$115,009</u>	<u>\$21,221</u>

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

CITY OF LANSING, KANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
PARK IMPROVEMENTS

From inception and for the year ended December 31, 2012

	<u>2012</u>	<u>Inception to December 31, 2012</u>
Total project authorization		<u>\$2,200,000</u>
Revenues		
Interest	\$ 15	92,685
Miscellaneous		<u>1,986</u>
Total revenues	<u>15</u>	<u>94,671</u>
Expenditures		
Construction and engineering	<u>1,287</u>	<u>2,235,127</u>
Total expenditures	<u>1,287</u>	<u>2,235,127</u>
Excess of expenditures over revenues	<u>(1,272)</u>	<u>(2,140,456)</u>
Other financing sources (uses)		
Proceeds - temporary notes		2,218,335
Original issue discount		(4,548)
Other costs of issuance		<u>(6,063)</u>
Total other financing sources	<u>-</u>	<u>2,207,724</u>
Net change in fund balance	(1,272)	<u>\$ 67,268</u>
Fund balance at beginning of year	<u>68,540</u>	
Fund balance at end of year	<u>\$ 67,268</u>	

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 December 31, 2012
 With comparative totals for December 31, 2011

	<u>Bonds posted</u>	<u>Hillbrook Subdivision</u>	<u>Facilities Renovation</u>	<u>Totals</u>	
				<u>2012</u>	<u>2011</u>
ASSETS					
Cash and equity in Treasurer's fund	<u>\$9,111</u>	<u>\$20,000</u>	<u>\$85,375</u>	<u>\$114,486</u>	<u>\$108,168</u>
Total assets	<u>\$9,111</u>	<u>\$20,000</u>	<u>\$85,375</u>	<u>\$114,486</u>	<u>\$108,168</u>
LIABILITIES					
Due to others	\$ -	\$20,000	\$85,375	\$105,375	\$ 95,788
Bonds posted escrow	<u>9,111</u>	<u> </u>	<u> </u>	<u>9,111</u>	<u>12,380</u>
Total liabilities	<u>\$9,111</u>	<u>\$20,000</u>	<u>\$85,375</u>	<u>\$114,486</u>	<u>\$108,168</u>

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

CITY OF LANSING, KANSAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 December 31, 2012

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>
BONDS POSTED FUND				
ASSETS				
Cash and equity in Treasurer's fund	\$12,380	\$719,414	\$722,683	\$ 9,111
Total assets	<u>\$12,380</u>	<u>\$719,414</u>	<u>\$722,683</u>	<u>\$ 9,111</u>
LIABILITIES				
Due to others	\$ -	\$ -	\$ -	\$ -
Bonds posted escrow	<u>12,380</u>	<u>771,453</u>	<u>774,722</u>	<u>9,111</u>
Total liabilities	<u>\$12,380</u>	<u>\$771,453</u>	<u>\$774,722</u>	<u>\$ 9,111</u>
HILLBROOK SUBDIVISION FUND				
ASSETS				
Cash and equity in Treasurer's fund	\$20,000	\$ 60	\$ 60	\$20,000
Total assets	<u>\$20,000</u>	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$20,000</u>
LIABILITIES				
Due to others	\$20,000	\$ 60	\$ 60	\$20,000
Total liabilities	<u>\$20,000</u>	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$20,000</u>
FACILITIES RENOVATION FUND				
ASSETS				
Cash and equity in Treasurer's fund	\$75,788	\$ 41,687	\$ 32,100	\$85,375
Total assets	<u>\$75,788</u>	<u>\$ 41,687</u>	<u>\$ 32,100</u>	<u>\$85,375</u>
LIABILITIES				
Due to others	\$75,788	\$ 41,687	\$ 32,100	\$85,375
Total liabilities	<u>\$75,788</u>	<u>\$ 41,687</u>	<u>\$ 32,100</u>	<u>\$85,375</u>

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

CITY OF LANSING, KANSAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE

December 31, 2012

With comparative totals for December 31, 2011

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets by category		
Land	\$ 991,774	\$ 991,774
Buildings, improvements, infrastructure	17,317,996	17,317,996
Vehicles	708,758	754,140
Machinery and equipment	1,313,773	1,274,731
Construction in progress	<u>2,235,126</u>	<u>2,233,840</u>
Total governmental funds capital assets	<u>\$22,567,427</u>	<u>\$22,572,481</u>
Investments in governmental funds capital assets by source		
General fund	\$ 1,531,864	\$ 1,614,212
Special revenue funds	18,800,437	18,724,429
Capital project funds	<u>2,235,126</u>	<u>2,233,840</u>
Total governmental funds capital assets	<u>\$22,567,427</u>	<u>\$22,572,481</u>

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