

CITY OF GENESEO

GENESEO, KANSAS

Special Financial Statements

December 31, 2010

City of Geneseo, Kansas

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December 31, 2010

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Geneseo  
Geneseo, Kansas

We have audited the accompanying primary government financial statements of the individual funds of the City of Geneseo, 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 the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2009 financial statements and, in our report dated August 13, 2010, 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 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.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of these component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City 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, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because 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 the City as of December 31, 2010, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company, LLC*

Certified Public Accountants  
September 30, 2011

## City of Geneseo, Kansas

## SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2010

Funds	Unencumbered Cash Balance 12/31/09	Receipts	Expenditures	Unencumbered Cash Balance 12/31/10	Accounts Payable and Encumbrances	Cash Balance 12/31/10
Governmental Funds:						
General	\$ 13,950	89,328	80,518	22,760	3,237	25,997
Special Revenue						
Library	-	3,609	3,429	180	-	180
Recreation	-	1,522	1,449	73	-	73
Employee Benefits	5,651	5,086	7,634	3,103	-	3,103
Special Street and Highway	1,809	6,970	7,213	1,566	-	1,566
Special Parks and Recreation	112	326	334	104	-	104
Equipment Reserve	347	-	-	347	-	347
Debt Service						
Bond and Interest	1,789	6,750	6,748	1,791	1,634	3,425
Proprietary Funds:						
Enterprise						
Waterworks	801	39,263	36,183	3,881	-	3,881
Waterworks Reserve	36,437	-	2,071	34,366	-	34,366
Sewer	29,832	36,499	19,881	46,450	-	46,450
Sewer Reserve	9,507	-	9,478	29	-	29
Refuse	1,267	16,254	12,381	5,140	-	5,140
Total Primary Government	\$ 101,502	205,607	187,319	119,790	4,871	124,661

## City of Geneseo, Kansas

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Funds:					
General	\$ 98,907	1,026	99,933	80,518	(19,415)
Special Revenue					
Library	3,886	-	3,886	3,429	(457)
Recreation	1,600	-	1,600	1,449	(151)
Employee Benefits	17,500	-	17,500	7,634	(9,866)
Special Street and Highway	23,216	-	23,216	7,213	(16,003)
Special Parks and Recreation	1,067	-	1,067	334	(733)
Debt Service					
Bond and Interest	8,830	-	8,830	6,748	(2,082)
Proprietary Funds:					
Enterprise					
Waterworks	51,846	-	51,846	36,183	(15,663)
Sewer	55,317	-	55,317	19,881	(35,436)
Refuse	13,664	-	13,664	12,381	(1,283)
Expenditures subject to current budget	<u>\$ 275,833</u>	<u>1,026</u>	<u>276,859</u>	175,770	<u>(101,089)</u>
Add expenditures of unbudgeted funds					
Special Revenue				-	
Enterprise Reserves				<u>11,549</u>	
Total Expenditures, Primary government				<u>\$ 187,319</u>	

## City of Geneseo, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 26,943	33,968	35,741	(1,773)
Vehicle taxes	10,959	8,157	8,657	(500)
Local sales tax	23,693	23,325	20,000	3,325
Franchise tax	14,148	16,317	16,000	317
Liquor tax	445	326	326	-
Fines, fees, and permits	2,329	1,119	2,500	(1,381)
Land lease	1,100	1,600	1,300	300
Interest	1,517	1,472	4,000	(2,528)
Sale of assets and other	4,110	2,018	2,000	18
Transfers from other funds	-	-	1,000	(1,000)
Reimbursed expenditures	1,251	1,026	-	1,026
	<u>86,495</u>	<u>89,328</u>	<u>91,524</u>	<u>(2,196)</u>
<b>EXPENDITURES</b>				
Administration				
Salaries and benefits	27,369	24,546	25,000	(454)
Contractual services	39,880	27,471	36,000	(8,529)
Commodities and other	7,147	9,075	10,000	(925)
Capital outlay	-	-	1,407	(1,407)
Fire protection				
Salaries and benefits	1,362	1,354	7,000	(5,646)
Contractual services	2,290	2,850	-	2,850
Police protection				
Salaries and benefits	6,205	10,687	14,000	(3,313)
Commodities and other	1,757	570	-	570
Contractual services	5,194	3,965	-	3,965
Capital outlay	1,395	-	-	-
Transfer to other funds	-	-	5,500	(5,500)
	<u>92,599</u>	<u>80,518</u>	<u>98,907</u>	<u>(18,389)</u>
Budget adjustments				
Qualifying budget credits - reimbursements	-	-	1,026	(1,026)
	<u>92,599</u>	<u>80,518</u>	<u>99,933</u>	<u>(19,415)</u>
Receipts over (under) expenditures	(6,104)	8,810		
UNENCUMBERED CASH, beginning	<u>20,054</u>	<u>13,950</u>		
UNENCUMBERED CASH, ending	<u>\$ 13,950</u>	<u>22,760</u>		

