

CHISHOLM CREEK UTILITY AUTHORITY

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2012

CHISHOLM CREEK UTILITY AUTHORITY
Financial Statements With Independent Auditors' Report
For the Years Ended December 31, 2012 and 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Chisholm Creek Utility Authority
Park City, Kansas

We have audited the accompanying financial statements of the business-type activity of **Chisholm Creek Utility Authority**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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.

Basis for Qualified Opinion on Proprietary Fund

The financial statements do not include the required annual cost and long-term obligations of the Authority's Other Postemployment Benefits as required by Governmental Auditing Standards Board Statements Number 43 and Number 45. Accounting principles generally accepted in the United States of America require the financial data for these Other Postemployment Benefits be reported in the

financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities and net position of the financial statements are not reasonably determinable and are presumed to be material.

Qualified Opinion

In our opinion, because of the departure mentioned in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the Other Postemployment Benefits of **Chisholm Creek Utility Authority** as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinion

In addition, in our opinion, except for the effects listed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining business-type activity of **Chisholm Creek Utility Authority**, as of December 31, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Chisholm Creek Utility Authority's** basic financial statements. The introductory section and supplementary information, schedule of insurance coverage, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


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

June 27, 2013

CHISHOLM CREEK UTILITY AUTHORITY Management's Discussion and Analysis

The discussion and analysis of Chisholm Creek Utility Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2012. Please read in conjunction with the Authority's financial statements which begin after this section.

Reporting of the Authority

Our analysis of the Authority begins on page 7. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The balance sheets, statements of revenues, expenses, and change in net position, and statements of cash flows report information about the Authority's activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Authority's net assets and changes in them. The Authority's net position - the difference between assets and liabilities - is a way to measure the Authority's financial health and financial position. Increases and decreases in the Authority's net position is one indicator of whether financial health is improving or deteriorating.

Introduction

The Authority is a Quasi-Municipal Governmental Entity formed in the year 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing "wholesale" water, wastewater and utility services to the Cities. Planning and engineering proceeded in cooperation with the Cities during that year and on March 20, 2002, the Authority closed on \$28,980,000 in revenue bonds allowing the construction of the planned water and wastewater facilities. In general, the initial 20 months were a period of acquisition of funds and construction; partial operations occurred in the wastewater function since the Authority purchased Park City's wastewater plant in a completely operational status. Full operation began in January 2003 in both the water and wastewater projects in addition to providing trash services to the citizens of Bel Aire; however, the trash service operation was sold to an unrelated entity in December 2004.

FINANCIAL STATUS AND HIGHLIGHTS

Water and Wastewater Project Costs

This is a cooperative project between two Cities. The revenue bonds were sold based upon detailed estimates of all costs allocated to the two Cities in the categories of (1) water supply and (2) wastewater. The analysis of separated and allocated costs occurred before the sale of bonds and before the actual construction.

Highlights

- During 2012, the Authority issued revenue bonds in the amount of \$6,400,000. A portion of these bonds were used to refund a portion of the 2004 and a portion was used to payoff the temporary note held by the City of Bel Aire, Kansas. The City of Bel Aire held this temporary note to finance their portion of the Headworks project that was completed in 2011.

Current Year Results

Current year results reflected an increase in operating revenues in comparison with the previous year. However, operating expenses also increased, creating a lower net operating income than in previous year. Nonoperating revenues decreased due to the Authority receiving less revenue for capital projects.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis

Nonoperating expenses increased with an increase in interest expense due to the refunding of prior bonds with the 2012 bond issuance. Provisions of the revenue bond rate covenant were in compliance for 2012.

Discussion of Basic Financial Statements

The Authority's only governmental fund is the proprietary enterprise fund which is shown on this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the Authority's activities.

The balance sheets reflect assets owned and liabilities owed at December 31, 2012. The difference between total assets and total liabilities is referred to as net position.

The statements of revenues, expenses, and change in net position reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net position for the year ended December 31, 2012.

The statements of cash flows reflect cash provided by or used in operating activities, capital and related financing activities, and investing activities for the year ended December 31, 2012. The statements also disclose cash paid for interest at December 31, 2012.

Other Financial Matters

The Authority's purpose is to provide a reliable water and wastewater distribution system to the two Cities and the function of the Cities is to insure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. Expenses include debt service and operating expenses. The Cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds. Therefore, the financial position, based upon the Authority's established purpose, at the end of the year was primarily as planned.

As required by the bond covenants, the rates charged by each City to its residents and businesses should result in the funds necessary for the Cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments.

In addition to the original revenue bonds, the Authority executed a tax-exempt lease purchase with Zion's Bank of Salt Lake City, Utah of \$275,000 to obtain equipment for the water and wastewater operations. The periodic debt service payments for the lease are included in the "Operation and Maintenance" budget for water and wastewater and are funded fully by both Cities. This lease expired in 2012.

Debt Administration

At year-end the Authority had revenue bonds, capital leases and a land contract outstanding in the amount of \$27,527,820 and \$26,985,937, respectively for 2012 and 2011. The debt is more fully described in Note 15 and Note 16 to the audited financial statements. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the capital lease and land contract.

