

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
SCOTT COUNTY, KANSAS

REGULATORY BASIS FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
SCOTT COUNTY, KANSAS

REGULATORY BASIS FINANCIAL STATEMENT

For the Year Ended December 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditors' Report	1-2
STATEMENT 1	
Summary of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statement	4-9
REGULATORY REQUIRED SUPPLEMENTAL INFORMATION	
Schedule 1	
Schedule of Receipts and Expenditures -	
General Fund	11



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the Scott County Public Building Commission, Scott City, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Scott County Public Building Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

405 North Sixth Street | P.O. Box 699  
Garden City, KS 67846  
620-275-9267 | 800-627-0636  
Fax: 620-275-8936 | www.lhd.com

### CPAs

Charles H. Claar, Jr, CPA  
Theresa Dasenbrock, CPA, CFE  
David L. Hetrick, CPA  
Steven D. Josserand, CPA  
Gary A. Schlappe, CPA  
Rodney Van Norden, CPA

Lisa L. Axman, CPA  
Sarah J. Bartel, CPA  
Sue A. Bradley, CPA  
Susan A. Burgardt, CPA  
Shannon N. Miller, CPA  
Tracey Homm, CPA, CSEP  
Rebecca L. Pfannenstiel, CPA  
Kimberly A. Roth, CPA  
Kristin J. Sekavec, CPA  
Keysha Urie, CPA  
Monica J. Wilson, CPA

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Scott County Public Building Commission as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

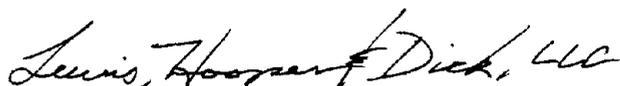
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Scott County Public Building Commission as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the regulatory basis fund summary statement of receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The regulatory basis individual fund schedule of receipts and expenditures - actual and budget (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement; however, it is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 actual column presented in the individual fund schedule of receipts and expenditures (Schedule 1 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated June 13, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

  
LEWIS, HOOPER & DICK, LLC

April 18, 2013

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 Summary Statement of Receipts, Expenditures and Unencumbered Cash  
 For the Year Ended December 31, 2012

Fund	Unencumbered Cash 1/1/2012	Receipts	Expenditures	Unencumbered Cash (Deficit) 12/31/2012	Outstanding Encumbrances and Accounts Payable	Treasurer's Cash 12/31/2012
<u>Governmental Type Funds</u>						
General Fund	\$ 1,001,610	\$ 1,025,759	\$ 2,049,658	\$ (22,289)	\$ 23,551	\$ 1,262
Totals (memorandum only)	<u>\$ 1,001,610</u>	<u>\$ 1,025,759</u>	<u>\$ 2,049,658</u>	<u>\$ (22,289)</u>	<u>\$ 23,551</u>	<u>\$ 1,262</u>
Composition of Cash:						
Demand deposits:						
First National Bank - Scott City						\$ 1,218
Investments:						
Security Bank - Kansas City						<u>44</u>
Total cash						<u>\$ 1,262</u>

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

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
SCOTT COUNTY, KANSAS  
Notes to the Financial Statement  
For the Year Ended December 31, 2012

1. Summary of significant accounting policies

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

A. Financial reporting entity

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

These financial statements present the Scott County Public Building Commission (the municipality) and its related municipal entities. The related municipal entities discussed below are included in the Commission's reporting entity because they were established to benefit the Commission and/or its constituents.

The Commission has no organizations, functions or activities which are considered related municipal entities of the Commission.

B. Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The *Kansas Municipal Audit and Accounting Guide* regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

C. Regulatory basis fund types

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

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
SCOTT COUNTY, KANSAS  
Notes to the Financial Statement  
For the Year Ended December 31, 2012

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

Bond and Interest funds – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Trust funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, etc.).

D. Cash and investments

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

Investments are stated at cost. The aggregate value of the investments at December 31, 2012, is \$44.

E. Interfund transactions

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

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

F. Reimbursements

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

G. Memorandum totals

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

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 Notes to the Financial Statement  
 For the Year Ended December 31, 2012

2. Stewardship, compliance and accountability

A. Compliance with Kansas statutes

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

- K.S.A. 10-1113 requires expenditures be made in compliance with the cash basis law which requires no indebtedness be created for a fund in excess of available monies in the fund. The Commission violated K.S.A. 10-1113 by expending monies in excess of available cash by \$22,289 at December 31, 2012.

3. Detailed notes on all funds

A. Deposits and investments

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

Carrying amount of deposits	\$	1,218
Carrying amount of investments		44
Total cash	\$	1,262

As of December 31, 2012, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)		Rating
		Less than 1	1-2	
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	\$ 44	\$ 44	\$ -	N/A
Total fair value	\$ 44	\$ 44	\$ -	

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

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

Concentration of credit risk

State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Commission's allocation of investments as of December 31, 2012, is as follows:

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

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 Notes to the Financial Statement  
 For the Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The Commission does not use designated "peak periods".

