

**SMITH COUNTY, KANSAS PUBLIC
BUILDING COMMISSION**

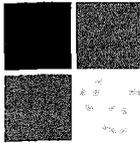
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

SMITH COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2011

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Statement 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash.....	2
Statement 2	
Statement of Cash Receipts and Expenditures	
Governmental Fund Category	
Debt Service Fund	
2-1 Debt Service Fund.....	3
Notes to Financial Statements.....	4



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Committee
Smith County, Kansas Public Building Commission
Smith Center, Kansas

We have audited the accompanying financial statements of **Smith County, Kansas Public Building Commission**, a component unit of Smith County, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **Smith County, Kansas Public Building Commission's** management. 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 Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Smith County, Kansas Public Building Commission** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose 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 **Smith County, Kansas Public Building Commission**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Smith County, Kansas Public Building Commission**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.


ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 05, 2012

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

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Category							
Debt Service Fund	\$ -	-	234,785	234,785	-	-	-
			Composition of Cash				
				Checking Account			\$ -

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

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Lease Proceeds	\$ 237,710	234,785
Expenditures		
Contractual Services	9,003	990
Bond Principal	145,000	145,000
Bond Interest	87,797	88,795
Total Expenditures	241,800	234,785
Cash Receipts Over (Under) Expenditures	(4,090)	-
Unencumbered Cash, Beginning	4,090	-
Unencumbered Cash, Ending	\$ -	-

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

SMITH COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Smith County, Kansas Public Building Commission is a municipal corporation of the State of Kansas under the authority of K.S.A. 12-1757 *et seq.* and Charter Resolution No. 09-16 of Smith County. The Commission has been organized by the governing body of Smith County, Kansas (the "County") for the purposes of acquiring a site or sites for and constructing, reconstructing, equipping and furnishing, or purchasing or otherwise acquiring, a building or buildings or other facilities of a revenue producing character.

The Commission has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The Commission is a component unit of Smith County, Kansas. It is a municipal corporation governed by a five member committee. The accompanying financial statements include all funds which are controlled by or are dependent on the Commission. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the Commission are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following category of funds comprise the financial activities of the Commission for the year ended December 31, 2011.

Governmental Fund Category

Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Statutory Basis of Accounting

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

SMITH COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 principals and allowing the Commission to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Deposits and Investments

The Commission follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, expenditures and unencumbered cash.

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 Commission 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.

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 does not use "peak periods". All deposits were legally insured at December 31, 2011.

SMITH COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At December 31, 2011, the Commission's carrying amount of deposits was \$0 and the bank balance was \$0. The bank balance was held by First National Bank of Smith Center.

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. The Commission had no investments at December 31, 2011.

NOTE 2 - LITIGATION

Smith County, Kansas Public Building Commission is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Commission.

NOTE 3 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 2 in the accompanying financial statements in order to provide an understanding of changes in **Smith County, Kansas Public Building Commission's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 4 – LEASE RECEIVABLE

Smith County, Kansas Public Building Commission entered into a lease agreement with Smith County for the lease of the Hospital Building. The County is obligated to make payments to the Commission equivalent to the debt that the Commission has assumed and to pay its outstanding revenue bonds. The Commission covenants that, unless the County is in default under the lease obligation, it will not, without the County's written consent unless required by law, sell or otherwise part with or encumber its fee or other ownership interest in the project at any time during the life of the lease obligation. The County covenants and agrees that it will, during the term of the lease obligation, keep and maintain the project and all parts thereof in good condition and repair, including but not limited to the furnishing of all parts, mechanisms and devices required to keep the machinery, equipment and personal property constituting a part of the project in good mechanical and working order, and that during said period of time it will keep the project and all parts thereof free from filth, nuisance or conditions unreasonably increasing the danger of fire. Total payments receivable are shown below:

<u>Years Ending December 31</u>	<u>Total</u>
2012	235,751
2013	232,283
2014	233,420
2015	233,890
2016	233,810
2017-2021	1,162,188
2022-2026	<u>696,175</u>
	\$ <u>3,027,517</u>

SMITH COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Notes to Financial Statements
December 31, 2011

NOTE 5 – LEASE OBLIGATIONS

Smith County, Kansas Public Building Commission entered into a lease agreement with Smith County. The Commission shall lease the land from the County and provide \$2,630,000 to acquire, finance and refinance the project and shall lease the facility to Smith County, Kansas. The Commission will surrender and deliver the hospital building to the County upon the expiration of these lease obligations. The term of the lease obligations shall commence on December 15, 2009 and end on December 1, 2024. In the event of default, the Commission shall have the right to possession of the land for the remainder of the term of the lease and shall have the right to sublease the project or sell its interest in the project and the lease upon whatever terms and conditions it deems prudent and in the interest of the owners of the bonds. Title of the land shall remain in the County at all times. The construction and financing of the project and the leasing of the facility to the County under the lease shall be deemed the County's entire consideration for the lease obligation.

NOTE 6 – LONG-TERM DEBT

Smith County, Kansas Public Building Commission has the following type of long-term debt.

Revenue Bonds

The Commission issued Revenue Bonds, Series 2009, dated December 15, 2009 with an original issue amount of \$2,630,000. The bonds have varying maturities with semi-annual payments. Interest rates range from 1.75%-4.50% depending on the maturity date.

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

NOTE 6 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for **Smith County, Kansas Public Building Commission** for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds										
Series 2009	1.75-4.50%	12/15/09	\$ 2,630,000	12/01/24	\$ 2,485,000	-	145,000	(145,000)	2,340,000	88,795

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

Issue	2012	2013	2014	2015	2016	2017 - 2021	2022 - 2026	Total
Principal								
Revenue Bonds	\$ 150,000	150,000	155,000	160,000	165,000	915,000	645,000	2,340,000
Interest								
Revenue Bonds	85,751	82,283	78,420	73,890	68,810	247,188	51,175	687,517
Total Principal and Interest \$	235,751	232,283	233,420	233,890	233,810	1,162,188	696,175	3,027,517