Capital Assets

At the end of 2012 and 2011, the Authority had \$23,747,872 and \$24,529,788, respectively, invested in capital assets net of depreciation. The most significant capital purchase for 2012 was a solids handling pump for \$35,343. The Authority did not dispose of any equipment for the year ended December 31, 2012.

CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis

Figure 1 – Capital Assets

	2012	2011
Equipment and Lines	\$ 13,426,601	13,330,810
Buildings and Plant	15,017,148	15,017,148
Land	342,909	342,909
Accumulated Depreciation	(5,038,786)	(4,161,079)
Net Capital Assets	\$ 23,747,872	24,529,788

Comparative Financial Reports

The following figures present abbreviated comparative information on the Authority's statements of net position at December 31, 2012 and 2011 and summaries of activities for the periods then ended.

Figure 2 – Net Position

	2012	2011
Cash	\$ 277,974	291,586
Capital Assets - Net	23,747,872	24,529,788
Bond Reserve Trust Accounts	3,169,868	3,105,475
Receivable from City of Bel Aire – Temporary Note Payoff	1,131,041	-
Other Assets - Net	203,986	281,676
Total Assets	\$ 28,530,741	28,208,525
Accounts Payable	\$ 16,636	99,033
Accrued Expenses	1,217,669	197,484
Current Portion of Liabilities	851,211	783,117
Noncurrent Portion of Liabilities	26,676,609	26,202,820
Total Liabilities	28,762,125	27,282,454
Net Position	(231,384)	926,071
Total Liabilities and Net Position	\$ 28,530,741	28,208,525

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CHISHOLM CREEK UTILITY AUTHORITY
Management's Discussion and Analysis

Figure 3 – Changes in Revenues, Expenses, and Change in Net Position

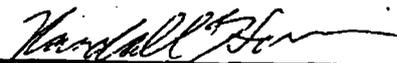
	2012	2011
Operating Revenues	\$ 3,005,257	2,825,186
Operating Expenses	(2,070,954)	(1,553,485)
Net Operating Income	934,303	1,271,701
Nonoperating Revenues (Expenses)		
Income Received for Capital Project	137,538	1,949,462
Bond Proceeds and Interest from Escrow Agent	61,952	-
Interest Income	89	140
Other Income	165	1,185
Bond Issuance Costs	(82,036)	-
Interest Expense	(2,209,466)	(1,133,636)
Net Nonoperating Revenues (Expenses)	(2,091,758)	817,151
Change in Net Position	(1,148,681)	2,088,852
Net Position (Deficit) – Beginning of Year	1,479,147	(609,705)
Prior Period Adjustment*	-	(553,076)
Net Position (Deficit) – End of Year	\$ (231,384)	926,071

*See Note 12 of the audited financial statements for an explanation of the prior period adjustment.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances. The report is also designed to show the Authority's accountability for the money it receives.

Further questions concerning this report or the financial status of Chisholm Creek Utility Authority should be directed to the Authority's utility manager at 5551 N Broadway, Park City, Kansas 67219.



Randall Harris
Utility Manager
Chisholm Creek Utility Authority

CHISHOLM CREEK UTILITY AUTHORITY
Balance Sheets
Proprietary Fund
December 31, 2012 and 2011

	<u>ASSETS</u>		<u>2012</u>	<u>2011</u>
Current Assets				
Cash		\$	<u>277,974</u>	<u>291,586</u>
Noncurrent Assets				
Capital Assets				
Equipment and Lines			13,426,601	13,330,810
Buildings and Plant			15,017,148	15,017,148
Land			342,909	342,909
Accumulated Depreciation			<u>(5,038,786)</u>	<u>(4,161,079)</u>
Net Capital Assets			<u>23,747,872</u>	<u>24,529,788</u>
Other Assets				
Investments - Bond Reserve Trust Accounts			3,169,868	3,105,475
Receivable from City of Bel Aire - Temporary Note Payoff			1,131,041	-
Deferred Charges on Revenue Bonds			880,956	880,956
Intangible Assets			82,498	82,498
Accumulated Amortization Deferred Charges on Revenue Bonds			(730,747)	(655,757)
Accumulated Amortization Intangible Assets			<u>(28,721)</u>	<u>(26,021)</u>
Net Other Assets			<u>4,504,895</u>	<u>3,387,151</u>
Total Noncurrent Assets			<u>28,252,767</u>	<u>27,916,939</u>
Total Assets		\$	<u>28,530,741</u>	<u>28,208,525</u>

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

CHISHOLM CREEK UTILITY AUTHORITY
 Balance Sheets
 Proprietary Fund
 December 31, 2012 and 2011

