

**GEARY COUNTY
PUBLIC BUILDING COMMISSION**

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

GEARY COUNTY PUBLIC BUILDING COMMISSION

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INDEPENDENT AUDITORS' REPORT

Geary County Public Building Commission
Junction City, KS 66441

We have audited the accompanying financial statements of Geary County Public Building Commission, a component unit of Geary County, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Geary County Public Building Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the entity's 2009 financial statements and, in our report dated January 20, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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

As described more fully in Note A, Geary County Public Building Commission has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Geary County Public Building Commission, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, the Geary County Public Building Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Geary County Public Building Commission, as of December 31, 2010, and their respective cash receipts and expenditures on the basis of accounting described in Note A.

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The information identified in the table of contents as supplementary information is presented by the Commission for purposes of additional analysis and is not a required part of the financial statements of Geary County Public Building Commission. We did not audit and do not express an opinion on such information.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
December 27, 2011

GEARY COUNTY PUBLIC BUILDING COMMISSION

ENTERPRISE FUNDS

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2009)

	<u>2009</u>	<u>2010</u>
<u>PENNELLS/COURTHOUSE & OFFICE BUILDINGS</u>		
Receipts:		
Rent - Pennell/Courthouse	\$ 438,400	438,400
Rent - Geary County Office Building	112,000	108,000
Interest	8,956	9,621
2009 Refunding Revenue Bonds	2,915,000	-
Premium on 2009 Refunding Revenue Bonds	82,049	-
Total Receipts	<u>3,556,405</u>	<u>556,021</u>
Expenditures:		
Bond Principal	3,350,000	360,000
Bond Interest	113,375	99,625
Bond Handling Fee	32	-
Bond Closing Costs	31,668	-
Underwriter's Discount	16,761	-
Legal & Professional Fees	2,737	2,997
Report Filing Fees	150	150
Bank Charges	18	-
Total Expenditures	<u>3,514,741</u>	<u>462,772</u>
Receipts Over (Under) Expenditures	41,664	93,249
Unencumbered Cash, January 1	834,210	875,874
Unencumbered Cash, December 31	<u>\$ 875,874</u>	<u>969,123</u>
<u>HOSPITAL PROJECT (Revenue Bond)</u>		
Receipts:		
Bond Payment Reimbursement	\$ 209,365	209,365
Interest	-	14,195
Total Receipts	<u>209,365</u>	<u>223,560</u>
Expenditures:		
Bond Interest	209,365	209,365
Transfer to Capital Project Fund	13,966	-
Legal & Professional Fees	-	2,997
Total Expenditures	<u>223,331</u>	<u>212,362</u>
Receipts Over (Under) Expenditures	(13,966)	11,198
Unencumbered Cash, January 1	39,188	25,222
Unencumbered Cash, December 31	<u>\$ 25,222</u>	<u>36,420</u>

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

GEARY COUNTY PUBLIC BUILDING COMMISSION

ENTERPRISE FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2009)

	<u>2009</u>	<u>2010</u>
<u>DETENTION CENTER EXPANSION</u>		
Receipts:		
Rent	\$ 385,000	385,000
Interest	-	3,433
Transfer from Project Fund (Close Project)	194,896	-
Total Receipts	<u>579,896</u>	<u>388,433</u>
Expenditures:		
Bond Principal	185,000	190,000
Bond Interest	192,752	185,353
Legal & Professional Fees	-	2,997
Reimburse Capital Project Fund (2007 Advance)	358,878	-
Total Expenditures	<u>736,630</u>	<u>378,350</u>
Receipts Over (Under) Expenditures	(156,734)	10,083
Unencumbered Cash, January 1	365,047	208,313
Unencumbered Cash, December 31	<u>\$ 208,313</u>	<u>218,396</u>

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

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Geary County Public Building Commission (Commission) is a component unit of Geary County, Kansas. The entity is a commission of individuals appointed by the Geary County Commissioners for the purpose of acquiring buildings for the use by governmental offices and hospitals. The Commission rents the buildings and oversees the operation of the buildings. It has the authority to borrow money and issue bonds to provide the funds to acquire these buildings.

2. Fund Accounting

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

The Commission uses capital project funds to account for the construction of the facilities. Enterprise funds are used to account for operations since its activities are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs (expenditures) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of cash receipts, expenditures and/or receipts over expenditures is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Statutory Basis of Accounting

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

The 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 statutory basis of accounting.

4. Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, and cash and unencumbered cash balances. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the Commission are not presented in the financial statements.

5. Budgetary Information

The Commission is not required by Kansas statute to prepare an annual budget since it does not levy property taxes.

6. Date of Management Review

Management has evaluated the effect on the financial statements of subsequent events through December 27, 2011, the date in which the financial statements were available to be issued.

NOTE B - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Government 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 Commission had no investments at December 31, 2010.

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.

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 has no designated "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the Commission's carrying amount of deposits was \$1,233,080 and the bank balance was \$1,233,080. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$983,080 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

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

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE C – COMPLIANCE WITH STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the director of Accounts and Reports and interpretation by the County Attorney.

Timely Remittance of Bond Payments

K.S.A. 10-130 requires the county treasurer to remit to the state fiscal agent, at least 20 days prior to maturity of the bonds, the amount of the principal and interest due or a certificate from the bank stating that the funds are on deposit and held in trust for the bond payment and that the funds will reach the office of the fiscal agent as required by the method of payment. The state fiscal agent has indicated that their office did not receive the money for the bond payment or the certificate from the bank in a timely manner.

NOTE D - RELATED PARTY TRANSACTIONS

As described in Note A, the Geary County Public Building Commission is a component unit of Geary County, Kansas. Geary County, Kansas rents facilities built by the Commission for an amount sufficient to cover the debt service payments made by the Commission. The rent is not calculated as an arm's-length transaction. The lease agreements also require the lessee to purchase insurance to cover the risk of loss of the facilities.

The Commission obtained revenue bonds for the renovation of the Geary Community Hospital (Hospital). The construction has been completed. The Hospital is required to provide the Commission with the dollars needed for the bond payments in advance of the payment due dates.

NOTE E - LEASES

The Commission has entered into four operating leases with Geary County, Kansas for the Courthouse/Pennell Building, Geary County Office Building, Detention Center Expansion and the expansion and renovation of the Geary Community Hospital facilities (Hospital Project). The leases expire when the bonds, which were used to construct the facilities, have been retired. The final bond payments on the Courthouse/Pennell and Geary County Office Building, Detention Center Expansion, and Hospital Project bonds are February 1, 2017, August 1, 2026, and August 1, 2031 respectively.

The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of December 31, 2010:

Year Ending December 31:	
2011	\$ 1,140,765
2012	1,140,765
2013	1,140,765
2014	1,245,765
2015	1,331,355
2016-2020	4,011,296
2021-2025	3,910,751
2026-2030	2,383,817
2031	<u>417,400</u>
Total minimum future rentals	<u>\$ 16,722,679</u>

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE E - LEASES (Continued)

All of the lease agreements, except for the Hospital Project, include a stipulation that within 30 days after receipt of written notice, the lessee is obligated to pay any additional rent deemed payable by the Commission. There have been no such additional rents assessed since the inception of the leases.

NOTE F - 2009 FINANCIAL DATA

The Geary County Office Building fund was merged into the Pennell – Courthouse fund during 2009. Amounts were reported in the 2009 financial statements for each of these funds reflecting the actual postings prior to the consolidation. The 2009 receipts and expenditures from these two funds are combined into the Pennell/Courthouse & Office Buildings fund in these financial statements to provide better comparability to 2010 activity.

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE G - LONG-TERM DEBT

Changes in long-term liabilities for the Commission for the year ended December 31, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Revenue Bonds:										
Series 2006 B, Geary Comm Hospital	4.20 - 4.35%	7/1/2006	4,925,000	8/1/2031	\$ 4,925,000	-	-	-	4,925,000	209,365
Series 2006, Jail & Corrections	4.00 - 4.30%	6/1/2006	5,000,000	8/1/2026	4,515,000	-	190,000	(190,000)	4,325,000	185,353
Series 2009, Refunding Revenue - Courthouse/Pennell/Office	3.00 - 4.00%	4/1/2009	2,915,000	2/1/2017	<u>2,915,000</u>	<u>-</u>	<u>360,000</u>	<u>(360,000)</u>	<u>2,555,000</u>	<u>99,625</u>
Total long-term debt					<u>\$ 12,355,000</u>	<u>-</u>	<u>550,000</u>	<u>(550,000)</u>	<u>11,805,000</u>	<u>494,343</u>