See notes to financial statements

## City of Geneseo, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<b><u>LIBRARY FUND</u></b>				
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 3,123	2,677	2,843	(166)
Vehicle taxes	605	932	1,043	(111)
Reimbursements and other	61	-	-	-
	<u>3,789</u>	<u>3,609</u>	<u>3,886</u>	<u>(277)</u>
<b>EXPENDITURES</b>				
Appropriation to the library board	<u>3,789</u>	<u>3,429</u>	<u>3,886</u>	<u>(457)</u>
Receipts over (under) expenditures	-	180		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>180</u>		
 <b><u>RECREATION FUND</u></b>				
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 1,291	1,145	1,180	(35)
Vehicle taxes	306	377	420	(43)
	<u>1,597</u>	<u>1,522</u>	<u>1,600</u>	<u>(78)</u>
<b>EXPENDITURES</b>				
Appropriation to the recreation commission	<u>1,597</u>	<u>1,449</u>	<u>1,600</u>	<u>(151)</u>
Receipts over (under) expenditures	-	73		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>73</u>		

## City of Geneseo, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<b><u>EMPLOYEE BENEFITS FUND</u></b>				
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 7,764	2,806	2,852	(46)
Vehicle taxes	700	2,280	2,616	(336)
	<u>8,464</u>	<u>5,086</u>	<u>5,468</u>	<u>(382)</u>
<b>EXPENDITURES</b>				
Payroll taxes and benefits	<u>3,244</u>	<u>7,634</u>	<u>17,500</u>	<u>(9,866)</u>
Receipts over (under) expenditures	5,220	(2,548)		
UNENCUMBERED CASH, beginning	<u>431</u>	<u>5,651</u>		
UNENCUMBERED CASH, ending	<u>\$ 5,651</u>	<u>3,103</u>		
<b><u>SPECIAL STREET AND HIGHWAY FUND</u></b>				
<b>RECEIPTS</b>				
State payments - gasoline tax	\$ 6,544	6,970	7,540	(570)
<b>EXPENDITURES</b>				
Salary and benefits	6,889	3,376	-	3,376
Contractual services	3,689	2,212	20,216	(18,004)
Commodities and other	1,076	1,625	-	1,625
Capital outlay	5,015	-	-	-
Transfer to other funds	-	-	3,000	(3,000)
	<u>16,669</u>	<u>7,213</u>	<u>23,216</u>	<u>(16,003)</u>
Receipts over (under) expenditures	(10,125)	(243)		
UNENCUMBERED CASH, beginning	<u>11,934</u>	<u>1,809</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,809</u>	<u>1,566</u>		

## City of Geneseo, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>SPECIAL PARKS AND RECREATION FUND</u>				
RECEIPTS				
State payments - Liquor tax	\$ 247	326	326	-
EXPENDITURES				
Salary and benefits	552	-	-	-
Contractual services	-	190	-	190
Commodities and other	316	144	1,067	(923)
	868	334	1,067	(733)
Receipts over (under) expenditures	(621)	(8)		
UNENCUMBERED CASH, beginning	733	112		
UNENCUMBERED CASH, ending	\$ 112	104		
<u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
Sale of property and other	\$ 300	-		
EXPENDITURES				
Contractual services and other	4,013	-		
Capital outlay	1,691	-		
	5,704	-		
Receipts over (under) expenditures	(5,404)	-		
UNENCUMBERED CASH, beginning	5,751	347		
UNENCUMBERED CASH, ending	\$ 347	347		