<u>LIABILITIES AND NET POSITION</u>	<u>2012</u>	<u>2011</u>
Current Liabilities Payable From Current Assets		
Accounts Payable	\$ 16,636	99,033
Accrued Compensation	10,083	16,037
Accrued Interest Payable	-	405
Accrued Payroll	9,142	6,171
Accrued Payroll Liabilities	12,181	-
Current Portion of Capital Lease	-	37,000
Current Portion of Land Lease	1,211	1,117
Total Current Liabilities Payable From Current Assets	49,253	159,763
Current Liabilities Payable From Restricted Trust Accounts		
Accrued Interest Payable	1,186,263	174,871
Current Portion of Bonds Payable	850,000	745,000
Total Current Liabilities Payable From Restricted Trust Accounts	2,036,263	919,871
Total Current Liabilities	2,085,516	1,079,634
Noncurrent Liabilities		
Land Lease, Net of Current Portion	151,609	152,820
Bonds Payable, Net of Current Portion	26,525,000	26,050,000
Total Noncurrent Liabilities	26,676,609	26,202,820
Total Liabilities	28,762,125	27,282,454
Net Position		
Invested in Capital Assets, Net of Related Debt	(4,814,602)	(2,478,605)
Restricted	3,169,868	3,105,475
Unrestricted	1,413,350	299,201
Total Net Position (Deficit)	(231,384)	926,071
Total Liabilities and Net Position	\$ 28,530,741	28,208,525

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

CHISHOLM CREEK UTILITY AUTHORITY
Statements of Revenues, Expenses, and Change in Net Position
Proprietary Fund
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Water and Wastewater Services - City of Bel Aire	\$ 1,690,279	1,647,539
Water and Wastewater Services - City of Park City	<u>1,314,978</u>	<u>1,177,647</u>
Total Operating Revenues	<u>3,005,257</u>	<u>2,825,186</u>
Operating Expenses		
Operations and Maintenance	1,041,329	1,002,043
Insurance	39,649	21,937
Professional Fees	34,578	31,669
Amortization	77,690	50,592
Depreciation	<u>877,708</u>	<u>447,244</u>
Total Operating Expenses	<u>2,070,954</u>	<u>1,553,485</u>
Operating Income	<u>934,303</u>	<u>1,271,701</u>
Nonoperating Revenues (Expenses)		
Income Received for Capital Project - City of Bel Aire	66,318	889,866
Income Received for Capital Project - City of Park City	71,220	1,059,596
Bond Interest and Proceeds from Escrow Agent	61,952	-
Interest Income	89	140
Other Income	165	1,185
Bond Issuance Costs	(82,036)	-
Interest Expense	<u>(2,209,466)</u>	<u>(1,133,636)</u>
Net Nonoperating Revenues (Expenses)	<u>(2,091,758)</u>	<u>817,151</u>
Change in Net Position	<u>(1,157,455)</u>	<u>2,088,852</u>
Net Position (Deficit) - Beginning of Year	<u>926,071</u>	<u>(609,705)</u>
Prior Period Adjustment	<u>-</u>	<u>(553,076)</u>
Net Position (Deficit) - End of Year	<u>\$ (231,384)</u>	<u>926,071</u>

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

CHISHOLM CREEK UTILITY AUTHORITY
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash Received From Cities	\$ 3,005,257	2,885,521
Cash Paid to Employees	(226,259)	(263,724)
Cash Paid for Operating Activities	<u>(962,496)</u>	<u>(1,140,551)</u>
Net Cash Provided by Operating Activities	<u>1,816,502</u>	<u>1,481,246</u>
Cash Flows From Capital and Related Financing Activities		
Cash Received From Cities for Capital Projects	137,538	1,949,462
Purchase of Capital Assets	(95,791)	(1,627,663)
Temporary Note Payoff for City of Bel Aire	(1,131,041)	-
Interest Paid on Capital Debt	(1,198,479)	(1,143,169)
Principal Paid on Capital Debt	<u>(5,858,117)</u>	<u>(743,034)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(8,145,890)</u>	<u>(1,564,404)</u>
Cash Flows From Investing Activities		
Proceeds from Bonds	6,461,951	-
Bond Issuance Costs	(82,036)	-
Interest Received - Net of Bond Reserves	89	140
Other Receipts	165	1,185
Collections From Bond Reserves	<u>(64,393)</u>	<u>82,201</u>
Net Cash Provided by Investing Activities	<u>6,315,776</u>	<u>83,526</u>
Net Increase (Decrease) in Cash	<u>(13,612)</u>	<u>368</u>
Cash - Beginning of Year	<u>291,586</u>	<u>291,218</u>
Cash - End of Year	<u>\$ 277,974</u>	<u>291,586</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 934,303	1,271,701
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	877,708	447,244
Amortization Expense	77,690	50,592
Increase (Decrease) in Accounts Receivable - City of Park City, Kansas	-	60,335
Increase (Decrease) in Accounts Payable	<u>(73,199)</u>	<u>(348,626)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,816,502</u>	<u>1,481,246</u>
Supplemental Disclosure		
Interest Paid	\$ 1,198,479	1,143,169

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

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements
December 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Chisholm Creek Utility Authority** is presented to assist in understanding the Authority's financial statements. The financial statements and notes to financial statements are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Financial Reporting Entity

Chisholm Creek Utility Authority (Authority) was organized in April 2001 pursuant to the Kansas Interlocal Cooperation Act. The Authority was created by an Interlocal Cooperation Agreement of the cities of Bel Aire and Park City, Kansas (Members) and is economically dependent on the Members. The purpose of the Authority is to assist its Members in planning, technical and financial matters for comprehensive utilities and public services, accomplish the desired objectives of effective utility and public services, accomplish the desired objectives of effective utility and public service facilities, and organize the operation of utility and public service systems. The Authority is governed by a six member board of directors and primarily provides water and wastewater services to the Members' residents. (Solid waste services, operated by the Authority, were sold to an outside party in December 2004.) The financial statements of the Authority consist of all the funds of the Authority that are considered to be controlled by or dependent on the Authority. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Authority has no component units.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Basis of Accounting, Financial Statement Presentation, and Measurement Focus