GEARY COUNTY PUBLIC BUILDING COMMISSION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE G - 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
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2030</u>	<u>2031</u>	
PRINCIPAL										
Revenue Bonds:										
Series 2006 B, Geary Comm Hospital	\$ -	-	-	105,000	195,000	1,105,000	1,380,000	1,740,000	400,000	4,925,000
Series 2006, Jail & Corrections	195,000	205,000	210,000	220,000	230,000	1,300,000	1,600,000	365,000	-	4,325,000
Series 2009, Refunding Revenue - Courtthouse/Pennell/Office	<u>380,000</u>	<u>385,000</u>	<u>405,000</u>	<u>425,000</u>	<u>430,000</u>	<u>530,000</u>	-	-	-	<u>2,555,000</u>
Total Principal	<u>575,000</u>	<u>590,000</u>	<u>615,000</u>	<u>750,000</u>	<u>855,000</u>	<u>2,935,000</u>	<u>2,980,000</u>	<u>2,105,000</u>	<u>400,000</u>	<u>11,805,000</u>
INTEREST										
Revenue Bonds:										
Series 2006 B, Geary Comm Hospital	209,365	209,365	209,365	209,365	204,955	895,875	644,298	320,760	17,400	2,920,748
Series 2006, Jail & Corrections	177,753	169,953	161,753	153,353	144,553	575,858	286,453	15,695	-	1,685,371
Series 2009, Refunding Revenue - Courtthouse/Pennell/Office	<u>87,575</u>	<u>74,188</u>	<u>60,362</u>	<u>45,838</u>	<u>29,800</u>	<u>13,800</u>	-	-	-	<u>311,563</u>
Total Interest	<u>474,693</u>	<u>453,506</u>	<u>431,480</u>	<u>408,556</u>	<u>379,308</u>	<u>1,485,533</u>	<u>930,751</u>	<u>336,455</u>	<u>17,400</u>	<u>4,917,682</u>
Total Principal & Interest	<u>\$ 1,049,693</u>	<u>1,043,506</u>	<u>1,046,480</u>	<u>1,158,556</u>	<u>1,234,308</u>	<u>4,420,533</u>	<u>3,910,751</u>	<u>2,441,455</u>	<u>417,400</u>	<u>16,722,682</u>

SUPPLEMENTARY INFORMATION

GEARY COUNTY PUBLIC BUILDING COMMISSION

STATEMENT OF REVENUES AND EXPENSES - MODIFIED CASH BASIS

PENNELL/COURTHOUSE & OFFICE BUILDINGS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2009</u>	<u>2010</u>
REVENUE		
Rent Income - Pennell/Courthouse	\$ 438,400	438,400
Rent Income - Geary County Office Bldg	112,000	108,000
Interest Income	8,956	9,621
TOTAL REVENUE	<u>559,356</u>	<u>556,021</u>
EXPENSES		
Interest Expense	105,519	89,151
Legal & Professional Fees	2,737	2,997
Bond Handling Fee	32	-
Bank Charges	18	-
Report Filing Fees	150	150
Amortization	4,637	6,183
Depreciation - Pennell	24,843	24,843
Depreciation - Pennell Phase II	9,691	9,691
Depreciation - Courthouse	63,245	63,245
Depreciation - Geary Co. Office Bldg	45,703	45,703
Bond Expenses - Prior Issuances	86,973	-
TOTAL EXPENSES	<u>343,548</u>	<u>241,963</u>
NET INCOME (LOSS)	<u>\$ 215,808</u>	<u>314,058</u>

GEARY COUNTY PUBLIC BUILDING COMMISSION

STATEMENT OF REVENUES AND EXPENSES - MODIFIED CASH BASIS

DETENTION CENTER EXPANSION

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2009</u>	<u>2010</u>
REVENUE		
Rent Income (Current Year)	\$ 385,000	385,000
Interest	-	3,433
TOTAL REVENUE	<u>385,000</u>	<u>388,433</u>
EXPENSES		
Interest Expense	192,753	185,353
Legal & Professional Fees	-	2,997
Amortization	9,415	9,415
Depreciation	84,426	126,639
TOTAL EXPENSES	<u>286,594</u>	<u>324,404</u>
NET INCOME (LOSS)	<u>\$ 98,406</u>	<u>64,029</u>