At December 31, 2012, the Commission's carrying amount of deposits was \$1,218 and the bank balance was \$1,218. Of the bank balance, 100% was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, all \$1,218 was covered by federal depository insurance. The Commission's cash deposits at year-end are as follows:

	First National Bank - Scott City
FDIC Coverage	\$ 1,218
Pledged securities at market value	-
Total coverage	\$ 1,218
Funds on deposit	\$ 1,218
Funds at risk	\$ -

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Commission had no investments of this type at December 31, 2012.

B. Capital projects

Capital project authorizations for the year ended December 31, 2012, with approved change orders compared to disbursements and accounts payable from date of inception through December 31, 2012, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Park Lane Project	\$ 5,762,325	\$ 5,762,325	\$ -

C. Long-term debt

Changes in long-term debt for the Commission for the year ended December 31, 2012, were as follows:

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/12	Additions	Reductions/ Payments	Balance 12/31/12	Interest Paid
Revenue bonds:									
Series 2009	3/1/2009	4.40%	9/1/24	\$ 4,285,000	\$ 3,605,000	\$ -	\$ 215,000	\$ 3,390,000	\$ 147,633
Series 2010	10/1/2010	4.00%	9/1/25	5,750,000	5,460,000	-	285,000	5,175,000	162,669
Total long-term debt					\$ 9,065,000	\$ -	\$ 500,000	\$ 8,565,000	\$ 310,502

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 Notes to the Financial Statement  
 For the Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

C. Long-term debt (continued)

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

	Year							Total
	2013	2014	2015	2016	2017	2018-2022	2023-2025	
Principal:								
Revenue bonds	\$ 525,000	\$ 550,000	\$ 575,000	\$ 600,000	\$ 625,000	\$ 3,535,000	\$ 2,155,000	\$ 8,565,000
Interest:								
Revenue bonds	302,276	287,276	268,426	248,726	228,176	804,646	155,678	2,285,204
Total principal and interest	<u>\$ 827,276</u>	<u>\$ 837,276</u>	<u>\$ 843,426</u>	<u>\$ 848,726</u>	<u>\$ 853,176</u>	<u>\$ 4,339,646</u>	<u>\$ 2,310,678</u>	<u>\$ 10,860,204</u>

4. Other information

A. Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Related party transactions

On March 1, 2009, the Commission entered into a lease with option to purchase with Scott County, Kansas, and the City of Scott City, Kansas, for the law enforcement building. The lease provides for payments from the County and City to finance the cost of bonds issued by the Commission for the construction of the building and other expenses of the building. Basic lease payments received during the current year totaled \$364,022. Future minimum basic lease payments, to be received through September 1, 2024, are as follows:

Year	Basic Rent Payments
2013	\$ 366,607
2014	367,607
2015	368,207
2016	368,408
2017	368,208
2018-2022	1,829,428
2023-2024	733,540
Total	<u>\$ 4,402,005</u>

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 Notes to the Financial Statement  
 For the Year Ended December 31, 2012

4. Other information (continued)

B. Related party transactions (continued)

On October 1, 2010, the Commission entered into a lease with option to purchase with Scott County, Kansas, for the Park Lane Nursing Home. The lease provides for payments from the County to finance the cost of bonds issued by the Commission for the construction and other expenses of the project. Basic lease payments received during the current year totaled \$452,369. Future minimum basic lease payments, to be received through September 1, 2025, are as follows:

Year	Basic Rent Payments
2013	\$ 462,169
2014	471,169
2015	476,719
2016	481,819
2017	486,469
2018-2022	2,517,719
2023-2025	1,580,136
Total	<u>\$ 6,476,200</u>

**REGULATORY REQUIRED SUPPLEMENTAL INFORMATION**

SCOTT COUNTY PUBLIC BUILDING COMMISSION  
 SCOTT COUNTY, KANSAS  
 General Fund  
 Statement of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts:		
Intergovernmental revenue	\$ 810,461	\$ 816,391
Interest on idle funds	2,188	803
Other income	-	208,565
Total receipts	<u>812,649</u>	<u>1,025,759</u>
Expenditures:		
Debt service	814,179	815,501
Capital outlay	4,393,301	1,230,991
Contractual	2,000	3,000
Commodities	150	166
Total expenditures	<u>5,209,630</u>	<u>2,049,658</u>
Receipts under expenditures	(4,396,981)	(1,023,899)
Unencumbered cash, beginning	<u>5,398,591</u>	<u>1,001,610</u>
Unencumbered cash (deficit), ending	<u>\$ 1,001,610</u>	<u>\$ (22,289)</u>