The Authority's financial statements are reported using the economic resources measurement focus, the current financial resources management, and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the balance sheets. The statements of revenues, expenses and change in net position present increases and decreases in net position. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collected by the end of the year. Expenditures are recorded when the related liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accounting records of the Authority are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America. As a quasi-municipal corporation, the Authority applies all statements issued by the Government Accounting Standards Board (GASB) and all statements and interpretations issued by the Financial Accounting Standards Board (FASB), which are not in conflict with statements issued by the GASB. The Authority uses a single proprietary enterprise fund to account for and report its financial activities, which is limited to *business-*

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2012 and 2011

type activities – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business enterprises where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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, which for the Authority is water distribution and wastewater treatment. Operating expenses 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. The Authority only had one operational fund through December 31, 2012 and 2011.

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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Budgets

The Authority is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the Authority is not subject to these requirements, comparison to budget has been waived on the financial statements.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Deposits and Investments

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

	Fair Value	Investment Maturities (in years) Less than One	Rating
Repurchase Agreements	\$ 2,137,750	2,137,750	AA-/F1+ by Fitch
U.S. Treasury Obligations	1,032,118	1,032,118	S&P AAAm
Total	\$ 3,169,868	3,169,868	

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

CHISHOLM CREEK UTILITY AUTHORITY
Notes to Financial Statements
December 31, 2012 and 2011

	<u>Fair Value</u>	<u>Investment Maturities (in years) Less than One</u>	<u>Rating</u>
Repurchase Agreements	\$ 2,137,750	2,137,750	AA-/F+ by Fitch
U.S. Treasury Obligations	967,725	967,825	S&P AAAm
Total	\$ 3,105,475	\$ 3,105,475	

The book value of the investments were \$3,169,868 and \$3,105,475 as of December 31, 2012 and 2011.

K.S.A. 9-1401 establishes the depositories which may be used by the Authority. The statute requires banks eligible to hold the Authority's funds have a main or branch bank in the county in which the Authority 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 Authority has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Authority'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 Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405. The Authority's allocation of investments as of December 31, 2012 and 2011, are as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	67%
U.S. Treasury Obligations	33%
<u>Investments</u>	<u>Percentage of Investments</u>
Repurchase Agreements	69%
U.S. Treasury Obligations	31%

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the Authority'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 Authority does not use "peak periods". All deposits were legally secured at December 31, 2012 and 2011.

At December 31, 2012 and 2011, the Authority's carrying amount of deposits were \$277,974 and \$291,586, respectively, and the bank balances were \$281,911 and \$346,585, respectively, the difference being outstanding checks and deposits. The bank balance at December 31, 2012 and 2011 was held by one bank. The bank balance in 2012 was insured by the FDIC limit of \$250,000 and \$31,911 was

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collateralized with securities held by the pledging financial institution's agents in the Authority's name. The bank balance in 2011 was insured by the FDIC limit of \$250,000 and \$96,585 was collateralized with securities held by the pledging financial institution's agents in the Authority'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 Authority 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 Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of December 31, 2012 and 2011, none of the Authority's investments were exposed to risk since they are held in the Authority's name by the counterparty.

Cash

For the purpose of the statements of cash flows, the Authority considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash and cash equivalents, which consists of the Authority's checking account.

Receivables

The Authority has a receivable from the City of Bel Aire for the temporary note that was paid off through a portion of the bonds issued in 2012 by the Authority. The temporary note was held in the City of Bel Aire's name and was used to finance Bel Aire's portion of the Headworks capital project that was completed in 2011. The City of Bel Aire is responsible for making the bond payment on the portion of the 2012 bond that relates to the payoff of the temporary note.

Bond Reserve Trust Accounts

Bond reserve trust accounts consist of funds for operations and maintenance, debt service, equipment replacement reserves, and construction. Such investments include U.S. government obligations and repurchase agreements. Investments are reported at book value.

Net Position

Net assets are the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract. The proceeds of certain bond issues, as well as certain other resources, are classified as restricted net position. All other net position is reported as unrestricted.

Deficit Net Position

The Authority's proprietary enterprise fund had a (deficit) surplus balance at December 31, 2012 and 2011 of \$(231,384) and \$926,071, respectively. This deficit is due to the Authority's capital assets depreciating more quickly than the debt principal used to finance these assets is retired. The Authority anticipates this deficit will reverse itself in subsequent accounting period as interest expense of debt decreases and the principal payments of debt increase.

Operating Revenues

The Authority's rates are established by a rate ordinance. The Authority sells water and wastewater services to member cities at established rates. Member payments are subject to "take or pay" agreements. Bel Aire's portions are approximately 50% water service and 47% wastewater service. Park

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City's portions are approximately 50% water service and 53% wastewater service. Revenues are pledged for payments of the revenue bonds and are recognized as billed and collected.