NOT APPLICABLE

## City of Geneseo, Kansas

**Debt Service Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<b><u>BOND AND INTEREST FUND</u></b>				
<b>RECEIPTS</b>				
Ad Valorem property tax	\$ 5,178	5,194	5,452	(258)
Vehicle taxes	<u>1,452</u>	<u>1,556</u>	<u>1,707</u>	<u>(151)</u>
	<u>6,630</u>	<u>6,750</u>	<u>7,159</u>	<u>(409)</u>
<b>EXPENDITURES</b>				
Bond principal	3,300	3,400	3,400	-
Interest	3,508	3,348	3,430	(82)
Cash basis reserve	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
	<u>6,808</u>	<u>6,748</u>	<u>8,830</u>	<u>(2,082)</u>
Receipts over (under) expenditures	(178)	2		
UNENCUMBERED CASH, beginning	<u>1,967</u>	<u>1,789</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,789</u>	<u>1,791</u>		

## City of Geneseo, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>WATERWORKS FUND</u>				
RECEIPTS				
Sales	\$ 30,377	39,155	42,000	(2,845)
Connection fees	800	-	-	-
Reimbursements and other	8	108	-	108
	<u>31,185</u>	<u>39,263</u>	<u>42,000</u>	<u>(2,737)</u>
EXPENDITURES				
Salary and benefits	8,943	11,538	7,000	4,538
Contractual services	16,274	17,943	10,000	7,943
Commodities and other	5,297	3,394	10,000	(6,606)
Capital outlay	1,654	3,308	8,346	(5,038)
Transfer to other funds	-	-	16,500	(16,500)
	<u>32,168</u>	<u>36,183</u>	<u>51,846</u>	<u>(15,663)</u>
Receipts over (under) expenditures	(983)	3,080		
UNENCUMBERED CASH, beginning	<u>1,784</u>	<u>801</u>		
UNENCUMBERED CASH, ending	<u>\$ 801</u>	<u>3,881</u>		
<u>WATERWORKS RESERVE FUND</u>				
RECEIPTS				
Transfer from other funds	\$ -	-		
EXPENDITURES				
Contractual services	1,654	1,579		
Commodities	-	492		
	<u>1,654</u>	<u>2,071</u>		
Receipts over (under) expenditures	(1,654)	(2,071)		
UNENCUMBERED CASH, beginning	<u>38,091</u>	<u>36,437</u>		
UNENCUMBERED CASH, ending	<u>\$ 36,437</u>	<u>34,366</u>		

NOT APPLICABLE

See notes to financial statements

## City of Geneseo, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparable actual totals for the prior year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>SEWER FUND</u>				
RECEIPTS				
User fees	\$ 35,156	36,499	32,500	3,999
Connection fees and other	350	-	-	-
	<u>35,506</u>	<u>36,499</u>	<u>32,500</u>	<u>3,999</u>
EXPENDITURES				
Salary and benefits	1,421	625	10,000	(9,375)
Contractual services	4,505	2,647	7,000	(4,353)
Commodities and other	818	-	2,000	(2,000)
Capital outlay	10,700	-	10,178	(10,178)
Debt service	16,974	16,609	16,639	(30)
Transfer to other funds	-	-	9,500	(9,500)
	<u>34,418</u>	<u>19,881</u>	<u>55,317</u>	<u>(35,436)</u>
Receipts over (under) expenditures	1,088	16,618		
UNENCUMBERED CASH, beginning	<u>28,744</u>	<u>29,832</u>		
UNENCUMBERED CASH, ending	<u>\$ 29,832</u>	<u>46,450</u>		
<u>SEWER RESERVE FUND</u>				
RECEIPTS				
Transfer from other funds	\$ -	-		
EXPENDITURES				
Capital outlay	860	-		
Contractual Services	-	9,478		
	<u>860</u>	<u>9,478</u>		
Receipts over (under) expenditures	(860)	(9,478)		
UNENCUMBERED CASH, beginning	<u>10,367</u>	<u>9,507</u>		
UNENCUMBERED CASH, ending	<u>\$ 9,507</u>	<u>29</u>		
			NOT APPLICABLE	

## City of Geneseo, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

( With comparable actual totals for the prior year ended December 31, 2009 )

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<u>REFUSE FUND</u>				
RECEIPTS				
Refuse collection fees	\$ 14,391	16,254	13,500	2,754
EXPENDITURES				
Contractual services	13,283	12,381	13,664	(1,283)
Receipts over (under) expenditures	1,108	3,873		
UNENCUMBERED CASH, beginning	159	1,267		
UNENCUMBERED CASH, ending	\$ 1,267	5,140		

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Geneseo, Kansas is a municipal corporation incorporated under the laws of the State of Kansas. The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council members. These financial statements present only the City of Geneseo as the primary government.