Compensated Absences

The Authority's employees were paid by the City of Park City, Kansas through a common paymaster system through June 30, 2012. A common paymaster is a system in which related entities are treated as a single employer for payroll purposes as approved by the Internal Revenue Service. Beginning July 1, 2012 the Authority took over its own payroll.

Vacation

The Authority's policy regarding vacation for full-time employees is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-1	5 days per year accrued at 1.54 hours/pay period
2-5	10 days per year accrued at 3.08 hours/pay period
6-10	15 days per year accrued at 4.62 hours/pay period
After 10	20 days per year accrued at 6.15 hours/pay period

Vacation leave may not be used until the first six months of service with the Authority have been completed. The maximum accrual for vacation shall be no more than 200 hours. Upon termination of employment, employees will be paid for all accrued but unused vacation leave.

Sick Leave

The Authority's policy for sick leave permits employees to earn sick leave at the rate of 3.69 hours per pay period up to a maximum of 520 hours. Any sick leave hours accrued beyond 520 hours as of December 31st of each year will be paid out at the employee's regular rate of pay, and the employee's accrual of sick leave shall be returned to 520. Regular employees, after a period of 10 years of continuous service, shall be compensated in cash for the accrued sick leave upon retirement, up to a maximum of \$10,000 payout.

A potential liability of \$10,083 (which consists all of accrued vacation since no employee had 10 or more years of service) existed as of December 31, 2012 for these compensated absences. The Authority has accrued this amount for compensated absences.

Deferred Compensation Plan

Up until June 30, 2012 when the Authority's employees were paid by the City of Park City through a common paymaster system, the Authority offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was available to all employees who qualified under the plan terms, and permitted employees to defer a portion of their salary until future years.

The deferred compensation could be withdrawn by employees before termination, retirement, death or unforeseeable emergency; however, employees were penalized for withdrawing funds before one of these events occurred. The first time funds were withdrawn, the employee could not participate in the plan for one year. The second time funds were withdrawn, the employee could not participate in the plan for three years. The third time funds were withdrawn, the employee was disqualified from participating in the plan. Beginning July 1, 2012, the Authority no longer offered a deferred compensation plan.

Defined Benefit Pension Plan

Plan Description

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The Authority participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Other Post Employment Benefits

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

NOTE 2 - CAPITAL ASSETS

The costs of additions to the utility plant, replacements of retired units of property, and land are capitalized. The utility plant includes a water treatment plant to provide water services to Members' residents and related water lines and wells. In addition, wastewater treatment facilities are included in the utility plant. Costs include labor, materials and an allowance for funds used during construction. Land is recorded at cost and is not depreciated. Capital assets are recorded at cost.

Certain capital leases in the approximate amount of \$275,000 are also capitalized and included in utility plant assets. During 2012 and 2011, there were additions of \$95,791 and \$1,627,663, respectively.

Capital assets are defined by the Authority as assets or a group of assets that have an estimated useful life in excess of one year and cost \$3,000 or more. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation expense is computed using the straight-line method based on service lives. Depreciation expense for the years ended December 31, 2012 and 2011 was \$877,708 and \$447,244, respectively, and as a percentage of the average depreciable utility plant in service was 3.05% and 1.56%. Estimated useful life for equipment and lines is 5 to 40 years and 30 to 40 years for buildings and plant.

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Notes to Financial Statements

December 31, 2012 and 2011

		Beginning Balances 12/31/11	Increases	Decreases	Ending Balances 12/31/12
Equipment and Lines	\$	13,330,810	95,791	-	13,426,601
Buildings and Plant		15,017,148	-	-	15,017,148
Land		342,909	-	-	342,909
Total Capital Assets		28,690,867	95,791	-	28,786,658
Accumulated Depreciation		(4,161,079)	(877,707)	-	(5,038,783)
Capital Assets, Net of Accumulated Depreciation	\$	24,529,788	(781,916)	-	23,747,872
		Beginning Balances 12/31/10	Increases	Decreases	Ending Balances 12/31/11
Equipment and Lines	\$	11,703,147	1,627,663	-	13,330,810
Buildings and Plant		15,017,148	-	-	15,017,148
Land		342,909	-	-	342,909
Total Capital Assets		27,063,204	1,627,663	-	28,690,867
Accumulated Depreciation		(3,713,835)	(447,244)	-	(4,161,079)
Capital Assets, Net of Accumulated Depreciation	\$	23,349,369	1,180,419	-	24,529,788

NOTE 3 - SALES CONTRACT - SALE OF SOLID WASTE SERVICE BUSINESS

Chisholm Creek Utility Authority sold the solid waste business to an unrelated entity effective December 31, 2004 for a total amount of \$594,748. The buyer made a \$102,000 down payment with the remaining balance of \$492,748 due in semi-annual installments over the following ten years. The Authority agreed to be responsible for billing and collecting monthly fees from recycling customers within the City of Bel Aire, Kansas and transmitting same to the purchaser. In addition, the Authority is responsible for contracting with the City of Bel Aire, Kansas for the billing and collection of residential solid waste disposal fees within that city. Fees collected are transmitted to the purchaser after deducting an agreed-upon service charge. The Authority obtained an irrevocable standby letter of credit from a bank in the amount of \$60,000 in favor of the purchaser in order to assure payment of the fees collected. In October 2010, the unrelated entity paid off the remaining balance of the amount collectible for this sale to the Authority. This amount was used to defease \$285,000 of the debt issued originally associated with the solid waste business. The defeased debt was paid off in 2012.

NOTE 4 – CAPITAL PROJECTS

Capital project authorizations compared with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

December 31, 2012 and 2011

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
Headworks Project	\$ 3,918,306	3,342,745

The Headworks project began during 2009 and was complete at December 31, 2011. However, not all expenditures were completed, paid and reconciled at year end in 2011. There were no outstanding capital projects for the year ending December 31, 2012.

NOTE 5 - DEFERRED CHARGES ON REVENUE BONDS AND INTANGIBLE ASSETS

Debt discounts and issue expenses are deferred and amortized to debt expense over the life of the related debt issues. Deferred charges on revenue bonds are capitalized and are being amortized over the life of the bonds. These deferred charges on revenue bonds (for bonds issued before 2012) and intangible assets for the year ended December 31, 2012 are as follows:

	2002 Revenue Bond	2004 Solid Waste Bond	2004 Refunding Bond	2007 Refunding Bond	Intangible Assets	Total
Original Amount	\$ 549,715	39,482	186,766	104,993	82,498	963,454
Accumulated Amortization	<u>(549,715)</u>	<u>(39,482)</u>	<u>(116,350)</u>	<u>(25,200)</u>	<u>(28,721)</u>	<u>(759,468)</u>
Ending Balance	\$ -	-	<u>70,416</u>	<u>79,793</u>	<u>53,777</u>	<u>203,986</u>

These deferred charges on revenue bonds and intangible assets on capital leases for the year ended December 31, 2011 are as follows:

	2002 Revenue Bond	2004 Solid Waste Bond	2004 Refunding Bond	2007 Refunding Bond	Intangible Assets	Total
Original Amount	\$ 1,102,791	39,482	186,766	104,993	82,498	1,516,530
Prior Period Restatement	(553,076)	-	-	-	-	(553,076)
Accumulated Amortization	<u>(521,707)</u>	<u>(27,965)</u>	<u>(85,085)</u>	<u>(21,000)</u>	<u>(26,021)</u>	<u>(681,778)</u>
Ending Balance	\$ <u>28,008</u>	<u>11,517</u>	<u>101,681</u>	<u>83,993</u>	<u>56,477</u>	<u>281,676</u>

Beginning in 2012, the Authority implemented GASB Statement No. 65, which requires underwriter fees

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and other debt issuance costs associated with the issuance of long-term bonds to be classified as current period outflows of resources (expenses). During 2012, the Authority expensed \$82,036 in bond issuance costs.

NOTE 6 - RISK MANAGEMENT CLAIMS AND JUDGMENTS

The Authority is subject to certain business risks common to the utility industry and 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.

The Authority carries commercial insurance for risks of loss, including property, general liability, and automobile liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Current insurance coverage is provided through Trident Insurance Services.

NOTE 7 - RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2012 and 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items *incurred in the ordinary course of operations and, accordingly, such items are not included below.*

The Authority has contracts with its Members to provide water and wastewater service for minimum amounts through 2032. Sales to its Members amounted to \$3,005,257 and \$2,825,186, respectively, for December 31, 2012 and 2011.

NOTE 8 - CONCENTRATIONS

Water and wastewater services are only sold to the member cities of Park City and Bel Aire. The total number of customers (measured by the number of meters) of each city at December 31, 2012 were 2,850/2,688 and 2,447/2,511 for water/sewer, respectively. The Authority is economically dependent on these two members.

NOTE 9 - LITIGATION

The Authority is subject to legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected fund of the Authority.

NOTE 10 - ENVIRONMENTAL ISSUES

The Authority's operation of the water and wastewater utility services pose a potential risk for environmental remediation liabilities. The operator of the facilities has indicated that the Authority has not violated environmental laws.

NOTE 11 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 27, 2013, which is the date the financial statements were available to be issued.

NOTE 12 - PRIOR PERIOD RESTATEMENT

CHISHOLM CREEK UTILITY AUTHORITY

Notes to Financial Statements

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The prior period financial statements have been restated to properly reflect the amount of deferred charges on revenue bonds related to the 2002 revenue bond. Part of the bond had previously been defeased and refunded and this adjustment is to properly adjust the deferred charges related to the defeasance and refunding in prior years. The cumulative effect of this change on net position and other assets is a decrease of \$553,076.

NOTE 13 - TEMPORARY FINANCING AGREEMENT

On October 13, 2009 a temporary financing agreement was issued per the Interlocal Cooperation Agreement between the City of Bel Aire, Kansas and the City of Park City, Kansas for **Chisholm Creek Utility Authority** to proceed with certain improvements to the wastewater treatment facilities. The improvements were approved up to but not to exceed \$3,918,306, of which the City of Bel Aire, Kansas is liable for \$1,322,934 and the City of Park City, Kansas is liable for \$1,875,372. The City of Bel Aire, Kansas issued temporary notes for financing the allocable portion of the costs. The Authority created bonded indebtedness for the long-term financing of the temporary notes issued by the City of Bel Aire, Kansas and the City of Bel Aire, Kansas paid the Authority for this indebtedness. The City of Park City, Kansas was able to fund their portion without issuance of temporary notes so the Authority has not had to create bonded indebtedness for long-term financing. The temporary notes issued by Bel Aire were paid off in full in 2012 by a portion of the revenue bonds that were issued by the Authority in 2012.