Component Units

The Geneseo Public Library and Geneseo Recreation Commission, component units of the City of Geneseo, Kansas, are not included in these financial statements.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, 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 City 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 City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation 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 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 during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FUND DESCRIPTION

In governmental 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 activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
4. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City's 2010 budget was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds, enterprise reserve funds, and the Equipment Reserve special revenue fund.

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

4. DEPOSITS AND INVESTMENTS

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

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

As of December 31, 2010, the City's investments included only bank certificates of deposit with a fair value of \$60,663, which are not subject to investment rating.

City of Geneseo, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City 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 City's deposits may not be returned to it. State statutes require the City'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 City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits was \$124,661. The bank balance totaled \$122,932. The balance was held by one bank resulting in a concentration of credit risk. As of December 31, 2010, 100% of the bank balance was covered by FDIC insurance.

Composition of Cash Balance

Amount on deposit with financial institutions	
City checking	\$ 63,998
Time deposits	<u>60,663</u>
	<u>\$ 124,661</u>

5. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violation incurred in the year ended December 31, 2010.

6. LONG-TERM DEBT

Changes in the long-term liabilities for the City 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>Maturity Date</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/10</u>	<u>Interest Paid</u>
General Obligation Bonds, including special assessments:									
Series 1999	4.750%	07/07/99	\$ 99,000	07/07/24	\$ 72,200	-	3,400	68,800	3,348
Series 2007-A	4.125%	06/05/07	336,700	06/05/47	312,401	-	3,737	308,664	12,872
					<u>384,601</u>	<u>-</u>	<u>7,137</u>	<u>377,464</u>	<u>16,220</u>
Capital Lease Obligation:									
2005 Pickup	4.250%	06/04/09	15,070	12/04/13	12,047	-	2,826	9,221	482
Total Long-Term Debt					<u>\$ 396,648</u>	<u>-</u>	<u>9,963</u>	<u>386,685</u>	<u>16,702</u>

City of Geneseo, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LONG-TERM DEBT (Continued)

Current maturities of long-term debt and interest through final maturity are as follows:

Year(s)	Principal			Interest		
	GO	Capital	Total	GO	Capital	Total
	Bonds	Leases		Bonds	Leases	
2011	\$ 7,491	2,947	10,438	15,986	361	16,347
2012	7,715	3,074	10,789	15,654	234	15,888
2013	8,117	3,200	11,317	15,313	109	15,422
2014	8,491	-	8,491	14,954	-	14,954
2015	8,872	-	8,872	14,578	-	14,578
2016-2020	50,577	-	50,577	66,637	-	66,637
2021-2025	55,992	-	55,992	54,380	-	54,380
2026-2030	38,671	-	38,671	44,345	-	44,345
2031-2035	47,336	-	47,336	35,685	-	35,685
2036-2040	57,929	-	57,929	25,082	-	25,082
2041-2045	70,932	-	70,932	12,104	-	12,104
2046-2047	15,341	-	15,341	334	-	334
	<u>\$ 377,464</u>	<u>9,221</u>	<u>386,685</u>	<u>315,052</u>	<u>704</u>	<u>315,756</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Geneseo contributes to 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. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 5.93% at December 31, 2010. The City of Geneseo contribution to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$894, \$0 and \$1,001 respectively, equal to the statutory required contribution for each year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

8. SUBSEQUENT EVENTS

Capital Improvements

The City is in the planning process for major capital improvements to the City owned water distribution system. The estimated cost of the improvements is \$1,082,600, to be financed with an approved federal Community Development Block Grant of \$496,000, and long-term debt to be issued by the City.

9. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through September 30, 2011, which is the date the financial statements were available to be issue.