NOTE 14 - DEBT RESTRICTIONS AND COVENANTS

On March 1, 2002, the Authority entered into a bond agreement for the purchase and construction of a wastewater treatment plant and water plant.

The Series 2002 Water and Wastewater bond requires that rates must be established by the Cities of Bel Aire and Park City to allow a net profit of 125% of all base charges and 110% of any additional indebtedness. This rate covenant's calculation combines all water fund operations for the City of Bel Aire and the City of Park City with the Authority's activity. The cities bill customers for the water services then reimburse the Authority for these services provided. This process leads to timing differences between the transfers of revenues. The Authority was in compliance with this rate covenant requirement in 2012. This bond agreement also requires the Authority to carry insurance that is in accordance with the Prudent Utility Practice. The Authority is in compliance with this requirement as of December 31, 2012. A detailed summary of insurance carried by the Authority is shown on the supplemental schedule on page 24. The 2002 bond was fully paid off during 2012.

NOTE 15 - DEBT DEFEASANCE

On October 1, 2004, the Authority issued revenue bonds of \$7,235,000 (par value) Water and Wastewater Facilities Refunding Revenue Series 2004 with an interest rate of 3.00 - 5.00% to advance refund term bonds. The revenue bonds were issued at a premium and, after paying issuance costs, the net proceeds were \$7,174,268. The net proceeds from the issuance of the revenue bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2012, the amount of defeased debt outstanding amounted to \$0.

On April 1, 2007, the Authority issued revenue bonds of \$19,415,000 (par value) Water and Wastewater Facilities Refunding Revenue Series 2007 with an interest rate of 4.00-4.50% to advance refund term

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Notes to Financial Statements

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bonds. The revenue bonds were issued at a premium and, after paying issuance costs, the net proceeds were \$19,336,071. The net proceeds from the issuance of the revenue bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2012, the amount of defeased debt outstanding amounted to \$0.

On October 21, 2010, the Authority defeased revenue bonds of \$285,000 Series 2004 with proceeds from an unrelated party for the final payment of a sales contract. These proceeds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2012, the amount of defeased debt outstanding amounted to \$0.

On November 27, 2012, the Authority issued revenue bonds of \$6,400,000 (par value) Water and Wastewater Facilities Refunding & Improvement Revenue Series 2012 with an interest rate of 2.10-3.05% to advance refund term bonds and finance capital improvements. The revenue bonds were issued at a premium and, after paying issuance costs, the net proceeds were \$6,655,391. The net proceeds from the issuance of the revenue bonds were used to refund \$5,050,000 of outstanding principal of the Authority's 2004 bonds and refund \$1,495,000 of outstanding principal of the city of Bel Aire, Kansas' 2009 temporary notes. The remaining portion was deposited in reserve funds. The portion of the 2004 bonds that were refunded by the 2012 bond issuance were all callable. A portion of the 2004 bonds were not callable and thus not refunded. The net economic gain of the advance refunding was \$363,509. The advance refunding met the requirements of an in-substance debt defeasance and term bonds were removed from the Authority's financial statements. As of December 31, 2012, the amount of defeased debt outstanding amounted to \$0.

NOTE 16 - LONG-TERM LIABILITIES

The Authority has the following types of long-term liabilities:

Revenue Bonds

On March 1, 2002, the Authority issued \$28,980,000, with interest rates 3.25% to 5.25%, in series 2002 serial and term revenue bonds for the purchase and construction of a wastewater treatment plant and water plant. These revenue bonds have been issued for business-type activities of the Authority. These bonds were paid off in 2012.

On November 1, 2004, the Authority issued \$540,000, with interest rates of 5.00% to 6.00%, in series 2004 serial and term revenue bonds to pay in full a lease regarding the solid waste management function of the Authority. These revenue bonds have been issued for business-type activities of the Authority.

On October 1, 2004, the Authority issued \$7,235,000, with interest rates of 3.00% to 5.00%, in series 2004 revenue bonds to refund a portion of the series 2002 bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority. \$5,050,000 of these bonds were refunded in 2012.

On April 1, 2007, the Authority issued \$19,415,000, with interest rates of 4.00% to 4.50%, in series 2007 revenue bonds to advance refund a portion of the remaining Series 2002 revenue bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority.

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On November 27, 2012, the Authority issued \$6,400,000, with interest rates of 2.10% to 3.05%, in series 2012 revenue bonds to advance refund a portion of the remaining Series 2004 revenue bonds dated October 1, 2004 and to advance refund a 2009 temporary note held by the City of Bel Aire, Kansas. These revenue bonds have been issued for business-type activities of the Authority.

Capital Leases

On August 8, 2002, the Authority entered into an agreement with Zions First National Bank, in the amount of \$275,000 with an interest rate of 4.19%, in which the Authority is leasing equipment for the wastewater plant with an option to purchase the equipment at the expiration of the lease term. This lease expired in 2012.

On May 21, 2002, the Authority entered into an agreement with the Marlene L. Williams Trust and the Lewis W. Williams, Jr. Trust that amended the original Escrow Agreement made on October 29, 1992 between the trusts and the City of Park City, Kansas. This amendment to the escrow agreement transferred the original lease from the City of Park City, Kansas to the Authority. The original lease was in the amount of \$179,403 with an interest rate of 8% for the tract of land that the sewer plant resides on.

Long-term liability activity for the year ended December 31, 2012 was as follows:

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Revenue Bonds					
Series 2002 Water & Wastewater	\$ 650,000	-	650,000	-	-
Series 2004 Water & Wastewater	6,870,000	-	5,115,000	1,755,000	-
Series 2004 Solid Waste	25,000	-	25,000	-	-
Series 2007 Water & Wastewater	19,250,000	-	30,000	19,220,000	30,000
Series 2012 Water & Wastewater	-	6,400,000	-	6,400,000	820,000
Total Revenue Bonds	26,795,000	6,400,000	5,820,000	27,375,000	850,000
Capital Leases					
2002 Equipment	37,000	-	37,000	-	-
Wastewater Land	153,937	-	1,117	152,820	1,211
Total Capital Leases	190,937	-	38,117	152,820	1,211
Business-Type Activities Long-Term Liabilities	\$ 26,985,937	6,400,000	5,858,117	27,527,820	851,211

The maturity of long-term debt is disclosed on the following page.

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

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Principal											
Revenue Bonds	\$ 850,000	835,000	865,000	885,000	960,000	5,370,000	6,860,000	10,750,000	-	-	27,375,000
Capital Leases	1,211	1,312	1,421	1,537	1,666	10,648	15,864	23,634	35,213	60,314	152,820
Total Principal	851,211	836,312	866,421	886,537	961,666	5,380,648	6,875,864	10,773,634	35,213	60,314	27,527,820
Interest											
Revenue Bonds	1,186,263	1,205,096	1,179,746	1,153,496	1,126,646	4,704,597	3,304,100	1,710,901	-	-	15,570,845
Capital Leases	12,181	12,080	11,971	11,855	11,726	56,312	51,096	43,326	31,747	14,498	256,792
Total Interest	1,198,444	1,217,176	1,191,717	1,165,351	1,138,372	4,760,909	3,355,196	1,754,227	31,747	14,498	15,827,637
Total Principal and Interest	\$ 2,049,655	2,053,488	2,058,138	2,051,888	2,100,038	10,141,557	10,231,060	12,527,861	66,960	74,812	43,355,457

CHISHOLM CREEK UTILITY AUTHORITY

Supplementary Information

CHISHOLM CREEK UTILITY AUTHORITY
Schedule of Insurance Coverage
December 31, 2012

The Authority's insurance coverage was as follows:

Blanket Policy on All Real and Personal Property	\$	21,810,329
Commercial Property		
Accounts Receivable		100,000
Arson Reward		7,500
Building Ordinance or Law		
Loss to Undamaged Portion of Building	Building Limit	
Demolition and Increased Cost of Construction		100,000
Changes in Temperature or Humidity		50,000
Commandeered Property		100,000
Common Deductible Provision		Included
Communications Equipment		50,000
Computer Equipment		
Computer & Peripheral Device		50,000
Media & Software		25,000
Extra Expense		10,000
Crime Reward - Per Person / Maximum		1,000 / 5,000
Detached Signs		5,000
Electrical Damage		50,000
Extra Expense & Business Income		250,000
Fairs, Exhibitions, Expositions, or Trade Shows		50,000
Fine Arts		50,000
Fire Department Service Charge		5,000
Fire Equipment Recharge		Included
Flagpoles		5,000
Foundations		Included
Glass		Included
Glass Display or Trophy Cases		5,000
Grounds Maintenance Equipment		50,000
Lock Replacement		500
Money and Securities Inside or Outside Premises		10,000
Newly Acquired or Constructed Property		
Building		1,000,000
Personal Property		500,000
Off Premises Utility Failure		50,000
Outdoor Property - Any One Tree, Shrub or Plant / Total Limit		1,000 / 50,000
Penstock		100,000
Personal Effects and Property of Others - Any One Employee / Any One Occurrence		1,500 / 50,000
Personal Effects and Property of Others - Replacement Cost Valuation		Included
Pollutant Clean Up and Removal		25,000
Premises Boundary Increased Limit		1,000 Feet
Property in Transit		50,000
Property Off-Premises		50,000
SCADA Systems Upgrade		25% / 100,000
Sewer Back-up		Included
Spoilage		10,000
Valuable Papers		100,000
Automobile Liability		
Liability - Any Accident Inside Kansas / Any Accident Outside of Kansas		500,000 / 1,000,000
Personal Injury Protection		Included
Uncovered Motorists		1,000,000
General Liability		
General - Aggregate		2,000,000
Products and Completed Operations - Aggregate		2,000,000
Personal Injury and Advertising Injury (Each Person Limit)		500,000 / 1,000,000
Each Event Limit		500,000 / 1,000,000
Damage to Premises Rented Limit		100,000
Employee Benefits		Included

See independent auditors' report.